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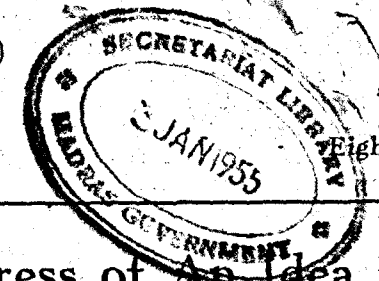
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The Progress of An Idea

UPTO the nineteenth century, world events were dominated by any one single Power at any one time. Portugal, Spain, Holland and France dominated the world, each separately and in their turn, for a considerable span of time. Throughout the nineteenth century, Britain was the dominant world Power. This historical sequence of single-Power domination of the world ended after the end of the first world war. The League of Nations was formed. Collective security was its basis. This concept did not prevent the start of the second world war. After the end of the second world war, the United Nations came into existence. This organisation was also founded on the principle of collective security. Between the League of Nations and the United Nations, the difference would seem to be that, while the League had not the courage to apply collective security, the United Nations had the boldness to translate the concept into practical action.

Collective security has had a fair trial. Experience to date is not very hopeful. Only time can reveal whether collective security alone can prevent a third world war. But it is already evident that it has not prevented the "cold war". Another assumption underlies the attempts made so far to attain and to preserve world peace. It is that, though the era of single-Power world domination may have ceased, world peace cannot be maintained without an agreement among the Big Powers to maintain world peace. This is an assumption which is not altogether invalid. But recent developments indicate that this assumption, as well as some of its implications, may need re-consideration. From a closer examination of the underlying bases of this assumption and its implications, certain conclusions emerge.

Neutrality is, perhaps, as old a conception as Switzerland. But the concept of neutrality has changed, even as its justification and possibility have taken new shapes and significance. Upto the start of the second world war, neutrality, or rather the existence of one or some States as neutral Power or Powers, was considered as necessary even by the rival combatants. Neutral States existed throughout the second world war. Since the end of the second world war, and especially since the start of the "cold war", the argument has very often been advanced that neutrality is not a practical concept. In an atomic war, this may be true. But those who believe that neutrality is not possible do not stress this aspect. Their main argument is that, as world peace depends on the Big Powers, it is essential that all the countries must align themselves to those Big Powers who are striving for peace. Here, the question is not which of the Big Powers are trying to preserve peace. According to this argument, the main fact is that, if the Big Powers decide to wage war, the small Powers will be necessarily involved, whether the latter like it or not.

Consider, first, this Big Power argument. This is a projection from the era of single-Power domination to the present period, when the world contains more than one or two Big Powers. It is this changing

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pattern of the growth of Big Powers which is of some significance. It is doubtful whether war is inevitable, except under certain extreme circumstances, even if Capitalist America and Communist Russia decide to fight it out among themselves for ultimate world domination. That depends on certain other related circumstances. For one thing, neither America nor Russia is likely to "go it alone". Britain and France have repeatedly demonstrated that they want to prevent, if possible, a third world war. In America, there may be doubts whether Communist Russia and the Communist States in Eastern Europe have rendered, or will ever exercise, such a restraining influence on Russia. On purely strategic grounds, it would seem that Russia would prefer Communist China in the south and the Communist Eastern European States in the west to remain neutrals in the event of a war.

Another development since the end of the second world war has tended to shift the emphasis away from the Big Powers. Since the war, many Asian and African countries have attained independence; some others have emerged out of foreign political or economic domination. All of them are small Powers. All of them are interested in world peace so that they can

pursue their objective of economic progress. These Powers are not as much neutral as peace-loving. In their pursuit of peace, they have established two facts. One is that, collectively, they are able to exercise a major influence on world affairs. They have also demonstrated that the Big Powers cannot settle or decide world issues without prior consultation with them, and without their acceptance of Big Powers' decisions. Simultaneously with these achievements, the small Afro-Asian Powers have been trying to create and to extend an area of peace.

Only eight months ago, Colombo Powers met in Colombo to enunciate the basis of relations among them, and between them and the outside world. Since the Colombo Conference, India, China and Russia have, separately and jointly, undertaken to base relations between them on the "five principles" enunciated in the preamble to the Agreement between India and China on Tibet. Acceptance of national sovereignty and non-interference in internal affairs are the two main pillars of this foundation of peace. Not only the Colombo Powers and China but Yugoslavia has also aligned herself with this foundation, and with the "five principles" on which it is based. Both China and Yugoslavia are Communist coun-

tries, although neither is Stalinist in outlook. Colombo Powers and two Communist States are making sincere efforts to demonstrate that peaceful co-existence is possible.

At Bogor now, the Colombo Powers are exploring the prospects of extending these principles and concepts in space. It has been decided to hold an Afro-Asian Conference in Indonesia at the end of April. Most of the African States are peace-loving, and are opposed to aligning themselves with either of the rival power blocs. Along with Yugoslavia, China and the Asian Powers, they do not reject the possibility of peaceful co-existence. They have a common interest with China, Yugoslavia and the Colombo Powers in establishing and extending an area of peace. It would be unwise to ignore the conflicting interests of the Afro-Asian countries, or the inherent incompatibility within such a heterogeneous group of countries and Powers. But, as long as they profess a common interest in peace, it should not be difficult for them to unite in their common aim. Whether the objective be defined as peaceful co-existence or the creation and maintenance of an area of peace, all peace-looking peoples in all parts of the world will wish them success in their peaceful efforts.

Rural Reorientation through Credit

It would be a mistake both to the Committee of Direction of the All-India Rural Credit Survey and to the problem of Rural Credit Committees to pass judgment on the observations contained in the General Report in a cavalier fashion. The Committee have taken nearly three years to collect facts and interpret them and not all the facts which they have collected are available to those who want to comment on the findings. We have what may be termed the conclusions of the Committee as raw material and not the data collected through the sample survey spread over the entire country and over a considerable span of time. And even if all these facts so laboriously collected were available, interpretation would be a task requiring the knowledge of many extra-economic factors. It is therefore inevitable that any assessment of the findings of the General Report of the Rural Credit Survey

should be tentative—an assessment more in the nature of thinking aloud on a question which is likely to remain unsettled for a long time, rather than a definitive statement of the proper approach to rural finances.

This is not to say that what the report says is of little weight. On the contrary, the report draws attention to, and takes its stand on, issues wider than that of the mere mechanism of providing finance for the rural sector. Very commendably it deals with the rural problem as a problem not only of economic arrangements directed to several worthwhile ends, but also of social adjustments, leadership and psychological reorientation. For the substance of the Committee's findings with regard to the present position is that agricultural credit, as it is applied by the different agencies, falls short of the right quantity, is not of the right type and often fails to reach the right

people. It caters for the needs of a very small proportion of agriculturists and by and large assists only those who could help themselves to a very considerable extent. If it does not supply the requirements of the middle and small cultivator, it is not only because the credit-worthiness of the latter is less, but because owing to the present arrangement, the better-off landholder enjoys certain advantages which make it possible for him to establish contact with the institutional lenders. Indeed, the report goes further and brings home the point that it is the large landholders who exercise effective control on the institutional lenders operating in rural areas and are in a position to establish their contact with an urban sector. In the view of the Committee, therefore, any solution of the problem of rural credit will have to take cognisance of this total position of strength concentrated in a few as a result of the

operation of economic as well as social factors.

The way out of this difficulty that appeals to the Committee is contained in a slogan, "Co-operation has failed, but Co-operation must succeed." The several reasons which the Committee gives for the failure of co-operation as a means of satisfying the credit needs of the village are summarised elsewhere in this issue. Without going into the ramifications of this slogan, it may be pointed out that what is aimed at is a rejuvenation of the co-operative method of financing, partly through larger State co-operation and partly through a change in attitudes. As regards the former, the report envisages the greater provision of credit by the Government both directly and through the Reserve Bank of India, as well as establishment of a State Bank of India with a wide network of branches. This mammoth institution is to be created as a result of the amalgamation of the Imperial Bank of India and of several other banks operating in close association with State Governments. Admittedly this part of the recommendations of the Committee is capable of implementation, since it involves little more than mechanical adjustments. But the second set of recommendations, which in a sense are infinitely more important than the mechanical arrangements, are not likely to be easy of achievement. That adjustments in attitudes are necessary for a proper integration of the rural economy into a wider structure is indisputable. What is in doubt is how best it can be done. Unfortunately the Committee's panacea of co-operation all around is not likely to be a quick or a controllable process.

It should be recognised that even the mechanical adjustments recommended by the Committee raise a variety of difficulties. For instance, the Committee has recommended the creation of various funds which would all be concerned with augmenting different types of credit needed in the rural areas. A very substantial portion of the initial and working resources for these funds have to be provided by the Reserve Bank of India. One way or another, the liability of the Reserve Bank to keep these funds well supplied with liquid resources might end up in an injection of the medium of exchange into the rural system; such injection will have to be precisely at those points where it bears maximum fruit, if the ex-

pectations of the Committee are to be fulfilled. Quite obviously the Reserve Bank will have to operate through the co-operative system and the effectiveness of the Reserve Bank's lending will depend on the manner in which the co-operative societies at the base dispense credit. If one of the reasons for the present failure of co-operative credit societies is that the people managing it are not sufficiently rural-minded, the mere addition to funds at their disposal will not bring about any spectacular results. Along with the increase in credit resources, there should be an increase in the extent to which such credit is made available to those who need it most, namely, the small cultivators. This cannot happen unless those who manage the co-operatives have attitudes different from what it prevails now. In other words, even assuming that the various funds recommended by the Committee are set up and that the resources at the disposal of co-operative banks are enlarged, it will be of little import if at the same time the most vulnerable section of the rural community does not come to believe that the co-operative societies are there for his benefit and that the price he has to pay for utilising its benefits is not unduly high in monetary or other terms. It is not as if the Committee are not aware of this aspect of the trouble. The stress time and again is on the need for greater rural-mindedness in the field of credit. But short of a change in human nature, they are apparently unable to see how the position can be remedied.

Much the same sort of difficulty arises in respect of the second major recommendation of the Committee, namely, the setting up of a State Bank of India. With an increase in the number of branches of such an institution, it is no doubt true that various advantages in the field of remittance, etc., would be gained. It may also happen that the existence of a branch of a state-owned bank might attract deposits and strengthen the banking habit in the rural areas. But with all that, if the banks operate in a manner that would be suitable to an urban rather than a rural environment, it is doubtful if they will make any difference to the existing position and succeed in supplanting gradually the money-lenders and traders who now account for over 70 per cent of rural credit supply. Besides, the nationalisation of the Imperial Bank of India and the other banks might

create wider repercussions of a psychological nature. It is of course somewhat hazardous to go into the ramifications of this aspect, since one is likely to be urban-minded rather than rural-minded in one's response to questions of nationalisation. That is to say, to the urban sector of the economy, a phrase like State co-operation has certain undertones which are likely to discount the co-operation element in it. So for that matter would nationalisation. But what the reaction of a properly rural-minded person would be to these developments, it will be difficult to say. Maybe, the ideological battle that rages in the industrialised urban field in regard to State and private enterprise has little meaning to the small cultivator. So long as he gets his credit, he may not bother as to the nature of the agency supplying it. Despite all these, however, an increase in State participation in the rural sector, which would be inevitable if the Committee's recommendations are adopted, could have repercussions on those external influences to which considerable importance is given by the Committee in their analysis of the problem of rural finance.

There is, finally, the other side to the picture which also needs considerable attention. This is the emphasis laid by the Committee on the futility of concentrating on credit alone to the neglect of production and marketing techniques. These also have to be incorporated into a gigantic structure of co-operation in which both the State and the agricultural entrepreneurs participate with a fresh outlook. Change of agricultural techniques, improved communications, better method of supplying the raw materials needed by the agriculturists—all these and many others have to be attempted and achieved. It therefore ultimately becomes a question of the proper approach to agricultural problems, not as a problem of finance alone but of total economic and social reorganisation. It is a task so mighty that careful enunciation of it might look academic or visionary. But situated as we are, it is to be viewed with weight, and tackled on a massive scale. It is to the credit of the Committee, that they have not hesitated to pose the problem and suggest the remedy in a manner which makes it clear that the task to be performed is not that of an expert in only one field but of the community as a whole, both urban and rural.

Weekly Notes

Back to Academic Life

BOMBAY UNIVERSITY is lucky to get Dr Matthai to guide its affairs and let us hope, for many, many years. For a man of his academic background and intellectual bent Dr Matthai has shown an amazing flair for affairs and had had opportunities which, in his time, came to few men.

From a college professor to Director-General of Commercial Intelligence and Statistics, then the Tariff Board, Directorship in Tatas, portfolio for Railways in the first Congress Cabinet at the Centre, then the all important portfolio of Finance and back to the Tatas, the positions that Dr Matthai has held and the variety of jobs he has performed have not been excelled by many of our front rank public men. Yet, throughout, he has preserved a donnish air and academic detachment. With his alive mind that delights in exploring all sides to a question, though he has been in their front rank Dr Matthai could never be a politician proper, who looks at one side of the question and looks at it all the time. Rarely does the right job fall to the lot of the right person as it has done in the case of Dr Matthai.

Tea Export Quota

TEA prices have reached fantastic heights both in Mincing Lane and Calcutta auction. It may hurt consumers in Britain, but surely it does not hurt the Indian producers. That was the reassuring statement from the Minister of Commerce and Industry. Who ever hard of producers getting together to put a ceiling on the price of their own products? So that could not be the point. Surely no one ever imagined that producers would like the Government to intervene for the express purpose of bringing down export quota prices.

The economics of tea is extremely complicated, and it remains more than a little obscure to all, except perhaps the people in the trade. Despite a plethora of tea statistics, no one knows for certain—not even the Tea Board—what is the amount required for domestic consumption. Now there being two prices for tea—one for tea sold with export quota and another for tea intended for domestic consumption—ignorance of the latter is a serious handicap in deciding the

correct principle of allocation between domestic and over-sea market. As the price of tea with export rights has gone up—the export quota itself which is separately trade has reached an all-time high level of 380 pies per lb!—the difference between export and internal prices has widened. It has widened to such an extent as to raise doubts whether domestic consumers are not being pampered and worse still, whether from the wholly laudable object of helping the domestic consumer, the Government, acting without adequate data, is not losing the opportunity of higher export earnings by refusing to release export quotas to the level permissible under the International Tea Agreement. The permissible quota is 135 per cent of whatever the base year was out of which 129 per cent have been authorised for export but the Government is sitting tight over the balance of 6 per cent which amounts to some 20 million lbs of tea.

The reluctance to release the rest of the quota again is due to ignorance of the factual position. The Ministry would like to wait and make sure that the flood damage will not reduce domestic supplies before it takes any action. This does not make much sense to outsiders when they are told that the North India crop has been so much better this year. In fact, the published statistics of production upto the end of November are some

498 million lbs as compared to 473 million lbs in the same period in the previous year. If these figures are correct, there should certainly be a comfortable margin to justify the release of the balance of the quota without impinging on domestic supplies in any way.

If the Government has genuine concern for the domestic consumer, the real problem to tackle is the margin between retail and high wholesale prices. It is the prices of branded teas which are more than usually 'sticky'. At the moment, however, this class of retailers may claim to be virtuous indeed and forbearing, but in an earlier period when tea prices crashed, the Commerce Ministry had a real case against them which it did not pursue with much energy.

How fantastic the rise has been is brought out in the latest monthly statistical summary just issued by the International Tea Committee in London. The average fetched by North Indian tea at the end of November was 6s 11.2d per lb as compared with 3s 9d in the same week 12 months ago. Ceylon tea on the other hand averaged 6s 11.4d per lb as compared with 4s 1.7d per lb 12 months ago. It will be noticed that Indian tea has been fetching about the same price as Ceylon tea while a year ago the price difference was very much to its disadvantage. Is it because the quality of Indian tea has improved or scarcity tends to obliterate differences in quality?

Beneficent Nature in Pakistan

THE analysis of the factors contributing to the increased agricultural production in India during 1953-54 made by the Planning Commission in its *Progress Report* issued some months ago threw a wet blanket on the premature jubilation of those who were celebrating the solution of the problem of food shortage. The Report made the point that a 21 per cent increase in food production was not theoretically impossible on the basis of better weather conditions alone and that further, on a detailed regional analysis, even a conservative estimate of the role of a good monsoon could ascribe roughly 5 to 6 million tons of the total increase of 11.4 million tons to its beneficent character during the year. While the balance of the increase in food production could be depended upon in a normal

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year, an abnormally bad year or two might well reduce total production to a level at which internal production would be insufficient to satisfy the needs of the country.

Support to the conclusions of the Planning Commission can be found in the final crop estimates for Pakistan for 1953-54 which are published in the Current Statistics on page 23 of this issue. Substantial increases in food production, as well as in other crops, have been recorded in Pakistan, although one could hardly say that any sustained or organised effort was being made there for the purpose.

Official crop estimates show an increase in rice production by ten lakh tons due mainly to an increase in acreage by 15 lakh acres but also due to an increase in output per acre. Assuming that the major part of this increase has taken place in East Bengal, a comparison with West Bengal, where also a large increase in rice production has taken place, becomes possible. In West Bengal, the increase in rice acreage was offset by a decrease in the acreage under jute caused probably by the price factor. The Pakistan figures, however, show a substantial increase in jute acreage at the same time.

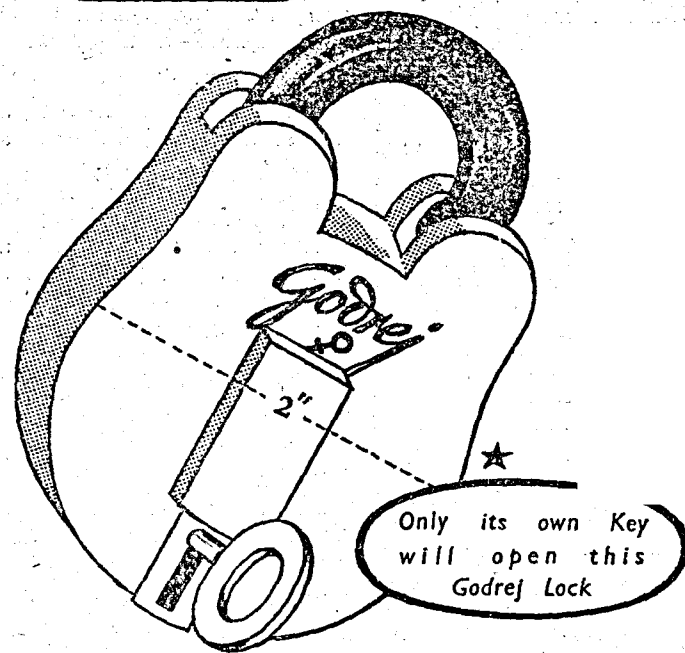
Wheat production in Pakistan has risen sharply by 12.45 lakh tons, 51 per cent, while the area under wheat has risen only 1.14 lakh acres, or 12 per cent. Thus, the average output of wheat has risen sharply and if a special effort was not made, the weather must have been responsible for this.

Cotton, which is grown in Pakistan in the same region as wheat, and other cereals, shows a sharp fall in acreage and production. How far a shift in acreage from cotton to foodgrains was due to the price factor and how far to the weather must remain a matter for speculation in the absence of detailed data. In any case, the areas under jowar, bajra, maize, barley and gram also show increases and all these together are much greater than the fall in acreage under cotton. Perhaps land under fodder crops or which would otherwise have remained fallow was brought under the plough because of favourable weather conditions during the planting season, as happened in Rajasthan. These figures certainly tend to strengthen the suspicion of the Planning Commission about the stability of the increase in food production in India.

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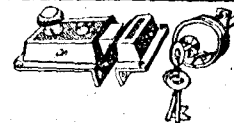


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The Latest in Show Rooms

THE old landmarks disappear one by one in every city in the world, and new ones appear. But when sky scrapers replace junk shops in Calcutta, it usually heralds the emergence of some business house or other from the promiscuous obscurity of Burra Bazar to the forefront of big business. The tallest of the sky scrapers in Calcutta, however, to continue the metaphor, heralds something quite different, viz, the emergence of the bureaucratic state as the most outstanding spectacle of modern times. It is in the fitness of things, therefore, that the new secretariat should overshadow all other buildings.

In the case of some of the landmarks, the structure remains but the contents have undergone a sea change. Both in Bombay and Calcutta, the famous departmental stores where the Europeans and the anglicised Indian elite did their shopping have gone one by one. Whiteways, Army Navy Stores, have all gone and the buildings which housed them have now been converted into business offices. Insurance, handicrafts, airlines, advertising have filled the vacuum created by the disappearance of select clientele of an ancient regime. Curiously enough departmental stores in other countries cater only to the widest circle of buyers—Woolworth and Selfridges are for the common people. The more fastidious go to exclusive and expensive shops. East of Suez the habitual shoppers at Claridges used to be a separate and exclusive class and departmental stores that served them exclusive, too, and showed him his place if ever the Chandney shopper strayed into their sacred premises.

Though it has lost its old glory, Hall and Anderson are still carrying on an unequal fight, trying to keep up a link with the past. They still run some sort of a store, though space occupied by the store keeps on shrinking. A whole wing of the building has been taken up by Philips Electrical office for their Calcutta branch and show room. This was opened last month and it may some day become a landmark in its own right. It is not a big show by any means, but full of interesting possibilities. The casual visitor may not be able to take in

at a glance all that has gone into the designing of this bright little show room. Guests present at the reception on the opening day, however, had the benefit of having an expert look at things, which was indeed revealing.

Modern lighting is both an art and science. The ceiling of a show room may look no different from any ordinary ceiling. But if you watch it carefully, you will find that it is like a chess board, but a chess board in which the blocks can be moved instead of the pieces being moved from one block to another. Blocks can be shifted any way you like, to get the desired arrangement of lighting for a particular purpose. So if you want something to be high lighted, without making it too obvious, and letting the visitor suspect that his attention is being drawn to some thing in particular and avoid the effect of being garish you simply move the blocks to the desired position. As a result the object you want to be high-lighted at once get more illumination than others. It stands out. And the lighting can be varied indefinitely—tonight it may be a new model of radio that gets the limelight, tomorrow you may want to give special display to a refrigerator that works on D C current—whatever your electrician may tell you, some of these are still available for sale, though I am not sure that many more are being manufactured—another night, it may be some dish-washing machine that becomes the centre of attraction.

Lighting, again, has to be blended with the colour scheme of the room—harmony has its points, but it can sometimes be monotonous depending on the colour. Pleasing contrasts can be very effective and more cheerful, while if you have to work for long hours in a room, perhaps another combination may be more suited for the occasion, a blend that will tire you less.

Selling of modern electrical appliances which seem to slowly catch up with Indian homes, need special techniques with no little stress in educating the prospective buyers in the use of these gadgets. The new show room of Phillips is an effort, first of its kind in India, which will not only provide pleas-

ing environment for a buyer to see and know the product he is interested in, it will also educate hundreds of dealers who handle radios, lamps, lighting fixtures or domestic appliances, to display their wares in a manner that will attract more customers.

Vyapar Directory

THE new Vyapar Directory keeps up the high standard of its predecessors. By its extended coverage of the economic, agricultural and industrial development of the country and the progress of the Five-Year Plan, it adds much to its usefulness as a handy and complete book of reference for businessmen who find it easier to get their information in Gujarati than in English. Not that those who read English need despise it either. There are not many publications in any language which give such exhaustive information for businessmen.

The publishers have not been after a mere compilation of names and addresses, and have taken great pains to collect and collate useful information on each and every aspect of our economy and they have done it intelligently.

Among other attractions in the omnibus volume, mention may be made of the chapter 'Our States' which contains particulars of commercial importance of every city in India. Business houses dealing in export-import trade will greatly benefit from the chapter Foreign Trade, as also the one on Foreign Countries. The first traces the history of India's foreign trade and brings it up to date while the second contains information relating to commerce of all the important countries in Asia, Africa, Middle East, Far East and Australia.

The text of many of the important commercial and industrial acts as well as important press releases by trade associations have been reproduced in full. Exhaustive list of firms overseas interested in India's foreign trade continues to be a major attraction of the volume. Priced at Rs 20, the directory is good value for the money.

Conferences and Exhibitions

THINGS happen in Calcutta. That was what an Editor of a news agency told this writer a year ago. He was thinking of expanding his Calcutta coverage. Nothing materialised finally. But a year in Calcutta has taught this writer that things do happen in this city. All that happens is not political. Even Communists cannot be always active. Trade unionists cannot stage labour marches everyday. And sometime, some day, the dock labour dispute gets settled, the workers get tired of convening protest meetings, and PTI employees decide to postpone the threatened, one-day strike.

Calcutta is not the home of cricket in India. Even then, there was a one-day cricket match in which most of the all-India players took part. There was the quadrangular football tournament. India won the trophy for the third year "in a row". India's tennis stars are not from Calcutta. But the South Club tennis championship still attracts all the all-India stars. South Club is now holding the annual championship tournament.

CALCUTTA GOES GAY

This is the season when a part of Calcutta goes gay. But that is only a part of Calcutta. This city has always its serious aspect. Is there any other city in India where the Prime Ministers of India and Pakistan could meet, not by choice, but by chance? They did meet at the Dum Dum airport this week just by chance. And the people came to know that Pakistan was not going to raise the Kashmir issue before the Security Council until after the proposed meeting between the two Prime Ministers. That was good news, and a pleasant surprise.

This is the time of the year when Calcutta holds annual meetings and exhibitions. There is the annual exhibition of the Academy of Fine Arts at the Museum. At the Austin Showroom in Chowringhee, a rival body, the newly formed National Academy held its first exhibition. A budding Sher Gil put both into the shade by her brilliant one woman show. It is inevitable that one of the numerous all-India music conferences will now be on. In a nearby cinema, one can have a look at the "Stars of the Russian Ballet". One can have a glimpse of Ulanova, the prima ballerina.

Calcutta is at the periphery of the mining and industrial belt of India. This city is the headquarters of the Mining, Geological and Metallurgical Institute of India. This Institute holds an annual meeting in Calcutta during the Christmas holidays. Once a year, the scientists and engineers concerned drink to the toast of the "Mineral Industry of India". Important things are said and discussed in this annual meeting. One has not yet had the time to glance through the various papers read and debated this year. But this year's presidential address was rather prosaic.

MUSLIM BENGAL

This is not a criticism of the president. This year the toast was proposed by the President of the Mining Association. He has spent all his working life in the commercial side of the coal industry. He discussed the problems of the coal industry. It was thorough. It could not be bettered by any chairman of any coal company. It has provided valuable copy to City Editors for their discussion on the prospects of the coal industry.

Men of this Institute have a flair for philosophical speculation on material matters. Many years ago, one was impressed with the observation that perhaps, Muslim Bengal was a geological projection of Hindu Bihar. This religious classification of these two neighbouring States may not be mathematically precise. But one has had many occasions to wonder whether the geological phenomenon that is Bihar could have really ended at a line which now draws the regional boundaries between Bihar and West Bengal.

OIL AND COAL

Even last year, a reputed geologist informed this Institute that he had his doubts. He seemed to be confident that the coal and mineral belts extended far to the east of Bihar in West Bengal. Others have cited the Sunderbans as proof of the existence of a coal basin in West Bengal. There are traces of an oil basin in western and south-western West Bengal. New Delhi, one gathers, has a project of exploring oil prospects in the Bay of Bengal.

These were not the themes which were debated by the Institute this year. If the outgoing President discussed the burdens on the coal in-

dustry, the incoming President talked about the need for increasing output per man. This is not an unimportant matter. If the Finance Minister thinks he can solve India's economic problems through quantitative employment, the engineers and industrialists prefer qualitative production. There may be socio-political reasons behind the Finance Minister's choice. But the engineers' preference seems to be better economics.

TECHNOCRACY

Calcutta may have become conscious of technology. But this city rejects technocracy. Sardar K M Panikkar is a good judge of men and matters. He may not have heard that even the Jadavpur School of Technology has recently held a music conference. But he knows Bengal and the Bengali. He reminded the National Council of Education, Bengal, that technology could not be equated with civilisation. He was speaking to converts.

SERAMPORE TEXTILE INSTITUTE EXHIBITION

The Bengal Textile Institute at Serampore organised a five-day exhibition on its premises displaying some of the important stages of the processes carried on in the textile industry. The exhibition attained a high technical standard and was thus markedly different from others where shopping principally masks the educative aspect.

Planned on a broad theoretical background, the different sections displayed the variety of fibres coming under textile industry ranging from jute, synthetic fibres and cotton to silk. The display of jute products ranged from woollenised jute, jute felt, canvas, twills and linoleums to the fine specimens of carpets manufactured by Birlas on their Jacquard looms and Tapestry machine. On a different stall the Basanti Cotton Mills of Panihati displayed the different stages in cotton processing upto the yarn stage.

Two spacious halls were set apart for the display of handicrafts and needlecraft of displaced persons supplied by Handicraft Co-operative Societies of the Government of West Bengal. The exhibits included specimens both of art and daily utility, some of which were on sale at moderate prices. The Directorate of Industries, Government of West

Bengal, ran a stall displaying the processing of silk as a cottage industry from caterpillar rearing on mulberry leaves to silk reeling from cocoons. Some attractive specimens of leather handbags, toys and silk besides articles made of conch shells were also put up for sale.

In a separate stall housing the Research Section of the Institute there were some fine specimens of handloom work for door screens, bed sheets and carpets were displayed. The designs were worthy of appreciation.

The technical sections comprising the physical standardisation and analysis of fibres and chemical processing of fibres imparting to them special physical properties and attractive shades in print were highly educative. The students of the Institute ably explained the manipulation of the Lea-Winder, Lea-Tester, Twist Counter, Yarn Tester, Cloth Tester, the Microtome with its supplementary adjuncts, the Microscope, Photo-micrography apparatus and the ingenious Fibre Drawing apparatus. All these bring to light delicate properties of the fibres which escape the layman, though he may be constantly using them in different forms.

In the Chemical section, the different commercial processes were demonstrated that make the common fibres attractive and useful by endowing them with uncommon physical properties as in Mercerising, Organdy finish, and woolenising of jute. Besides, all the intricacies of different types of dyeing, printing like Photo printing, printing with Lepidiazol, Resist type printing, Block printing, metal dust printing (an ancient Indian art), Screen printing, air-spray printing and Crimps design printing were demonstrated by the students. Metal dyeing by the Electro-Chemical process was also shown.

In view of the present-day problems of finding employment, it would be helpful if the District Employment Exchange could collaborate with the Exhibition Committee and give some indication on such occasions of the probable employment opportunities in different sectors of the textile industry. This could be compiled through their wide all-India organisation. The students as also the public could thereby be guided for future employment which always looms large before the trainees as a difficult problem as their training nears completion.

PANDITJI TAKES HIS EDUCATION

One may end with Pandit Nehru's experience and observations in his brief stay in Calcutta on his way to

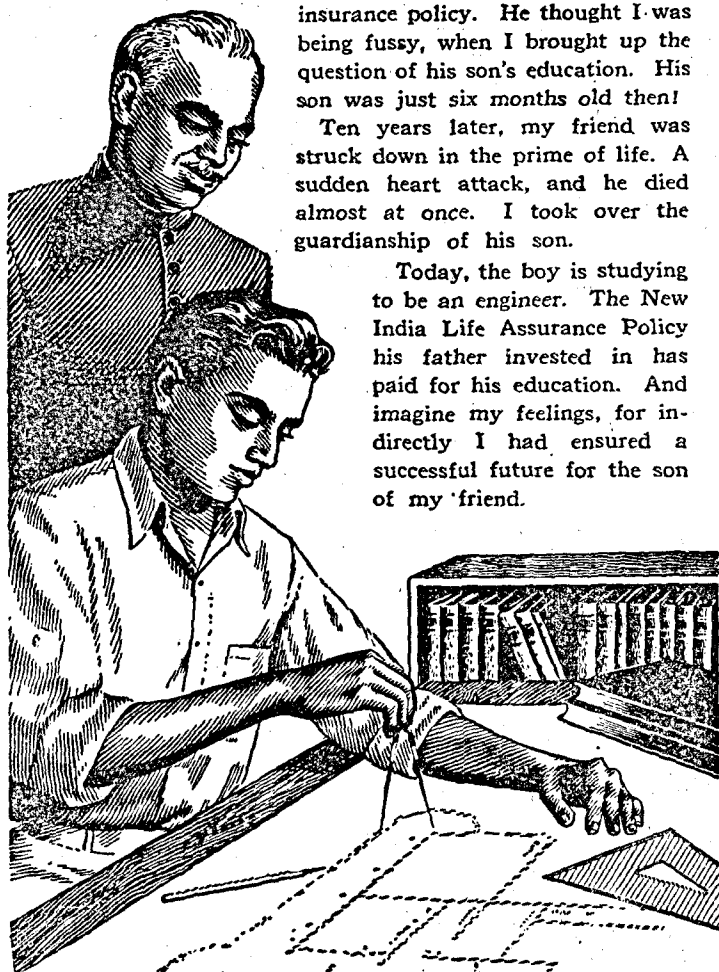
Djakarta. Panditji is the Chancellor of the Visva-Bharati University. He went to Santiniketan to deliver the Convocation address. Panditji has a sense of counter-point. Santiniketan is the home of art and culture in Bengal. It was typical of Panditji to stress the need for a scientific outlook and approach to the country's problems in such a surrounding.

Those who do not like the look of Panditji may think that he takes

his education in public. But his thirst for knowledge is one of his admirable qualities. It is good news that the international experts now, staying as guest visitors at the Statistical Institute have succeeded in informing him that it is more than time for New Delhi to abandon its obsession with finance, and to get familiar with the physical approach to economic planning. Therein lies hope for the future.

NEW INDIA STORIES FROM LIFE 2

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From the London End

Peace and Goodwill to All Men...

CARLYLE is quoted to have recorded somewhere in his diary that one evening he noticed "that the men on the street corner were unusually drunk". It was only then that he "remembered that it was the birthday of our Redeemer". Nowadays it is not so much the drunkenness which reminds us of the current Festive Season but the orgy of mass spending. The British Board of Trade has not yet come out with another of its regular surveys on Retail Trade but experience suggests that this season's turnover in the consumption goods industries is unprecedented, both in size and scale. The year-end festivities call for lots of food and presents; it is also the occasion for salary bonuses and other gifts that employers, both from pressure and custom, are forced to dish out to their workers. More than that, the occasion calls for considerable merriment and since in the West little merry-making is possible without added alcoholic consumption, the brewing industry is having a busy though not an unprofitable time. And in all this, the purpose of the festivities has become somewhat blurred—less and less people attend church and the anniversary of the birth of Christ has become a secondary, if not an unnecessary, feature of the whole business.

The merriment, however, is not without content. It remains steeped in graceful charity and above all, in sentiments of "Peace on earth and goodwill to all men". By a historical process, these noble sentiments have today come to apply only at national levels or within nations and this is today particularly true of European countries. It remains a harsh fact of the times that in international relations the one thing that remains disgustingly absent is charity. Indeed as the Christmas festivities were approaching, the cold war temperature fell several degrees in quick successive stages. Rearmament to "deter aggression" is being undertaken on all fronts and on all sides in real earnest. The question who is deterring whom, must with logic demand a clear answer and further a considerable rethinking about all that is held as current beliefs but the intellectual charity which is required for this exercise is conspicuously lacking. Reading the NATO press communique of

last week is itself sufficient to confirm how utterly irrelevant the noble sentiments of Christmas-tide are to relations between nations.

The armies of Nato are to be equipped with atomic tactical weapons and so, the next war, when it comes, will be a thermo-nuclear war which could end all civilized life in Europe and beyond. Of course the Nato Council has considered the question whether the military or the governments concerned should give the order for the use of atomic weapons when war begins. But in all respects, what character the next war will take has become tragically clear. The official communique explained that the governments would have the final decision but—and here is the rub—the precise method of reaching it would be kept secret.

On the day before Christmas, there appeared an enthusiastic editorial in the Manchester Guardian explaining in lurid details the implications of Nato's decisions. It went on to examine the doctrine of the "intolerable atomic absolute"—a doctrine purporting to pin-point the forms which a Russian atomic attack would take:

"Even when the new Russian jet-bombers become available in numbers . . . their range may not carry them much further than San Francisco, Chicago and New York . . . of course one does not know for certain",

and so on. Like the many irresponsible American Congressmen who never fail to bandy the atomic weapons, the once very sober Britain is beginning to lose sight of the immense destruction which another war will let loose. Military leaders of the calibre of Field-Marshal Montgomery preach with unflinching enthusiasm the use of the A-Bomb and the H-Bomb. One wonders whether all this is intended to put public opinion to sleep by preparing it morally for the inevitability and even the necessity of atomic war. From the other side there comes the counter-blast: Marshal Vassilevsky is reported to have warned Western military spokesmen that "your irresponsible statements force me to warn you that you are playing with fire—dangerous fire". And so the circle completes with "peace on earth" remaining an ever dimmer prospect.

That thermo-nuclear warfare means nothing less than general suicide is recognised from Sir John Slessor, unrivalled expert in air-warfare, to Dr Adrian, President of the British Association. And in 1954 decisive steps were being taken to step up on measures which would inevitably lead to this suicide. The mental condition which Geneva sponsored was a mere respite, for close on to the termination of the war in Indo-China there followed the SEATO organisation, the London and Paris Agreements and now the NATO Council decisions. If there is any task left for 1955, then it is certainly that of undoing these war-provoking measures, and to make sure that war as an instrument of policy will never be resorted to. In a timely year-end message over the B.B.C., Bertrand Russel has called upon the neutral powers to prepare themselves for the task of compiling a factual report on the consequences of thermo-nuclear warfare, to address this report to those nations faced with the agonising dilemma resulting from their participation in systems of military alliance and to convene a Congress in which they will provide the basis for accommodation to the rival forces which today stand menacingly facing each other. Even from the narrow view-point of national self-interest, the neutral powers will gain much benefit by taking such an initiative—the radioactive dust which spread over so wide an area outside the "danger zone", following the Bikini explosion of the Hydrogen Bomb, as to burn Japanese fishermen and to contaminate the fish in surrounding waters is sufficient to show the gains from such an approach. May the New Year hope—the only possible hope—be this. To the Neutral Powers, India in particular, millions of thinking Europeans now turn for a permanent respite from the appalling thoughts that burden their daily rounds. It was to voice this that so distinguished a spokesman as Bertrand Russel made the call.

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Britain's Ageing Population

(From our London Correspondent)

THE land of Malthus has all of a sudden come to recognize that its population problem has nothing whatsoever to do with what Malthus in his more dismal moments predicted for his country and the world. Britain's problem is not one of a rising birth rate, but that of an ageing population. In 1901 only 6.1 per cent of the population were over the retirement age (65 and over for men; 60 and over for women) while in 1953 it was 13.9 per cent. In the same period the proportion of children (under the age of 15) to the total population fell from 32.4 per cent to 22.5 per cent. The size of the working force (the active population) as a percentage of the total population has remained stationary during this period.

The force with which the significance of these data has struck the country has led to quick reappraisals of current conventions and suggestions have been made to the effect that the retirement age should be extended, and that more incentives for larger families should be provided by the State. The lengthening expectation of life, now estimated at the limit of 65 years, has of course baffled the Neo-Malthusians of whom there are not a few in this country. It is noteworthy however that they are the ones who have remained mostly silent on the British problem, while at the same time they are most conspicuous in discussions about the "population burden" of under-developed territories. The cynical comment of William Vogt, the American demographer, that "sex is a national sport in India" is bandied around here as the problem of under-developed territories in equally cynical fashion.

Of course there is little reason for shock and surprise in Britain. Soon after the war, and again in 1951, when a national population census was taken, the ageing population of the country loomed large in public discussion. On this occasion, what appears to have revived keen interest in the question is the publication of the Phillips Report on Retirement Pensions and the political campaigning for increased old-age pensions in view of the rising cost of living. The Phillips Report recommended that the retirement age in Britain be extended by 3 years in view of the inability of the National Insurance Fund to meet the country's pension commitments against national in-

surance contributions from the working population.

The significance of the Phillips Report recommendations must be seen in the light of estimates of the future size and distribution of Britain's population. These estimates are summarized in the table below.

By the end of this century, nearly one out of every five persons will be over what is now accepted to be the retirement age. Although the number of children, increasing in the near future, is expected to decline, the dependent population will be larger than it is now: 38.4 per cent in 1993 compared to 34 per cent in 1953. In so far as the State is directly concerned, the implications of this population trend are necessarily concerned with the cost of education and the cost of pensions. Currently about three-fifths of the education cost is borne by the State (the balance by local authorities through rate levies). In 1929 the state-burden of education expenditure was £38.5 millions or £29 per child. Today it is about £145 millions, or £55 per child. And in spite of this considerable increase, over half of the school-going children are taught in over-sized class groups. While this aspect of the problem is important, it is certainly not as serious as that relating to old-age pensions.

Some six years ago the Government introduced a comprehensive national insurance scheme, giving a measure of security to everybody in sickness, unemployment and old age. By far the biggest cost was that of giving retirement pensions to every man over the age of 65 and every woman over the age of 60. In addition to the national pension scheme, there are many separate retirement schemes for employees in public service and for those in private employment. All these schemes are affected by an ageing population. It is generally recognised that the Govern-

ment's proposals to raise the level of pensions is part of an electioneering effort, but this is certainly an insignificant aspect of the problem. The Government Actuary estimates that, taking into account the Government's proposals before Parliament, expenditure on pensions which was £334 millions in 1953-54, will amount to £436 millions next year, £521 millions in 1959-60, £672 millions ten years later and some £120 millions more by 1979-80. These figures are based on the assumption that the rate of pensions will remain fixed—an assumption commonly held to be absurd.

How is this burden of dependence to be financed? The Economist has referred to the certainty of the national debt amounting to some £26,500 millions and the "breaking-point" system of taxation already in force. The proportion of the national income absorbed by pensions was a little over 4 per cent in 1952. Even if the national income rose by 1½ per cent per annum, the increasing cost of pensions could only be financed by maintaining current levels of taxation—a proposition that few tax-payers will countenance for any period of time. And yet the case for financing that burden now (after 15 years of inflation) and in the future is overwhelming. No definite proposals, apart from that of increasing the retirement age (by three years) has so far been made. The political pressures against an increase in the retirement age has already forced the Government to abandon the proposals of the Phillips Report, and thus the problem stands without a solution.

The total number of workers will change very little over the next thirty years, but if the expected increase in productivity occurs, the burden of the dependent population may be less than would appear at first sight. The main hope for the future, therefore, lies in greater output per head.

Population Forecast

	Under 15 years		15 to 65		65 and above	
	Size (million)	per cent	Size (million)	per cent	Size (million)	per cent
1901	12.0	32.4	22.9	61.5	2.3	6.1
1931	10.8	24.0	29.9	66.4	4.3	9.5
1953	11.2	22.5	31.5	63.6	6.9	13.9
1963	10.7	21.1	32.4	63.6	7.8	15.3
1973	10.4	20.1	32.2	62.2	9.2	17.7
1993	10.2	19.6	32.1	61.6	9.8	18.8

Not really. Everything has gone wrong with the village this morning. The rice mill has packed up. Perhaps the chukkiwalla left his fuel tank uncovered overnight, or he may have been fiddling about with the injector. (You'll never get him to admit it!) At all events, smoke is coming out everywhere and life in the village has almost come to a standstill.

GOOD MORNING BOKTARI!

It's on occasions like this that the engineer from Burmah-Shell's Technical Service enters into the nerve centre of Indian life. He takes his coat off and gets down to work. He's seen many rice mills and other machinery in his travels, and he's developed an uncanny knack of getting to the bottom of fuel and lubrication problems.

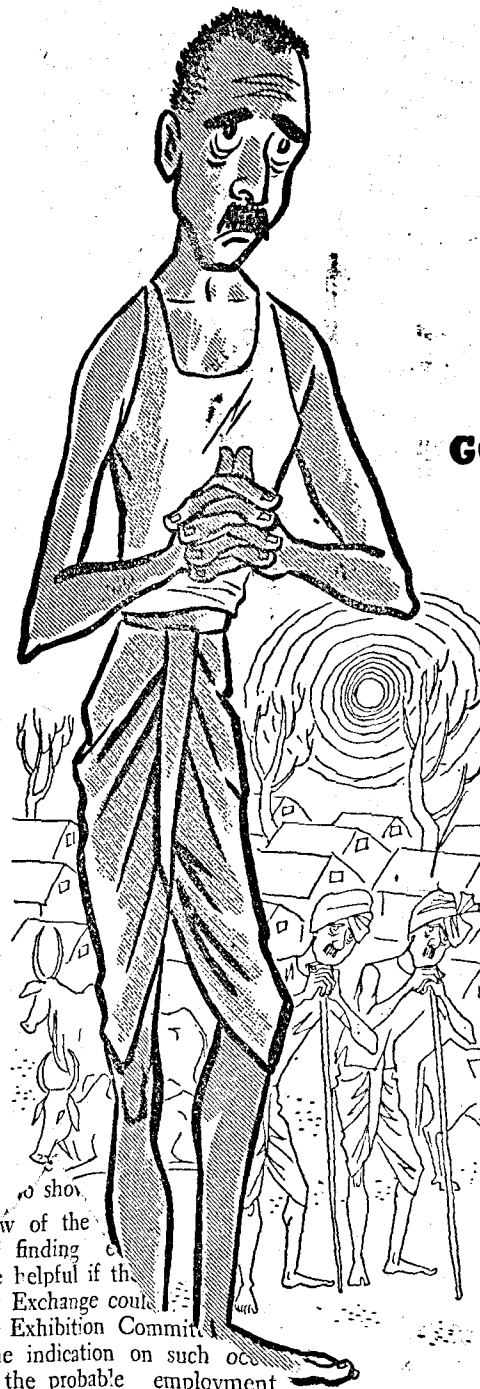
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THE NEW



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New Look for Jute

Nikhil Chandra Bhattacharya

FAR back in the dark days of India's industrial backwardness, the populous eastern districts of lower Bengal could discern the sheen of gold in the much-despised material, commonly called 'pat' or jute. Before the dawn of the 19th century, raw jute started moving to the traditional textile centre at Dundee, and as it evoked the interest of the flax-spinners there, there was increasing demand, so that we find at the dawn of the 19th century an oversea market for hand-woven jute goods steadily growing.

Jute bags from Bengal were in demand in Java, Borneo and other regions of S.E. Asia. The entrepreneurs at Dundee meanwhile worked fast and evolved a means of spinning jute on their power-driven flax machinery. By the middle of the 19th century, faced with the growing demand for labour, the most enterprising among them hopped to India with their machinery to monopolise jute manufacture. Thus originated the historic spinning factory of George Auckland at Rishra in 1855, a hundred years back. History has in store a surprise that one Bysumber Sen, a local Bengali capitalist, lent his capital and energies for the promotion of this nucleus! No wonder the early entrepreneurs could foresee the immense potentialities of this industry in those far-off days.

Shortly afterwards, in 1858, a big fire effaced the early attempt. The site is, however, still occupied by the Wellington Jute Mill of Messrs James Finlay & Co Ltd. Immediately afterwards, a weaving factory was started at Barnagore in 1859, followed by the India Jute Mill at Serampore in 1866 and the Hastings Mill at Rishra, next to Wellington Mill, about the same time. In the wake of the Industrial Revolution, as England led in the ingenuity of machinery, the cheap labour of India did its part, so that within just a quarter of a century, jute established itself as a formidable industry.

No doubt this big machine advancement spelt disaster to the native cottage industry in textiles that was at the time just beginning to flourish. The jute mill industry settled itself at and near Calcutta, the key to the jute hinterland and

an important harbour on the principal trade routes of the world. Today, there are over 100 mills in and around Calcutta, and their total output amounts to some 88,000 tons monthly. However, the phenomenal growth of the mill industry more than compensated for this passing hardship in the form of a greatly increased demand for raw jute, providing high cash-returns to lakhs of jute-growers and well-paid employment to over three lakh workers. There is perhaps no other article so widely diffused over the globe as the Indian gunny bag.

The reader will naturally wonder how the stem of the jute plant, grown so extensively in this province and around, comes to be woven into a fabric which commands such a pre-eminent position in the trade of this country. A closer look at this common plant will reveal a long straight stem growing to a height of some eight to ten feet without branches or twigs until it nearly reaches maturity. It consists of a central woody stick (used here as a bag when dried), surrounded by a bast layer in which the fibre grows. The crop in the rainy season comes entirely from this fibre. Sown between mid-February and mid-May, the crop gets fit for harvesting between January and September. The plant thrives best in damp heat and a not too heavy fall of rain. Sandy loam is the best type of soil for its cultivation. Bengal answers marvelously to these needs and hence is ideally suited for the cultivation of jute.

The next best centres for cultivation in India are in Bihar, Assam, and Orissa. With the partition of Bengal, a large proportion of the jute fields has gone to East Pakistan.

The first stage after harvesting is technically known as 'retting'. This involves steeping the plants in water—a sort of fermentation—which enables the fibre to be easily separated from the woody stem. Stripping and washing follow, and the fibre is separated from wood. Carelessness here will yield fibre of poor or "sticky" quality. The fibre is now ready to be dried and bundled for sale. The whole process is gone through in a largely perfunctory manner by unlettered

and uneducated, this causes a loss of time in the morning. Much improvement is about by a little paganda amongst his fuel regarding the rig he 'retting' and the commodity they are handling. Clear slow water, four to six feet deep for 'retting'. In the muddier water the stuff turns dull, thus failing to fetch price. Moreover, the threat of disease and disease emanating from these stagnant watery places, where 'retting' is usually done, reduces the zeal of our ignorant peasant to produce this commodity. It calls for the provision of tanks of clear water, which has not escaped the attention of the Planning Commission. It proposes to link this with the many river projects now in operation in West Bengal.

The fibre, thus developed, is next graded on the basis of length, strength, colour, etc., and then baled before being despatched in the form of "kutchra" or "pucca" bales, according as they are hand-pressed or power-pressed, mostly to economise shipping space, when meant for oversea markets.

Let us now follow these bales from the jetty of a mill to its Batching Department over trolleys, driven by Diesel or hand. Here the bales are broken and different assortments or batches made to answer the specifications of purchasers. This is a delicate job of high skill, needing mature experience, for while the fibre must answer to specifications, the salesman must husband out the fibre at his disposal most economically to ensure an efficient cut on costing. The different batches meant to turn out products of varied grades are next softened with an emulsion of oil and water, while the fibre is treated mechanically in softener machines. The coarse and rough fibre is thereafter prepared for the spinning stage in the Preparing Department, where fibre strands are split, shortened, drawn into smooth ribbons (Drawing Frames) and then wound in sliver form (in the Roving) on big bobbins called Roves.

In the Spinning Department, fine

THE land of Malthus, a sudden come at its population, ing whatsoever to falthus in his more, dicted for his c on the Sliver old. Britain's p of Messrs Mackie f a rising birth r of Messrs Mackie geing population. This marks a er cent of the modernisation of jute re retiremer the time-rate of the 1953 ple and speedy implementa me p piece-rates, which have pro en (v a satisfactory incentive to opers. This now yields an un ng stream of yarn in the factory ng d has more than overcome the additional bottleneck from the spindle to the shuttle on looms.

We next pass to the Winding Department, where the warp and weft yarn is wound on to two shapes, the cop and the spool—the former feeding the shuttle and the latter, the creels of the Beaming Department that turns out the Beams. This section has all the colour and gaiety of a women's gathering as mostly female workers are employed there. Intermediate in the process is the Twist Department where yarn is twisted into threads (3 ply, 4 ply, etc) and twines and despatched for export.

In the Beaming Department, the warp threads are dressed, starched and stiffened for the next stage on the loom where the final fabric is woven. The beams are designed according to specification and bear different coloured borders either at the extremities or right through the middle. Here comes into play the elegance of textile design, a very interesting and romantic subject, which can be appreciated only when one stops to ponder over the attractive borders of a lady's sari or the intricate checks of a shirting. Until jute fabrics figure in human attire, this section will remain neglected. Fortunately, we get some brilliant specimens of artistic work in jute carpets that are now being manufactured here.

In the Weaving factory containing the weaving looms, beams and winding machines, the looms stand out by their intense activity and continuous clatter and roar. The to and fro movements of the shuttle are bound to attract the attention of the casual visitor who is easily impressed by its deafening staccato.

The different sets of loom turn out fabrics of different quality and measurement; yet they are broadly grouped into two varieties, viz, hessian and sacking. While hessian cloth, with its finery and gloss serves, as tough packing material, sacking goes into the familiar gunny bags. For long the container par excellence, gunny bag is carried in enormous quantities to the store-houses of the world—the granaries of Argentina, Australia, and New Zealand, the sugar plantations of the Caribbean region, the rice fields of Burma and Siam, the coffee plantations of West Africa, to transport wool from Australia, linseed from Bombay, potatoes from Ireland—all of them moved in jute packing of some type or other.

In the Finishing Department, the woven fabric is given the necessary finish and gloss in the Calendar and Damping to satisfy the discerning buyer. Besides, certain processes incidental to packing and shipping are involved, viz, lapping, trumeter (measuring) sack sewing, hand hemming and finally baling in the hydraulic press and stencilling before being despatched over trolleys to the outgoing jetty on the river. Down the stream floats a cargo of the country's most common place material to be exchanged for dollars and sterling. Of the all-India exports for 1952-53, jute manufactures represented 23 per cent, their value being 129 crores out of a total of Rs 551 crores. In the same year India got a third of her total dollar earnings from the USA valued at Rs 111 crores through jute. The key position of this industry in the economy of the State will be further appreciated from the fact that it employs nearly half of the total industrial workers of this State and its wage bill in 1952 was over Rs 24 crores. The growth of the jute mills in India cut into British exports of textiles enough to cause resentment and jealousy at Dundee. But it must not be overlooked that the steady progress of Indian industries created new demands for imports of machinery and millwork which brought steady orders to British and other manufacturers. Time has shown that the early jealousies roused by the growth of textile industries in India were based on the unfounded fear that Indian industrialisation would deal a death-blow to the "workshop of the world".

The partition created a serious problem as the supply of raw jute

became uncertain and expensive, the better jute-growing districts being in East Pakistan. More than that, Pakistan showed a jealous preference in her export of raw jute to oversea markets in the USA, Spain, Puerto Rico and South Africa. This was a two-pronged drive against India's jute industry, cutting out her supply of raw materials on the one hand and on the other, feeding her rival manufacturers with the best quality of raw jute produced on the mainland. In 1953 with undeveloped manufacturing possibilities, East Pakistan exported 5,300,000 bales of raw jute. Secondly, after the hey-day of war-time sacking, the oversea markets, burdened with the high price of Indian jute manufactures, actively looked for alternative packing material. For, in 1951 an empty jute sugar bag landed in Cuba cost Rs 5. Thus development of alternative packing material was accelerated by war-time scarcity, post-war complications and to a great measure, by what may be termed the "smugness of monopoly" among our producers. As a result, today we find improved installations of bulk handling for grains and sugar in North American production areas—not confined to harbours alone, but down in the interior at railway stations and even at the factory gate. Once installed at a heavy capital cost, bulk handling bids farewell to jute for good. This is developing in Australia too. Next in the sequence we meet paper bags for potatoes, fertilizers and cement, kenaf bags for cocoa and coffee and cotton bags for flour. This is no mean challenge to the one-time monopoly of Indian jute in these lost markets. So, jute now faces competition in the struggle for the recovery of her oversea markets from these alternative devices.

Nearer home, in the factory, mill managers face the growing discontent of an erstwhile docile, though backward labour. Since the War, egged on by the rising cost of living, this discontent has been growing unchecked. Meanwhile, at different stages, palliatives have been offered to meet the demands of labour, as a result of which an individual labourer in the jute mills today earns five times his pre-war wage without contributing an iota of commensurate benefit to production. Consequently, the manager at the factory is dismayed to find his costs rising without any gain in production. State legislation has further burdened the management with



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additional costs under the new Provident Fund Act (1952) and the Employees' State Insurance Act (1948), besides new amenities for labour provided in the amended Factories Act (1948).

This naturally calls for a revaluation and reconsideration of the prospects for this vital dollar earning industry. As we ponder we are reassured in this direction by some silver linings; for in the matter of raw jute supply, during the past five years, the cultivation of jute within the Union has been expanded with an astonishing success.

Year	Area under jute ('000 acre-)	Production of jute ('000 bales of 400 lb each)
1947-48	652	1,658
1948-49	834	2,055
1949-50	1,163	3,089
1950-51	1,454	3,301
1951-52	1,951	4,678
1952-53	1,834	4,695

Besides, cultivation has been tried in the new tracts of Orissa, Assam and Uttar Pradesh and Madras. This, augmented by the proposed double cropping (with a first crop in jute followed by a crop of *aus rice*) and researches in high yielding seeds and greater attention and education at the primary stages of 'retting', we can justifiably look forward to near self-sufficiency in jute. Meanwhile the industry looks to the Centre for smooth agreements on current deliveries with Pakistan.

Looking to our markets overseas, the situation has been sufficiently appreciated by the leaders of the industry and sales are being promoted by missions of the IJMA to USA, Australia and the UK. This in the coming years may be extended to our neighbours in the Far East and Middle East. Side by side, propaganda through exhibition stalls has been conducted by the IJMA in UK, Italy and lastly at Lille in France. These will go a long way to remove the suspicion among our valued consumers. Besides, the industry must forge ahead at the factory level in two principal directions, viz, modernisation of machinery and methods which are half a century old, and development of new fields for consumption of jute through active research and application.

Of the wider fields for utilisation of jute, our attention naturally turns to the variety of attractive goods that can be fabricated from this common fibre. During the last war, jute proved its mettle by being

transformed, as if by magic, into such varied forms as PBS, (bituminised fabric), jutlac, (a jute fabric/shellac laminate), khaki webbings, rot-proof bags, haversacks, belts, ammunition pouches, camouflage nets, fabricated water-proof stores, antiblast fabrics, etc. In this direction, the most significant role was played by the IJMARI in making all this possible. By biological cultures of bacteria medium, the IJMARI is trying to make the waste roots and cuttings fit for utilisation in spinning. This no doubt enlarges the scope of utilising this precious fibre fully. Looking to the future, may we not hope that jute will replace wool in the carpet industry and step into the manufacture of Linoleums and go further towards fashioning the winter dress for the millions! Only the traders must give up the much scorned "smugness of monopoly" in hessian and sacking and get busy to cater to the needs of the consumers. Surely then jute, our natural crop, can take its proper place in the economy of our country. To this end, the Government has a responsibility.

About modernisation, there can hardly be any two opinions. When it comes to rationalising the industry, the opposition comes because our trade unions and still more, the workers, apprehend that new machines will require less men. So rationalization in industry is unhappily wedded to retrenchment. This admits of no easy solution and can be met only by actual operation of the new machinery.

Looking to the operational cost of the industry, all technical personnel unanimously agree that rationalisation is the only way out of this impasse. This is appreciated by the trade-unionists who do not have any strong opinions against this move, if it does not entail drastic retrenchment. A long term programme of rationalisation in this industry, as will be seen later on, will not entail any drastic retrenchment for the men rendered surplus would be filling the places rendered vacant by natural wastage like death, retirement, etc, which will be quite sizeable, if spread over a period of years.

Now to return to our own sector, leaving the problem of employment to the nation's economic experts. Let us move into a factory installed with the latest machinery vying with its rivals abroad. Fundamentally the design of carding machinery is unchanged except that it is fitted with ball and roller bearings, and

run on individual electric motor drive. It is therefore now more speedy. The sliver is delivered in rolls through the Autocoil roll formers and thus does away with the cans. These rolls feed the modern high speed triple thread finisher drawing frames which eliminate the 2nd Drawing stage and Roving frames. The sliver is delivered at high speed into cans which again feed the modern sliver spinning frames that spin the yarn at high speed. The drafting unit is a roller or rubber apron control situated between the retaining roller and the drawing roller, which gives full control of the fibre during the drafting operation. These machines are fitted with an automatic sliver stop motion for each spindle and have a semi-automatic doffing mechanism operated by the spinner. The filled bobbins can be changed and the machine begins spinning again in less than half a minute. Run on piece rate basis, the workers attain high production efficiency on the incentive offered.

In Weaving, two of the most notable modernisations are circular loom and the automatic shuttle loader. The Saint Freres Circular Loom, designed in France and now built in Scotland, weaves cloth in tubular form and can thus manufacture seamless sacking. For the past one century, the weakness of jute sacks has been along the line of seams on one or both sides. With its enormous trade in gunny bags, Calcutta will find new opportunities in this field if the mills change over to circular looms, as demand for seamless bags is growing.

Coming to the common flat looms, now working for half a century, the most serious drawback is the enormous loss of time involved in re-shuttling. Another disadvantage is the necessity for such re-shuttling. Hence the tradition of putting only one weaver on one loom. With the introduction of the automatic shuttle loader which is now built into new looms, and which can be fitted, with the minimum of trouble, to existing flat jute looms, one weaver can attend to six looms.

Great interest has been taken by the Planning Commission in this direction. It is estimated that the cost for modernisation would be at the rate of Rs 7,500 per loom so that on the 62,000 looms now running, it will come to Rs 46.5 crores approximately. But since the programme of conversion will take

some 15 to 20 years to be put through, the mills need not despair for capital, as on this scale they may be able to manage it on their own. Moreover as a dollar earner and a principal contributor to India's export duty, the industry can well expect the much desired renovation out of a subsidy from the Centre. It will not be unwise on the part of the Centre either to provide for this investment when the return is so large and so well assured.

Dollar Earnings from Export of Jute Goods

Year	Dollars (millions) earned from jute	Total dollars (millions) from exports
1946-47	3.184	8.051
1947-48	5.783	9.797
1948-49	5.435	8.817
1949-50	4.766	10.106
1950-51	4.922	13.431
1951-52	8.736	16.916

In 1952 dollars earned from jute goods accounted for about 62 per cent of total dollars earned and about 38 per cent of total foreign currency earnings.

Against this, when we consider the total productive capital employed in the industry, amounting to Rs 66.10 crores, we can easily appreciate the high potentiality of developing this industry—not with the view of individual profits alone but with regard to revenue to the Centre. Besides, the industry controls two vital sectors in the country's economy; for while it employs 300,000 of workers in the factory it supports another one million cultivators on the fields cultivating this wonder crop. Following the example of our rival manufacturers in Pakistan, Africa, France and other continental countries, India must take up thorough modernisation of the industry along with the reorganisation on the plant site and of the wage structure in order to maintain the industry in a healthy and productive state.

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Some Indian Cottage Industries

IN most of the underdeveloped economies, there are still pre-industrial revolution industries, using predominantly hand processes. Statistics regarding these industries are not generally included in the official government statistics about manufacturing industries. They are, however, more important, from the point of view of employment than the organized modern industries. In India, for example, about 13.5 per cent of the working population were engaged in these industries in 1948-49; while only 1.9 per cent were engaged in the organized modern industries. In Mexico about 15 per cent of the total population are engaged in these handicrafts.

The wages in these industries are much lower and the interest rates much higher than those of modern industries. In India, the average income of the whole family engaged in such handicrafts is only about half the income of the worker employed in organized industries. The interest rate for these industries is 12 to 18 per cent; while for organized industries it is less than 10 per cent.

The hand-loom weaving industry in India comes next only to agriculture from the point of view of employment. It employs 2.4 million workers, whereas the modern cotton textile industry employs only 0.5 million workers. It produces about 24 per cent of the total cloth consumed in India. While about 5 million workers are employed part-time in the hand-spinning industry it produces only 16 per cent of the total yarn requirements of the hand-loom weaving industry. The ratio of the value of plant and equipment to the gross annual output is 0.010 to 0.032 in the hand-loom weaving industry, depending upon the types of hand-loom used; in the hand-spinning industry it is 0.0062; while it was 0.146 in 1946 and 0.121 in 1947 for the modern cotton textile industry.

However, the production cost per unit of output was higher in the case of hand-spinning and hand-loom weaving industries than that of the modern cotton textile mills. The price per pound of hand spun yarn of counts 10 to 12 was 40 per cent higher, for count 20 it was 50 per cent higher and for count 30 it was 66 per cent higher than the mill-spun yarn. The price of hand-loom cloth per unit was 40 per cent higher for cloth from yarn of 60 counts, and 28 per cent higher for cloth from

yarn of 40 counts than the mill cloth in spite of the fact that a worker in a hand-loom industry earned on an average 50 per cent less in wages than a worker in a textile factory. For cloth from yarn below 20 counts, the hand-loom cloth was cheaper than the mill cloth.

The product of these handicrafts lacks finish and is inferior in quality as compared to that of the mills. Moreover, the tastes of the consumers have changed and they prefer mill-made cloth to the hand-loom cloth. For all these reasons, the hand-spinning and the hand-weaving industries are in a depressed condition and unless suitable changes are made in their organization and equipment with a view to bring down their production costs and improve the quality of their products, they might become less important than they are at present.

Hand-printing and dyeing is a 2000 year-old industry in India; it employs at present 0.2 million workers and is fairly prosperous. The famous Chhipa community is known for developing the technique for over a century and had added recently a novel process of discharge of aniline salt which was considered almost impossible until recently. . . . The technical advancement in respect of iron rust printing has reached a perfection that even Japan and Germany have not been able to attain". (Chhipa, K E, "Hand Printing and Dyeing," Output No 4, Bombay 1951.) It sells its products in India as well as abroad.

Sericulture is another 2000 year-old industry in India. It is now in its decline because of the lack of organization, the failure to change production methods and lack of much needed state assistance. It flourishes, however, in certain parts of India where the state has come to its assistance. The ratio of fixed capital to the annual gross value of output in silk reeling by Charkha is 0.010; while in silk reeling in modern filatures it is 0.089. The production cost per unit of output is 10 per cent lower in the case of the former than in the case of the latter.

The Patola industry of Gujarat was started in 1200 AD and at that time 700 families were engaged in it. In the beginning of the 20th century, about 100 families were employed in it. At present there is only one family engaged in producing Patolas. The product is highly artistic; it takes a long time for producing it and

its price is also very high. The change in tastes of the rich people, who patronized it and the lack of exploration of the foreign market explain its decline.

The Gur industry in India is still quite a flourishing industry at present. Its output is three to four times that of sugar. It gives supplementary occupation to the agriculturists engaged in sugar-cane growing. Fifteen million workers are engaged in sugar-cane growing and 78 per cent of the total cane output is utilised for gur-making. The ratio of the value of fixed capital to the gross annual value of output is 0.12 for gur-industry; while it is 1.36 for the modern sugar industry.

There are various other cottage industries in India; a list of 99 such industries is given in the National Planning Committee's publication on Rural and Cottage Industries. It seems that those cottage industries whose products have to compete with the products of modern industries are declining as a result of higher production costs per unit of output and inferior quality of the product as compared to the modern industries. While some cottage industries, like hand-loom weaving from yarn of 20 counts and below 20 counts, and hand-loom weaving of cloth of variegated design and colour, gur industry, hand-printing and dyeing industry, silk-reeling industry, etc, still flourish because their products do not compete directly with the products of the modern industries.

Book Review

TRADE UNION LEGISLATION IN INDIA

Indian Trade Union Law by V B Kher. N M Tripathi Ltd Bombay. Pp xvi+148. Rs 7-8.

ONE of the functions of the Labour Bureau, set up by the Central Ministry of Labour in 1946, is "to edit a Labour Code." No attempts, it seems, have been made so far in this direction by the Bureau and the field has been left to private enterprise. Labour legislation in India is of recent origin and hence adequate case law is yet to emerge to justify books on labour law cases. However, a few enactments like the Workmen's Compensation Act, 1923 and the various Industrial Relations Acts have brought about considerable labour litigation, providing quite sumptuous fare for lawyers specialising in labour cases.

Shri Kher, it appears, is fast becoming a labour law specialist. He has already to his credit a *Digest of Labour Law Cases* and another *Digest of Workmen's Compensation Cases*. Trade Union Law is comparatively less controversial. An Amendment Act was passed but never enforced. The comprehensive Trade Union Bill was kept in cold storage and then was allowed to lapse. We have thus before us a simple law enacted as early as 1926. This law is permissive in character; Unions may or may not register under the Act. If they register, they get certain privileges but at the same time, they have certain obligations to fulfil. If

they do not register, they are free from both privileges and obligations.

Because of the non-controversial character of trade union legislation, there is not much of a case law. To make the book a sizable publication, the author has traced the history of trade union legislation, reproduced texts of the Act and Regulations and given a model constitution of a trade union. The book will prove useful to all those interested in our trade union movement.

Shri V V Giri, former Labour Minister of the Government of India, has written a Foreword to the book.

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Depressed Markets

Tuesday, Evening

MORE than once Clive Street made efforts to move up in the last fortnight. All these attempts failed. As equity prices are drifting downward, the volume of business has tended to diminish. There are reasons for the downward trend in equities. But it would be unwise to ignore that equities are declining not because of any selling pressure, but because of gradual liquidation by tired "bulls". This has certain "bullish" implications. But the absence of "bears" in the market suggests that the technical position is not quite strong.

Weakness in equities in the last few weeks is due to factors which have no relation to the usual market influences like yields and dividend prospects. Equities lack support not because the yields are low at current levels but because of other factors. Some of the arguments and assumptions underlying the lower trend in equities are not without justification. There is the other side of the coin. But investors do not seem to be far wrong in some of their fears.

State and Key Industries

No amount of sophisticated reasoning can obscure the fact that there has been a shift in emphasis in the Government's industrial policy. It is clear that, in the future development of the major industries, private initiative will henceforward play a secondary role. Development in these industries will be undertaken, guided and controlled by the Government. Private enterprise will not be completely shut out from these industries. But it will play a subsidiary role.

This is the main reason which has cast a gloom over stock markets. Investors have drawn a pessimistic conclusion from the Finance Minister's statement in Parliament on economic policy. They are not opposed to the employment aspect of that policy. But they have not missed the Finance Minister's guarded observation that such an employment policy cannot be implemented without a considerable expansion in small-scale, village, industries.

If private enterprise is to play a secondary role in the future development of capital goods industries, the future behaviour of stock markets is likely to remain uncertain. Such a policy means that private ini-

tiative will have full scope in the future development of consumer goods industries only. This interpretation of the shape of things to come during the second Five-Year Plan may not be entirely without basis, but it is unduly pessimistic.

The Other Side

Certainly, private initiative may have some cause to feel frustrated with the contours of the second Five-Year Plan, as outlined by the Finance Minister. But his statement on economic policy is not as much adverse to stock markets as some investors think. With the exception of the iron and steel industry there are not many capital goods industries in which private initiative is now taking interest, or in the shares of which the stock markets are interested.

At the moment, stock markets are unduly perturbed because of some of the implications of the outlines, already visible, of the second Five-Year Plan. But there is also a bright side to the picture. In the second Five-Year Plan, expenditure will be stepped-up to between Rs 1,000 and Rs 1,200 crores per annum. Such heavy expenditure in the private and public sectors taken together must necessarily lead to expansion in output and money incomes.

Consumer Goods Industries

As stock markets are not directly interested in any of the six industries, excluding iron and steel industry, in which future expansion will be exclusively in the public sector, there is no reason why equities should remain depressed. Increased employment, output and money incomes, as envisaged in the second Plan, must necessarily have a sustaining effect on stock markets.

From the recent behaviour of the stock markets it would seem that investors have hastily come to the conclusion that all the expansion in industry will be in the unorganised sector during the second Plan. Even so, it is apparent from the behaviour of equities, that stock markets are not very pessimistic about the future of consumer goods industries. This perhaps, explains the comparative steadiness in Tea and Jute shares on the Calcutta Stock Exchange.

In the last fortnight, raw jute and jute goods have developed a drooping

tendency. Lower raw jute prices are due to the fact that Pakistan has re-validated some of the licenses. Rumours that the Indian jute industry may revert to 45 hours a week are also partly responsible for the lower trend in raw jute.

As raw jute prices are declining, jute goods are developing an easier trend. In the main, however, the irregularly lower trend in jute goods is due to continued fears that the American off-take this season may not come up to expectations. In this week, sacking prices have hardened purely on speculative considerations. This explains why, despite the rising trend in jute goods, Jute shares have not shown any tendency to move up.

Along with Jute shares, Tea shares remain relatively steady. Both export and tea auction prices continue to be firm. Had the market as a whole not been sagging, Tea shares might have moved up. But it is symbolic of the present depressed phase in stock markets that, because there are no tea auctions this week, even Tea shares have been irregularly lower in the last few days.



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Rural Credit: I—The Problem

IN the field of rural credit, the conclusion that "Co-operation has failed, but Co-operation must succeed" is by no means new or surprising. But the analysis of the reasons for that failure and the conditions necessary for its success contained in the General Report of the All-India Rural Credit Survey shows a penetrating insight into the problems of the rural economy and ability to think in wide terms which do great credit to the Committee of Direction consisting of Shri A D Gorwala (Chairman), Prof D R Gadgil, Shri B Venkatappiah and Dr N S R Sastry (Member-Secretary). There is little doubt that this report falls into an entirely different class from the usual run of official reports.

In examining the background against which the problem has to be considered, the report discusses four factors. First, the agricultural sector occupies the major part of the economy and the first Five-Year Plan's emphasis on increased agricultural production is likely to be continued, if not intensified in subsequent Plans in the context of a fast-growing population. Second, land tenure policies are likely to make the medium and small cultivators who already constitute 70 per cent of the total increasingly important in the future and their needs will have to be borne in mind in the formulation of policies of agricultural credit and agricultural development. Third, with little new land left to be brought under cultivation, the greater part of the increase in production will have to take place through more intensive methods of cultivation—more water and fertiliser, and better seed, implements and techniques—which will require considerable finance. Finally, the farmer's own resources are limited and his requirements of finance for subsistence, farming operations, special consumption needs, and enlargement of subsidiary occupations are considerable, while cottage industries also require to be financed.

Keeping these and other conditions in mind, the report recommends that the organised system of institutional credit should fulfil the following requirements:

(a) It should be associated with the policies of the State, especially

those which aim at larger rural production;

(b) It should be an effective alternative to—though not necessarily a complete substitute for—the private agencies of credit;

(c) It should have the strength of adequate resources and well trained personnel, instead of the weakness which is the present characteristic of co-operative credit whether in finance, administration or supervision;

(d) It should be in a position to co-ordinate its activities not only internally in relation to the different sectors pertaining to short-term, medium-term and long-term credit but also with complementary arrangements for marketing, processing and other economic activities of the cultivator; also, it should be in a position to co-ordinate its activities with those of the important institutional agencies, including Government, which are engaged in guiding the villager, improving his methods of cultivation, supervising his operations or educating him to avoid wasteful practices;

(e) It should pay special attention to the needs of the medium and small cultivator, and should, therefore, be based on a type of security which, consistently with its adequacy from the point of view of the creditor, will enable as large a number of solvent producers as possible to use the facilities available through it. In other words, it should lend not merely on the security of land and other more usual forms of security but also on the security of anticipated crop;

(f) It should disburse credit in a constructive way for the positive benefit of both producer and production; it should, therefore, effectively supervise the use of the credit and constantly bear in mind the borrowers' legitimate needs and interests; and

(g) It should be such that it helps in the effective growth and development, from the village upwards, of the co-operative form of organisation.

The extent to which the main agencies of rural credit contribute to the total credit supply to the cultivator is as follows:

Agency	Per cent of total credit
Government	3.3
Co-operatives	3.1
Commercial banks	0.9
Relatives	14.2
Landlords	1.5
Agriculturist money-lenders	24.9
Professional money-lenders	44.8
Traders and commission agents	5.5
Others	1.8
Total	100.0

The striking fact that emerges from this table is the weak position of the co-operative movement, which must be much worse in many States. Besides, "what reaches the medium and small cultivator from the co-operative institutions is a mere fraction of the little that co-operatives provide," because co-operative credit tends to follow ownership of land. It cannot follow produce, because co-operative marketing is much less developed even than co-operative credit. From the quantitative aspect, three factors proclaim the failure of the 50-year-old movement: many areas have not been covered; in those areas that are covered, large sections of the agricultural population remain outside the movement, and the large bulk of the requirements even of members of co-operative societies is met from other sources.

The supply of institutional credit from the other source, viz, the Government, has many flaws, eg:

- (1) Inadequacy of amount, inequality of distribution (assistance going mainly to large landholders) and inappropriateness of security;
- (2) Inconvenience of timing, incidental delays and impositions of various kinds; and
- (3) Inefficiency of supervision and incompleteness of co-ordination.

Private credit, therefore, predominates today. It is not only generally unsatisfactory, but "is wholly unsuitable in the content of planning for larger production." Institutional credit, if it is not co-operative, tends more than ever to confine itself to the bigger cultivators.

That is why co-operation must succeed, and "the foremost objective of policy then becomes the positive and deliberate creation of conditions in which co-operative credit will have a reasonable chance of success."

To determine what these conditions are and how they can be achieved, the reasons for the present weakness must be examined. The reasons usually advanced—functional, structural and administrative defects, dearth of suitable personnel, lack of training, background of illiteracy, etc.—are relevant but do not go deep enough.

In fact, there are certain fundamental weaknesses in the rural structure which have a socio-economic origin. Apart from old factors like caste and factors inherent in an agricultural economy, particularly where it consists of small farms spread over a large area, the most significant factors are "the combined impact of commercial colonialism, industrialization and urbanization on these pre-existing conditions." The powerful, urban and highly monetized economy which developed derived strength and support particularly from the big financial institutions, such as banks and trading houses that grew with it. While colonial rule underwent a transformation in character and ultimately gave way to independence, there has been little change in the powerful institutions of industry, trade and finance in their effects on the rural economy, their relations to it and their attitudes towards its real interests.

The weaknesses that are internal to the rural structure are well-known. The external aspect of the weakness of the rural economy is related to the maladjustment between the rural structure and the forces of the urban economy. The financial mechanism is basically urban; in the same sector is the whole organisation of urban trade. "By and large," the report points out, "neither the banking system nor the trading organization operates in a way which is in the interests of the rural economy; and together they are much more powerful than any factor or combination of factors that can be internally marshalled from the rural economy itself."

The internal and external aspects of the weakness of the rural structure are inter-related. The internal

weakness prevents the cultivator from making use of the external mechanism of banking or deriving his due share of benefit from that of trading. The external mechanism itself does not reach down to any except the top layer of the rural economy, while through its very powerfulness, it distorts those processes in the rural economy which stand for internal strength and cohesion.

This distortion is partly caused by the inter-penetration of the former into the area of the latter through moneylenders, traders, etc., which inter-penetration takes the form of the existence in the village itself and within the directorates and managements of rural associations and institutions of "a strong element of leadership and influence which, in its interests and attitudes, is attuned not to the other and weaker classes of the rural population, but to the urban forces from which it derives its strength." The possessor of certain advantages—large landholding, large financial resources, education—obtains a status in the village and a power for good or evil far out of proportion to the nature of the possession itself, and this can be explained wholly by the access which the possessor thereby obtains to the urban sector in which all the real power, influence and finance reside.

The failure of co-operative credit falls into place in this picture, especially that important aspect of the failure which consists in the relative neglect of the credit needs of the medium and the small cultivator and in the reluctance to enlarge membership or take on further responsibilities. At the same time the unequal competition offered by the external mechanism of banking and, linked with it, the often unfair opposition and wholly unequal competition presented by the external organization of trade, make explicable the utter inadequacy of the movement. Lack of understanding and of sympathy are other factors.

"Rural credit in India, therefore," the report asserts, "is part of the larger and living context of India itself. It can never be understood nor hoped to be solved except as part of such context." The activity and purpose which give rise to the need for credit, as well as the manner in which the need itself is satisfied, are conditioned by social background, social structure and social attitudes. The background is

part of the larger socio-economic background of the country and of the historical factors underlying it; the structure relates itself to the organization of the country's government; and the attitudes derive strength or weakness according to the degree of their attunement to the more important social, economic and political groups who share between themselves all real power in the country. Since power in India today resides predominantly in the urban areas, a search for remedies to the many problems of rural credit must necessitate an examination of urban institutions, groups and attitudes as they affect rural well-being.

The first objective of policy should, therefore, consist in undertaking the two-fold task of remedying the internal weakness and rectifying the external maladjustment of the rural structure. Reorganization of the socio-economic structure of the village is, therefore, necessary. The problem of rural credit is consequently much wider than usually realised.

Remedies hitherto prescribed have been attempts to counteract the internal weakness of the credit structure without taking into account the weakness of the rural structure as a whole, much less its maladjustment to the external mechanism of urban trade and finance. Most reforms of the co-operative movement have therefore been in the nature of inevitably futile attempts to combine the weak against the strong in conditions in which the weak have had no chance. The first task is to rectify this position and enable co-operation to function properly.

Credit must, therefore, be considered in conjunction with marketing, processing and allied economic activities. Bigger units and optimum conditions are necessary. These involve (i) finance, (ii) flexibility of finance, and (iii) business technique. Above all, the strength created must be such as to be effective against the competition and opposition of private trade and other private interests. None of these can be had from the internal resources of the co-operative structure. The choice before the movement is, therefore, to continue indefinitely in various degrees to be unable to help itself or to be helped in order that eventually it may not only help itself but need no other outside help.

Around Bombay Markets

THE debate on the economic policy in the Lok Sabha culminating in the adoption of a socialist policy had a bearish effect on the stock market during the period under review. The announcement earlier that the Imperial Bank of India and other ten State Banks would be nationalised, needless to say, had raised serious misgivings and the amendment to Article 31-A of the Constitution regarding compensation for acquisition of private property had raised doubts about the aim of the Government, despite all assurances given by Government spokesman that fair compensation would be given in the event of nationalisation. The slump in the shares of Imperial Bank clearly indicated how the confidence of the investors had been shaken. During the last two or three years, Bank shares has been ruling weak due to several reasons and investors complain that it would be unfair to assess these shares on the average value for the last two or three years.

The change in the Government's economic policy has disturbed the climate of the investment market, though the Government at this stage is not going to nationalise any more concern. True, a leading industrialist has tried to dispel fears regarding the future of the private sector, but confidence is not easy to return. The market later on stayed a partial recovery under the leadership of Tata Steel Ordinaries, but the modest improvement could not be maintained during Christmas holidays on account of lack of support at higher levels and persistent easier advices from Calcutta.

Though the prospects of Tata Steel Co getting a World Bank Loan of Rs 50 crores for further expansion are considered reasonably bright, it is to be seen whether Government would give the guarantee that the company would not be nationalised till 1965. There is no possibility of a sharp break in Tata Steel shares but the casiness in Indian Iron and other scrips may have a damping effect upon this counter also.

Textiles are relatively depressed due to discouraging performance of the cloth market but the popular counters have resisted further decline.

Associated Cements were better on reports of encouraging results while Belapur ruled steady. Bombay-Burmah were subdued. National Rayon met

More Shocks

with sellers at higher levels. Scindias attracted buying from bargain hunters on the belief that the worst is over.

The Securities market was lifeless.

The Stock market enters the new year with a somewhat obscure outlook. Much however will depend on the Budget which will reflect the recommendations of the Taxation Enquiry Committee.

Silver Unsteady

AFTER touching a new low level at Rs 152-13, silver staged a rally to Rs 156-4 on heavy short covering by North India traders following some recovery in commodity markets encouraged by the feeling that the Government would lend support to farm product prices with a view to arrest further fall. However as soon as this urgent covering was met, the market once again relapsed to Rs 154-12 on Thursday afternoon.

Following the recent sales of about 85 lakh bars by an agency Bank on behalf of an ex-native state's ruler, the bullion market is confronted with a dilemma as to whether further offerings will be made from these quarters. Apprehensions are there that further steady offerings in small parcels will be effected from these quarters and the market lacks nerves on the eve of the busy season. In view of lower commodity prices this season, the general outlook for the bullion is not considered bullish, apart from temporary spurts that may be caused by technical adjustments. Moreover, the monthly contango charges of about 10 annas per bar also came in the way of development of healthy trend.

With the recent confiscation of some smuggled gold, quotations went up to Rs 88-12 but subsequently the market eased to Rs 87-14 on anticipation that the confiscated gold might be put up for sale by the Government. The premium for spot has almost disappeared and this is encouraging bear operations.

New Low in Cotton

THE cotton market is once again in a nervous state with prices suffering a sharp drop of about Rs 20 per candy during the last fortnight. Disappointing advices from cloth market, the narrowing down of the premiums of spot over forward contract, the anxiety of the farmers to

part with their produce in a declining market and the attitude displayed by mills, particularly their preference for purchases in the ready market, and the proposed loan of one lakh bales of US cotton to India were some of the outstanding factors which played their part in bringing about a steady decline in values. The premium on Vijay which had gone up to Rs 207 on February, for February-March delivery, has declined to Rs 186.

ICC February which had gone up to Rs 640 has come down to Rs 612, while May contract was placed at a discount of Rs 6 only. Much depends on the anticipated offtake in cloth exports. If it does not materialise, with increased arrivals in the next two months, raw cotton prices would be difficult to be maintained even at the present levels.

Oilseeds Depressed

DEPRESSION in the oilseeds market has deepened, though sellers have been somewhat reserved in view of the prevailing low levels, and the expectation of an announcement of further export quotas for groundnuts as well as groundnut oil. The movement of the new groundnut crop, has gathered momentum during the last few days and large arrivals have been making steady inroad on prices. Shippers have already covered their requirements against their overseas commitments while trade quarters feel shy to lend any active support in view of the high premiums for distant deliveries. Groundnuts February-March after declining to Rs 22-12 rallied to Rs 23-10 to be placed at Rs 23-4 and April-May is quoted at a premium of annas 11 while spot goods are available at Rs 22-6.

Linseed market was steady in view of fairly large export business having been put through upto March. February-March was hovering around Rs 22.

Castor seeds after having touched a new low level has been fluctuating narrowly. Resistance to lower levels was offered by the market in view of recent export business in oil with US, though this business was effected at a lower level.

Castor oil commercial was available at Rs 9, linseed oil at Rs 12-8 groundnut oil ex-mill, January at Rs 11-6 and February Rs 11-0 to Rs 11-10.

CURRENT STATISTICS

BANKING RETURNS

(Rs Crores)

	Latest Week	A Week ago	A Month ago	A Year ago
Money supply with the public				
a) Note circulation	1199.56	1212.05	1166.06	1121.21
b) Rupee Coin	105.03	104.59	106.20	96.23
c) Cash on hand with the Scheduled Banks	34.60	33.16	33.50	31.38
d) Demand liabilities of Scheduled Banks (net)	572.22	564.37	554.93	519.35
e) Deposits with Reserve Bank				
i) Other Government	11.84	7.73	14.39	18.97
ii) Others	34.66	34.59	34.76	57.19
Reserve Bank				
a) Foreign Securities	663.15	663.15	623.15	578.15
b) Balances held abroad	70.26	69.40	103.60	141.21
c) Rupee Securities	417.75	417.75	417.75	421.38
d) Investments	76.41	87.13	87.99	74.75
e) Loans and advances to Governments	1.92	2.67	2.32	1.49
f) Central Government's Deposits	62.76	67.80	82.74	106.11
g) Banks' Deposits	67.57	65.66	73.55	48.69
Scheduled Banks				
a) Time Liabilities	364.73	363.71	361.93	331.43
b) Borrowings from Reserve Bank	3.20	3.64	1.87	2.90
of which against Usance Bills	1.65	0.16	0.83	0.49
c) Advances and Bills discounted	534.25	528.75	525.33	458.35
of which Imperial Bank's	101.60	98.61	93.92	95.48
d) Investments of which Imperial Bank's	350.09	349.45	352.23	337.30
of which Imperial Bank's	96.58	95.77	93.87	83.45
Cheque Clearances	143.15	143.31	120.01	122.83

† For Money Supply and Reserve Bank 17-12-54. Scheduled Banks and Cheque Clearances week ended 10-12-54.

Bombay Money Rates	17-12-54	10-12-54	19-11-54	18-12-53
Inter-Bank Call Rate	2 5/8	2 7/8	1 7/8	2 5/8
3 months deposits	2 7/8	3 1/16	2 7/8	2 5/8
6 months deposits	3	3 1/8	3 1/16	2 5/8

Bombay Bullion	29-12-54	A Week Ago	A Month Ago	A Year Ago
Gold Spot (per fine tola)	88-8-0	89-1	86-2	80-14
Forward	88-8-0	87-12	85-11	80-13
Silver Spot (per 100 tolas)	155-9-0	153-13	153-10	150-8
Forward	155-12-0	154-0	153-14	150-7

LATEST CROP ESTIMATES FOR ALL PAKISTAN

(Area in lakh acres and Production in lakh tons)

	1953-54	1952-53 (Corrected)	Percentage change
FINAL ESTIMATES			
Rice			
Area	245.33	230.16	+ 6.6
Production	91.51	81.47	+12.3
Jowar			
Area	15.04	12.50	+20.3
Production	2.80	2.08	+34.6
Bajra			
Area	25.85	22.27	+16.1
Production	4.55	2.70	+68.5
Maize			
Area	10.67	9.70	+10.0
Production	4.37	3.75	+16.5
Wheat			
Area	10.65	9.51	+12.0
Production	36.83	24.38	+51.1
Barley			
Area	6.13	5.21	+17.7
Production	1.56	1.12	+39.3
Gram			
Area	27.67	22.32	+24.0
Production	6.46	3.70	+74.3
Sugarcane			
Area	9.62	8.70	+10.6
Production	12.93	10.77	+15.3
Sesamum			
Area	2.16	2.06	+ 4.9
Production	0.36	0.36	—
Rape and Mustard			
Area	16.31	15.44	+ 5.6
Production	2.72	2.28	+19.3
Linseed			
Area	0.74	0.71	+ 4.2
Production	0.12	0.12	—
Tea			
Area	0.75	0.73	+ 2.7
Production	52*	51*	+ 2.0
OTHER ESTIMATES			
Tobacco (First)			
Area	1.61	1.78	+ 1.7
Cotton (Supplementary)			
Area	29.28	34.67	-15.5
Production	1.44†	1.8†	-19.7
Jute (Preliminary)			
Area	13.04	7.89	+65.3

* In thousand lbs † In thousand bales of 392 lbs each

INDEX NUMBERS OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-group	Week ended 11-12-54	A Week Ago	A Month Ago	A Year Ago
I. Food Articles	318.4	316.9	336.8	363.4
Cereals	364*	364	384	425
Pulses	234	247	270	418
Others	270	262*	282	265
II. Industrial Raw Materials	438.4	442.0†	449.4	452.0
Fibres	463	475	492*	431
Oilseeds	393	395	398	503
Minerals	429	422	418*	547
Others	440	441	429	404
III. Semi-Manufactures	348.0	348.3	349.1	356.0
Leather	373	379	370	391
Mineral Oils	221	221	221	221
Vegetable Oils	412	416	419	519
Cotton Yarn	456	455	455	433
Metals	240	240	240	236
Oilcakes	393	381	401	414
Others	308	307	306	305
IV. Manufactures	376.1	377.9	377.3	363.8
Textiles	420	423	422	400
Jute	454	472	460	427
Cotton	415*	415*	415*	397*
Rayon & Silk	440*	440*	450*	407*
Woollen	310	310	310	313
Metal Products	340	340	340	337
Others	285	285	285	283
V. Miscellaneous	581.4	585.1	610.2	710.6
All Commodities	368.8	369.4	378.1	387.0

* Estimated

† Revised

COAL STATISTICS

(Monthly Averages or Calendar Months)

(in '000 tons)

	Raisings	Despatches	Stock at Pitheads
1948	2,485	2,155	2,262
1949	2,621	2,339	1,427
1950	2,666	2,235	2,008
1951	2,859	2,626	2,646
1952	3,019	2,625	3,519
1953	2,982	2,563	3,411
1953:			
Oct	2,937	2,704	3,437
Nov	2,677	2,555	3,194
Dec	3,163	2,538	3,411
1954:			
Jan	2,903	2,424	3,474
Feb	3,056	2,244	3,902
March	3,071	2,594	4,003
April	3,037	2,599	4,051
May	2,977	2,621	4,093
June	2,888	2,576	3,950
July	2,966	2,810	3,693
Aug	2,953	2,926	—
Sept	3,171	2,887	—
Oct	2,921	2,781	—

Sources: i) Monthly Abstract of Statistics
ii) Indian Trade Journal

COTTON STATISTICS

MILL CONSUMPTION

(in '000 bales of 400 lbs each)

Description:	Oct '54	Sept '54	Aug '54	July '54	Sept 1953 to Aug 1954
Indian	311.3	328.0	329.4	338.1	3888.7
Foreign	55.0	60.8	62.0	68.1	719.1
of which					
American*	19.2	20.3	24.0	25.5	159.0
Egyptian	16.9	19.4	24.0	21.4	279.1
E African	16.5	17.9	14.9	16.3	211.5
Sudan†	2.0	2.6	2.8	2.4	66.1
Pakistan	0.1	—	—	—	0.4
TOTAL	421.0	388.8	391.4	404.2	4607.8

Consumption in corresponding periods a year ago:

	1954-55	1953-54	1954-55	1953-54	1954-55	1953-54
Indian	326.6	310.8	303.5	316.5	301.5	3611.6
Foreign	61.2	62.8	69.7	74.9	70.1	848.8
TOTAL	378.8	373.6	378.2	391.4	482.4	4460.4

* Includes both United States and Peruvian cotton.

† Includes both Sudan Egyptian and Sudan American cotton.

MILL STOCKS OF COTTON

(in '000 bales of 400 lbs each)

	Oct '54	Sept '54	Aug '54	July '54
Indian:				
1954-55	851.1	916.01	1010.8	1117.7
1953-54	733.8	884.2	1013.3	1095.9
Foreign:				
1954-55	173.9	169.2	200.5	212.8
1953-54	228.9	251.1	246.2	240.4

Source: East India Cotton Association

COTTON IMPORTS

(in '000 bales of 392 lbs each)

Source:	Sept '54	Aug '54	July '54	Sept '53 to Aug '54
USA	10	13	38	189
East Africa*	10	13	38	183
Egypt and Anglo-Sudan	8	12	10	309
Other countries	—	—	—	10
Total	28	38	86	691
Total imports in corresponding months of the previous year:	64	38	81	489

* Includes Kenya, Tanganyika and Uganda.

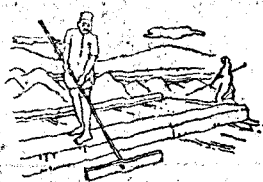
COTTON EXPORTS

(in bales of 392 lbs each)

Destination:	Sept '54	Aug '54	July '54	Sept '53 to Aug '54
UK	5	1	1	18
Netherlands	—	—	—	7
USA	—	—	—	6
Other countries	4	7	5	102
Total	9	8	6	133
Total exports in corresponding months of the previous year:	71	1	7	308

Source: Indian Trade Journal.

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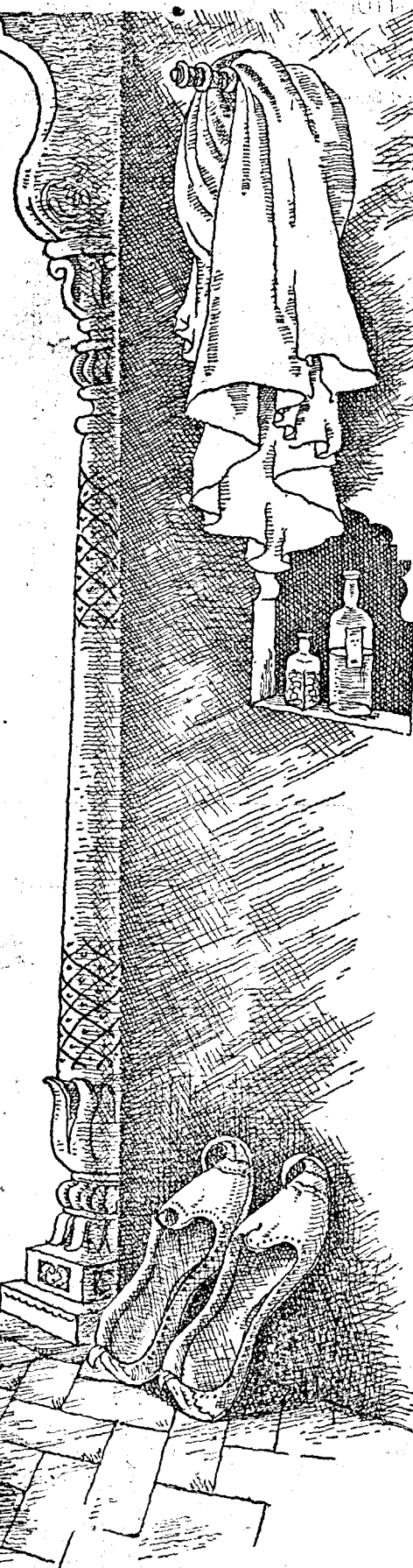
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Bogor and Manila

IT has been remarked that, even as capitalism's conflicts arise out of its "over-rationality", France suffers because she is over-logical. Rationality and logicity are virtues. But both can be over-done. Mr John Foster Dulles, America's Secretary of State, may not be guilty of over-rationality. But he seems to suffer from the disease which makes France the sick nation of Europe. Mr Dulles believes in collective security. It, therefore, follows that he pins his faith in NATO, EDC, Manila Treaty and similar other military alliances. Neither Sir Anthony Eden nor M Mendes-France are opposed to collective security. But neither the British Foreign Secretary nor the French Premier will endorse Mr Dulles's grievance against the Geneva Agreement on Indo-China. To Mr Dulles, the Geneva Agreement is a "set-back" to America's foreign policy; France's rejection of EDC is another "set-back". In his assessment of developments in 1954, Mr Dulles, however, takes comfort that both these set-backs have been overcome. In the Western European Union, the basic aims of EDC have been achieved. The Geneva Agreement has been offset by the Manila Treaty.

Today, Mr Dulles is a satisfied Secretary of State. It may not have been possible for him to pursue his policy of "liberation" to its logical extreme. But he seems satisfied that the arrangements for regional military alliances are nearing completion. In the last year, some of the loose links in the chain have been tightened. With the approval of the Western European Union by the French National Assembly, Mr Dulles feels complacent about the problem of European security. In Europe, the Western Powers' aim of "peace through strength" has been attained. Implementation of this aim in Asia and the Far East is making rapid progress. ANZUS and the Treaty with Japan are the major means of achieving the ends of American foreign policy in the Far East. America has concluded mutual security pacts with South Korea and Formosa to further her Far Eastern objectives. South-east Asia is to be fortified by the Manila Pact. America is willing to extend military aid to those countries in Asia and the Far East with whom she has concluded military alliances in order to halt the spread of Communism in these areas. With the progressive fulfilment of his aims, Mr Dulles claims that "we (the Western Powers) can face the new year with confidence".

It is at once a symptom and a reflection of the "cold war" that the American Secretary of State and the Soviet Prime Minister will look at the world picture from different angles. Mr Dulles claims that "the danger of general war has receded". M Malenkov has issued a warning that "the danger of war is growing". It is obvious that M Malenkov and Mr Dulles draw conflicting conclusions from the same facts. Mr Dulles relies on NATO, WEU, ANZUS, the mutual pacts with Japan, South Korea and Formosa and SEATO for maintaining peace, or rather, to deter aggression. Communist States regard these military arrangements as attempts at their political and economic encirclement. Is any agreement on Europe possible between Communist Russia and the Western Powers with the military integration of Western Germany with Western Europe through the Western European Union? Can Far

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Eastern issues be settled with the conclusion of a mutual security pact between America and Formosa, and with attempts to put "teeth" into the Manila Treaty? Mr Dulles answers that through strength alone can world peace be attained.

Mr Dulles's achievements are not unimpressive. He can feel satisfied that, through NATO and the Western European Union, he has not only contained Communism in Europe, but has also assured the defence of Western Europe against any threats of Communist aggression. Peace in Europe is to be maintained through the attainment of these two negative objectives. A similar policy is being followed in Asia and the Far East. Both the purposes of containing Communism and of defending these regions against any Communist aggression are to be achieved through the various military pacts and alliances which have already been negotiated, or are being arranged.

There is another aspect of America's foreign policy which deserves emphasis. Mr Dulles may have found it diplomatic not to stress his policy of "liberation". But it is evident that his aim is not only to contain Communism, but also to contain neutralism. Despite Marshall Aid, America was confronted with the problem of neutralism in Europe. Through consistent pushing and prodding, Mr Dulles has solved this problem in Europe.

France has approved of the Western European Union. Britain has accepted her obligations to Western Europe. Western Germany has agreed to participate in military integration of Western Europe. With his aims fulfilled in Europe, Mr Dulles turned his attention to Asia and the Far East. On his own admission, he had sponsored the Manila Treaty to neutralise the effects of the Geneva Agreement on Indo-China.

Mr Dulles does not seem to comprehend the meaning and significance of the forthcoming Afro-Asian Conference. He is reported to have observed that the simultaneous participation of Pakistan in SEATO and in the Bogor Conference is evidence of the conflicting interests of such a heterogeneous group. Evidently, Mr Dulles is not aware that, although Australia is both an ANZUS and a SEATO Power, she has expressed surprise that she has not been invited to the Afro-Asian Conference. Mr Dulles's reference to Pakistan is significant. There are reports that Washington is contemplating increased military aid to Pakistan, Thailand, Formosa, Philippines and some other countries which are not unwilling to align themselves with America in her foreign policy. This may be the Dulles way of containing neutralism in Asia and the Far East. Encouraged by the success of his policy in Europe, Mr Dulles seems to think

that he will succeed in Asia also.

Mr Dulles's attempts to win some Asian countries away from, what he thinks to be, neutralism, as well as the decision to hold a meeting of SEATO Powers even before their ratification of the Manila Treaty, emphasises his inability to understand the significance of the forthcoming Afro-Asian Conference. It has been repeatedly emphasised that, in calling for an Afro-Asian Conference, the Colombo Powers are not interested in extending neutralism. As emphasised by both Pandit Nehru and Marshal Tito, neither India nor Yugoslavia is interested in creating a third bloc. All the Colombo Powers are agreed on this. Their desire is to create and to expand an area of peace so that Asian and African nations can implement plans for economic progress. Their intention is to fight Communism by eliminating poverty. Mr Dulles is barking up the wrong tree. Instead of promising military help to some Asian and African countries to contain neutralism, America can help the Afro-Asian countries in their fight against Communism by offering monetary and technical help. From America's policy to Europe and to Asia and the Far East, the deduction is permissible that she is more interested in tilting the precarious balance of power in her and in the Western Powers' favour than in attaining world peace through an agreement with Russia.

Arms and the Man

THE amalgamation of the Production Ministry with the Ministry of Commerce and Industry is logical and sensible; so is the separation of the portfolio of Irrigation and Power from that of Planning. The remaining activities of the self-liquidating Ministry of States will now be taken over by the Home Ministry. The other changes are not organisational but of personnel. Katju takes over Defence, not immediately but within the next few days, after he has put through the work that he has taken in hand and Pant takes over the Home portfolio. So the Prime Minister is relieved of one of his many—too many, in all conscience—assignments.

Along with the organisational changes, there have naturally been changes of personnel also, which are perhaps even more significant. The present Commerce and Industry Minister's disagreement with the Cabinet on the question of the role of the private sector had been widely publicised. In fact, it had been let known, to put it mildly, that TTK had purposely kept away when Parliament was to have debated economic policy, because the Government had turned down the Birla-British proposal for a steel plant.

Now, steel making had been reserved for the public sector in the industrial policy statement of 1948. It had been widely expected that this policy statement would be modified, and hints to this effect had come from the highest quarters. For once, the wiseacres proved wrong. The proposal for a steel plant under private sponsorship, however, was not a straightforward issue of public versus private enterprise in heavy industry. There were many features about it which put it in a class by itself. For, by the very nature of the case, the proposal called for a large measure of public participation. And since public assistance in such an undertaking would not stop with the direct participation in the share capital or financial assistance in some other form but would also entail indirect assistance in the shape of provision of transport facilities, building up of a steel township, and so on, the proposal could be made to look like one of building up private enterprise at public cost. And not unfairly, since control was to be left with the sponsors, while assistance in such a large measure was to come from the Gov-

ernment. The rejection of this proposal, therefore, by itself, does not establish that the industrial policy statement was necessarily in the way. Certain other developments, however, also suggest the possibility of a modification, but for reasons altogether different from those stemming from the Birla proposal. The hints which were dropped from the highest quarters about the possibility or the necessity of a modification, therefore, are not to be ignored merely because the Birla proposals are now out of the way. There is little doubt that the Production Ministry could do with a little more drive and energy, and none at all that TTK is the person to bring to it both in an ample measure. Even so, in view of his reported unsuccessful fight for private enterprise in a field reserved for the public sector TTK's stewardship of the public sector, now that he has taken the Production Ministry under his wing, appears all the more surprising. What about leaving public undertakings in the hands of one, who, rightly or wrongly, has come to acquire the reputation of being such a champion of private enterprise?

So long as labels attach to persons and these labels continue to carry the same meaning, some perplexity is bound to be caused by such changes of role as are posited by the recent ministerial changes. But in going by labels, there is a risk of being unduly rigid in one's judgment of people and assessment of situations. So rigid an outlook does not make adequate allowance for the flexibility that has been the hallmark of Congress politics and politicians, particularly of those who speak and administer in the name of the Congress. While speculation invests TTK with so much concern for the private sector, the Minister himself in an address to Bombay Congressmen sought to clear certain misconceptions. "Congress," he said, "is nobody's organisation, but of the common man" and the amendments to the Constitution—Section 31 was the one looming large before the audience—would be a charter to a Welfare State. The tax structure of the country would be another, for it would be so modified gradually that it would lead to the disappearance of all monied classes within a couple of generations. The transformation, however, will be painless; it will be effected without causing

any suffering to people.

While these are merely sentiments, still in the realm of the distant future, the Commerce Minister's vehement assurance about setting up a really effective and country wide selling organisation for the products of cottage and small-scale industries is a matter of immediate concern. Of course a selling organisation for cottage industry products is innocuous in itself. Quite a number of bodies have been set up for the purpose, Khadi Boards and Boards for Handicrafts have opened beautiful show rooms in the poshest localities of every city of importance. These are, however, handling largely what may be called luxury products—artistic handicrafts, silk and woollen fabrics, toys and bric-a-brac that are a class by themselves and do not cater to mass demand.

But chain stores on the Latin American model for expanding the market for small-scale industries is a different affair and "this idea of mine", TTK said at his press conference in Madras, "will not remain a dream like many others". The reference to the activities of the Indian Institute of Statistics in this connection suggests that the Government is now thinking of cottage industries from an altogether different angle from that in the first Five-Year Plan. Or it may be, some of the members of the Cabinet are turning over the idea in their mind, or merely playing with it. But there it is. Take the question of the Centre's policy of progressively stabilising indigenous industries referred to by the Commerce Minister. There was to be a well-controlled and regulated system of exports and imports and effort would be made at the same time to steady the price level. This meant, he said, that there would be a compulsory reduction in certain cases while price support would be assured in the case of others. Does it add up to a common production programme—a cess on factory products to subsidise cottage industries in the same line of production? Or is there more to it than that?

It may well mean much more, though the meaning is clouded by tying up cottage industries, by implication, if not by explicit statement with the objective of creating 12 million jobs which has been on the

in agriculture

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we have come to take integrated India so much for granted that it requires a mental effort today even to imagine that it could be different and yet the possibility of disruption in those early days of freedom did not lie in the realms of imagination alone. It was very much a reality, looming large over the horizon.

It may be that it was not all Sardar Patel's doing. The source from which the native states drew their strength had sapped and their withering away was only a matter of time. But even so, what would have come in course of time was put through in a matter of weeks and months—what would have been a process of history was made into a scheduled performance by the States Ministry with a despatch, planned order and deliberateness that has no parallel in the history of this country and hardly many in the history of other countries. The Sardar's share in this masterpiece of national welding was unique. The States Ministry was the instrument and the Sardar wielded it with inflexibility of purpose, clarity of vision, uncanny skill and a juggernaut-like display of determination. With a judicious blend of cajolery and bullying, he got their signatures on the dotted line from the princes to the document that consigned the princely order into the dust-bin of history. People in power do not part with their power so readily but that was the miracle that the Sardar achieved.

In the fitness of things, the States Ministry should have been winded up when it had accomplished this historic task. It left a trail of glory behind it. But so well did it perform its job, that it rendered itself superfluous. It left no mantle to fall on its successor and what the Home Ministry takes over today are some loose ends that the States Ministry collected later, such as the reorganisation of States which is quite a different affair from the integration of India.

Lignite, Coal and Dyes

AT long last some hard facts about the lignite deposits in South Arcot, Madras, have been reported by the British firm of consulting engineers whose services had been secured under the Colombo Plan. Armed with the report, the Government of India has set up a South Arcot Lignite Authority. Lignite has suffered as much from

thoughtless publicity as from uninformed popular enthusiasm fed on it and the outcome has naturally been disappointment, impatience and frustration. Here was the promise of a ready solution to the problems of industrial development in the South and yet nothing was done for years to redeem that promise. The least that can be expected now is that the Government should make amends for its past remissness by publishing the report submitted by the consultants.

The hard facts are that lignite deposits lie at a depth of 160 to 250 ft; the thickness of the seams vary but the average is reasonably high being about 50 ft. As the seam runs the length of a mile and a half, the potentialities are far from negligible. The water table is also fairly high and mining of lignite would not be possible until arrangements are made for drying the mines upto a sufficient depth, at least 50 ft below the base of the lignite seam. Drainage will therefore be a major problem.

The most immediate use to which these large deposits of lignite could be put is for running a thermal power station of considerable capacity, besides converting lignite into bricks for use as fuel. The other uses of lignite are also many, but these are in the range of by-products, the same as in the case of coal. And if we are serious about the building up a chemical industry based on coal—after all, lignite is only coal in the making—there was no point in waiting for lignite. Surely it was not the inadequacy of raw materials which had been holding us up. No one has complained about the inadequacy of low grade coals in this country nor has much concern yet been expressed in a practical manner for stopping the wastage of gas and by-products that can be easily derived from coal.

On the contrary, even the humblest beginning on these lines has run up against obstructions and unexpected snags. One such was the report, utterly senseless and quite incredible, that the Government had already come to a decision regarding the proposal for a Coke Oven Plant, the feasibility of which is now being examined by a Committee under the chairmanship of Shri D C Driver. The Committee's terms of reference are:

- (1) To make an assessment of the demand for coke and to

examine the expansion programme of existing producers of coke in the country;

- (2) If the need for additional coke is established, to report on the quantum and the size of plant that will be necessary as well as its appropriate location;
- (3) To examine the prospects of by-product recovery and coal-tar distillation plants, against the demand, current and expected, for the primary organic chemicals obtained as by-products directly from coke-oven gas or from distillation of coal-tar;
- (4) To examine the scope for and economics of a thermal power plant as an adjunct to a coke-oven plant, if established at Durgapur; and
- (5) To examine other possibilities of utilising coke-oven gas in the vicinity of a coke-oven plant for improving the economics of operation of the plant.

It should be noted that utilisation of by-products has not been made the principal object of the enquiry; it is only secondary. Even so, it is for the first time that this crucial first step to a whole range of development is being touched. Meanwhile the development of chemical industries has not been kept in abeyance altogether. It is being taken up in a piecemeal and uncoordinated manner, at points that are, so to say, widely dispersed from the base and no attempt is being made to develop that base. It makes little sense to serious students of economic development that the nucleus of a dye-stuff industry from imported intermediates should be started on the West Coast while the colliery belt should cry for the development of a whole range of by-products and the cry should attract scarcely any notice.

Backlog of Cottage Industries

THE possibility of the role of cottage industries undergoing a sea-change between the first and second Five-Year Plans, has been hinted at elsewhere in this issue. There is, however, a considerable backlog to be cleared and as the first Plan period draws to its close, the Government appears to have been suddenly alerted and is putting through a number of measures all at once. For the present,

to get the best results and gain useful experience, Shri Nityananda Kanungo, the Deputy Minister in charge of cottage industries, has been concentrating on cottage industries in the two States which have done most for their development, viz, Uttar Pradesh and Madras. An important beginning is the extension of co-operation to production by cottage industries. The first industrial co-operatives of handloom weavers have been formed in Madras State to run two weaving factories in North Malabar. Both these factories had been closed some time ago. The Government of India have sanctioned over Rs one lakh to help the newly started industrial co-operatives to acquire new looms and to provide them with working capital. The workers of the two factories who had so long been mere wage-earners will henceforth share in the profits if any. This is a small beginning but in view of the potentiality of industrial co-operatives, it is a very significant one, however belated.

Another important development is the decision to set up a Small Industries Corporation, as recommended by the Ford Foundation team, the primary purpose of which will be to organise production by small industries for meeting Government orders. In stores purchase, for quite some time now a preference has been given to cottage industry products but the Supply Department has been experiencing much difficulty in effecting purchases in view of the lack of any adequate organisation.

The Corporation is to be registered as a private limited company with an authorised capital of Rs 20 lakhs and it will receive additional financial assistance from the Government as its activities expand.

Another Corporation to be set up is for handling the export trade in small scale industry products, primarily handicrafts, and to open selling centres abroad. This looks like the replica of the Cottage Industry Emporiums that have now been set up in many of the cities.

Bigger and Better

THE New India Diary maintains its undisputed lead in the field by incorporating some new features every year. From experience, the Editor has come to realise that not all readers find it easy or convenient to get their facts from figures; in short, the statistical coverage has

to be supplemented by written text. A clear, succinct but adequate account of the Indian economy with a competent review of recent developments is the result. This, along with the account of the international scene which has been a regular feature of the diary, will enable not only insurance men, but also the fortunate few who get a presentation copy, to keep themselves well posted with the march of events with the minimum expenditure of time and effort.

One can be objective about facts and try to eliminate all bias when compiling statistics, but selection as well as presentation brings out the particular point of view of the compiler. For in selection, there is also a value judgment and here is the editor's assessment, tucked up at the end of A Page of History on page 12. (There is a slight printing error in the page numbers given in the contents.) The events of the year noted against 1954 are:

"Food rationing ends,

India helps to bring about peace in Indo-China."

There is dissent, but not from many. Indeed, has there ever been a greater consensus of opinion on anything in recent times?

Beginning with the explanatory notes on our National Flag and Emblem, Section I deals briefly with our history, constitution, composition of the Government, political divisions, diplomatic representatives, foreign exchange, public holidays in 1955 in the different States, postal rates, reviews of the international scene and of the Indian economy. Section II consists of important data pertaining to 1951 census, national income, First Five-Year Plan, community projects, currency and coinage, banking and insurance, stock market, balance of payment and a Century of Indian Statistics. The economy of space and the ready intelligibility with which the census data has been presented has rarely been surpassed.

The value of the diary is considerably enhanced by inclusion of several histograms and two excellent maps showing roads, railways and air routes and the River Valley Projects.

The only grouse is that so useful a compendium is not made available to a wider public by making it a priced publication. If one may air another, without appearing to be churlish, why this preference for Dr Pattabhi Sitaramaya's translation of Vande Mataram when there is one

by Shri Arabindo? Though the source of the English rendering of the National Anthem is stated to be Rabindranath, the text is not an exact reproduction of the final version authorised by the Poet in his life time.

India Steamship Progresses

SHAREHOLDERS of the India Steamship Company, Limited, will welcome Sir A Ramaswami Mudaliar's assessment that the future of the Company seems bright. He revealed that the Government had granted the Company's request for a loan for the construction of vessels. With this loan, the Company placed orders with a German Shipbuilding Yard for the construction of two ships. One ship was delivered by the end of last year; the other ship will be delivered by the end of this month.

These two ships are the fastest vessels that are in the freight trade between India and Continent and the UK. In his speech as Chairman, Sir Ramaswami disclosed that the directors hope to reach the target of twelve ships by the end of this year, as fixed five years ago in the agreement with the India-UK Continent Conference Lines. Sir Ramaswami is mild, but firm, in his criticism that the Indian Lines have not yet been admitted to the membership of the various Conferences from ports on the route between India and the UK and Continent.

Sir Ramaswami is a believer in growing trade relations between India and her neighbours in south-east Asia. He is, however, aware, that unless Indian Shipping Companies enjoy the full facilities of cross trade, this growing trade and commerce between India and her neighbours may not benefit Indian companies. He pleads for the removal of the anomalies so that trade to and from India to south-east Asian countries can be carried in Indian bottoms.

Discussing the working of the company for the year to March last, Sir Ramaswami complains that labour legislation and "go slow" tactics of dock labour are responsible for unsatisfactory working results. Because of the "go slow" tactics of dock labour, the Company's freight earnings dropped by Rs 33 lakhs in the year to March last. It also meant an increase of Rs 8 lakhs in port charges. Even so, the Company made a gross profit of Rs 27.80 lakhs before providing for depreciation.

G.E.C.

ELECTRICAL INSTALLATIONS AND ERECTION

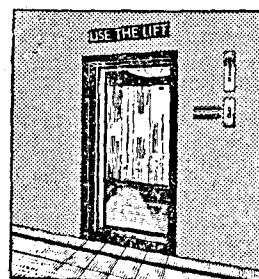
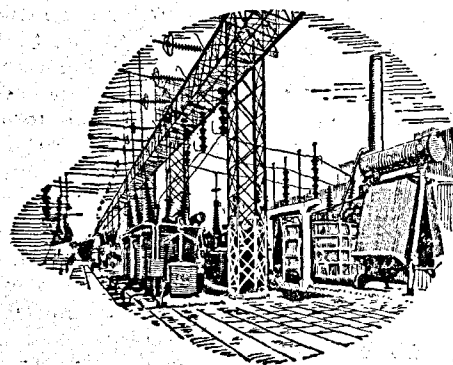
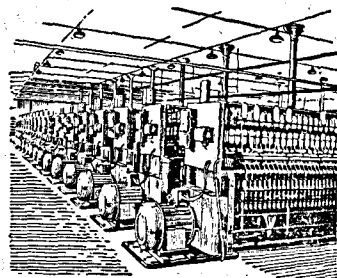


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From the Calcutta End

Vinoba in West Bengal

GANDHIJI evolved a new technique in politics. It succeeded because it had its roots deep in the history, tradition and culture of the country. As the guru, so the disciple. Vinobaji has mastered the Gandhian technique. That is why, he is loved, respected and revered. That explains the gradual spread of his Bhoodan Movement. He, like Gandhiji, talks in a language the people understand. They comprehend the meaning of what he says because that is the way they think things out. So, they respond to his call, as they did once before when Gandhiji invited them to action.

There were reasons why the revolutionaries of Bengal failed where Gandhiji succeeded. 'Ahimsa' is an ideal which the people of India understand. Self-respect, through self-purification, is what their religion has taught them. So, when Gandhiji told them that they were under foreign domination because they had lost their self-respect, they understood. And, so, when he advised them to strive for independence through peaceful means, they followed his advice to the last man.

BHOODAN YAGNA

Under different circumstances, but based on the same underlying concepts, Vinobaji applied the same technique with equal success. At Telengana, the Communists had succeeded in establishing a temporary regime by confiscating land from those who had land, for distribution to the tillers who did not possess land. Familiar with socio-economic theories and ideologies, the Communists of India were imitating Mao Tse-tung in exploiting the land hunger of the peasant in Asia. The military administration, created temporarily after the "police action" in Hyderabad, failed to halt the spread of Communism in that State.

Vinobaji entered the scene at this crucial phase of the situation. He, the true disciple of Gandhiji, had the instinctive sense to realise that the Communists in Hyderabad, like the revolutionaries in Bengal, were relying on techniques and ideologies which were foreign to the people of this country. The

Bhoodan Movement was born. It has since spread throughout the country.

At Telengana, Vinobaji started the Bhoodan Yagna. Telengana's landless proletariat understood the essence of that ceremony. It was not the absence of the cash nexus in the Communist strategy that mattered as much as the spiritual issues involved in the forceful dispossession of landlords of their lands for free distribution to the landless. That technical, contractual, legal issue has been solved by the subsequent legislation, in many States, relating to zamindari abolition through compensation.

SENSE OF DRAMA

Vinobaji, like his Master, is not a nihilist or an anarchist. He may or may not be a rebel against the contractual basis of capitalist society. But in his insistence on the lack of consent in such forceful or legal dispossession of ownership, he was symbolic of the mind and spirit of India. In inviting Telengana's landlords to be cheerful givers, Vinobaji was appealing to instincts inherent and inborn in them. They responded willingly. The battle was won. The Communists had to beat an ignominious retreat.

Vinobaji, like his guru, has a sense of drama, and is aware of the value of publicity. At Saltora, on the New Year's day, Vinobaji crossed Bihar to enter West Bengal. The press in Calcutta was then busy covering Marshal Tito and Pandit Nehru's impressions of the Djakarta Conference. One of Vinobaji's first utterances was to express surprise that the spread of the Bhoodan Movement had not received as much publicity as foreign news and items. He deplored this trend in journalism in this country.

BUDDHA AND CHAITANYA

It was characteristic of Vinobaji to describe his crossing of the Bihar-Bengal border as a sojourn from the land of birth of Lord Buddha to the land of Sri Chaitanya. This was not only a fitting reply to the parting remarks of Jayaprakash, or to the current Bihar-West Bengal boundary controversy. It was an

exquisite exposition of the dual basis of the Bhoodan Movement. Sacrifice is the essence of Buddhism. At and from Nadia, Sri Chaitanya preached his gospel of love. Vinobaji's Bhoodan Movement is based on the twin concept of sacrifice and love.

Over and over again, Vinobaji has expounded his ideas in his prayer meetings. His prayer meetings have become as famous as those of his Master. Everybody knows, by now, the bare essentials of the Bhoodan Movement. Landowners must willingly part with a portion of the land they possess. Those who are not landowners must pay a sixth of their income. This is *Sampattidan*. Lands thus made available to the Movement are for distribution to the landless peasants. Funds collected through *Sampattidan* are for settling the landless proletariat on the lands donated to the Movement.

These are the dry details. But the spirit of the Movement is more important. He who has, helps him who has not. It is the principle of good neighbourliness on which the Movement is based. Vinobaji is a beggar who begs of the rich and of the poor alike. Both the rich and the poor can give so that everybody can share the common pool. Vinobaji's approach to the Movement is typical. He is aware that the more land and *sampatti* are made available, the better for the Movement. But he is more anxious that the spirit and the thought behind the Movement should take roots. Then, and then only, can the Movement progress by its own momentum.

GRAM RAJ

Neither the practical details nor the spiritual basis of the Bhoodan Movement are unknown any longer. But it is still not widely realised that Bhoodan is part of a bigger Movement. In his prayer meetings since his entry into West Bengal, Vinobaji has been emphasising this larger concept. His Bhoodan Movement and *sampattidan* are the nuclei around which the larger concept must develop. It is typical of Vinobaji that he does not talk of village self-sufficiency. "Gram Raj" is his ideal. He wants to revive the "village republics".

Immediately on entering West Bengal, he began emphasising this State's major problem—the over-aggrandisement of Calcutta at the cost of everything else in this State. Calcutta has been thriving on the ruins of West Bengal's villages. This is a hard fact. But only a Vinoba Bhave could accuse Calcutta as a "city of sins". Calcutta has been described by others as the Chicago of the East. Over-development of Calcutta must stop, says Vinobaji, so that the other parts of West Bengal may develop. Only a cynical city-dweller will fail to comprehend what Vinobaji means.

AN ALTERNATIVE?

Today, it is an insult to call somebody a Liberal, or a Fabian or a Quaker. Vinobaji's back-to-the-village cry is not new. But those who have read the Finance Minister's recent speech on economic policy in Lok Sabha, or the report of the Committee of Direction of the All-India Rural Credit Survey, will not brush Vinobaji away as another brainless co-operator or a visionary advocate of "Gram

Udyog". Shri Chintaman Deshmukh and the members of the Committee of Direction are not woolly Fabians. They emphatically endorse Vinobaji's ideal of "Gram Raj". New Delhi is a convert to Vinobaji's ideas and ideals.

WILL HE SUCCEED?

There is nothing mystic about Vinobaji or his preachings. Panditji boasts that India, a democracy,

does not compare unfavourably with Communist China. Vinobaji claims that he has discovered an alternative to Communism. Who knows? He may have. Moscow and Peking may be sceptical. For entirely different reasons, a weekly news magazine in America may claim to have popularised Vinobaji and his ideals to the outside world. But this writer wonders whether Vinobaji would succeed where even Mahatmaji had failed.

Gold and Dollar Reserves of Sterling Area

GOLD and dollar reserves of the Sterling Area at the end of December 1954 stood at \$2,762 m, representing a fall of \$163 million during the month. The fall, however, is more than accounted for by the payment on December 31 of \$181 million as the service of the United States and Canadian lines of credit of 1946, the US Lend-Lease Programme loan. Payment was also made on December 1 of the \$8 million quarterly instalment on the Canadian interest-free loan of 1942.

During the month, defence aid from the United States amounted to \$8 million. Three million dollars were received in gold or dollars from the European Payments Union (EPU) in respect of November, and \$2 million were paid to creditors of EPU in bilateral settlements.

On the provisional figures for the month, the United Kingdom had a deficit of £7 million with EPU, which will fall to be settled in January, as to 50 per cent in gold or dollars and as to 50 per cent by increase in debt to EPU.

From the London End

INDUSTRIAL output in the United Kingdom in the first 10 months of 1954 was 5 to 6 per cent higher than a year earlier, so the Board of Trade reports. After seasonal correction, there was a rise of nearly 2 per cent from the first quarter to the second, from the second to the third the rise was about 1 per cent, and the estimate for October does not show much further improvement. Britain's advance in the first half of 1954 was therefore in line with that of Western Europe as a whole; it was much the same as that of France, Belgium and the Netherlands, among the major industrial countries.

Comparison with Rest of Europe

	1953	1954 1st half	Per cent increase 1st half 1953 to 1st half 1954
W Germany	139	148	11
Italy	127	134	11
Netherlands	117	124	8
France	109	119	7
UK	106	116	7
Sweden	105	113	5
Belgium	112	117	5

In Western Germany the most rapid rise (first half of 1954 over the first half of 1953) was in motor vehicles and transport equipment in which a gain of 28 per cent was recorded against only 12 in Britain. In textiles, the German increase was greater than that of the United Kingdom, but not markedly so. In chemicals, it was 16 against 12 in Britain. In almost all West European countries there were more than average increases in chemicals and transport equipment particularly motor cars, and less than average ones in textiles.

What are the factors that have contributed to expansion in production? In Britain three industries were particularly prominent in the increase: paper, vehicles and chemicals. They were, in order of their percentage increase, paper and printing with a 21 per cent rise, vehicles with 13 per cent, and chemicals with 12 per cent. Exports have made a varying contribution to this result. For paper, the increase in the value of exports was about in line with the output increase. In passenger cars, which have made the biggest contribution to the rise in

Report on Production

vehicle output, the home market was the predominant factor. Nearly 230,000 new cars were registered between January and July of last year. In chemicals, however, the volume of exports have risen more sharply than output and was nearly a quarter higher in the first six months of 1954.

Another substantial contribution to the real increase came from the big engineering, ship-building and electrical group which has been expanding in 1954 at about the average rate for all industries. The completion of merchant ships has been a post-war record. Industries where production has risen less than average include textiles, food, building and building materials.

Both exports, in which there has been a rise of 9 per cent by volume and personal consumption at home, which has been 3 per cent higher in 1954, have contributed to the rise in output. Durable consumer goods have been selling more readily and sales of motor cars in the country have been a major factor in rising output. Greater building activity has stimulated output in the build-

ing materials and other industries but the growth of factory building and the increased flow of orders for plant have yet to show their influence in a marked rise in output from the engineering trades. It is here that observers look for further improvement, not least for its effects in fortifying the competitive power of the economy.

To what extent has the rise in output been derived from higher productivity? Employment in manufacturing production rose something like 2 per cent in the first half of 1954 compared to a year earlier. The production increase of 7 per cent, therefore, suggests that per capita productivity rose by about 5 per cent. Since further increases in employment is unlikely (in the current full employment situation) increases in production in 1955, other factors, remaining unchanged, will depend on further increases in productivity and this in turn will be determined at the rate at which capital equipment is increased. With high level of current investment, the possibilities for a further rise in productivity are very strong.



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Statistical Concepts in Agricultural Economics

(From a Correspondent)

STATISTICAL concepts in agricultural economics came up for discussion at the last conference of the Indian Society of Agricultural Economics. What are statistical concepts? One answer is that they are concepts which can be statistically measured. Another may be that the reference is to statistical constants such as average, mode, standard deviation, correlation, regression, sampling error etc. The question may also be interpreted very broadly: how far the technique of the econometrician, the activity analysis, the input-output approach and linear programming—these are overlapping expressions—can be used in the study of agricultural economic problems? At the Conference all the three interpretations occurred in the papers read and the discussions held.

Prof D R Gadgil related his own experience when he designed investigations with high hopes of good response and ended by accepting replies from whichever cultivator responded. He also referred to the detailed terms of reference for the Rural Credit Survey made by the Reserve Bank of India, particularly to "capital formation in agriculture": in actual practice what was really recorded was data of such variety that it became difficult to see any uniform and useful concept of capital formation in them.

Similarly Sri J K Pande, the Economic Adviser, to the Government of Uttar Pradesh, mentioned his difficulties in defining (i) under-employment, (ii) normal working hours in an agricultural day in view of their variation in different seasons and in different parts of Uttar Pradesh, (iii) number of working days per month due to uncertainty regarding the number of off-days (holidays) to be allowed in a month and (iv) gainful employment in view of the dilemma whether it should be restricted to (a) those actually employed on the day of enquiry, (b) those usually employed or to (c) to those, who, though without work at the time of enquiry, were expected to be employed soon after.

These instances suggest that in view of the conditions prevailing in our agriculture, we should not be in a hurry to collect comprehensive statistical data. We are faced with the difficulty of (i) uniform definition either because of a lack of a standard manual of definitions or because of the variety of circumstances in the

different tracts of India and of (ii) bias due either to (a) insufficient, wrong or deliberately false response or (b) wrong interpretations placed, wrong questions put or wrong entries made unconsciously (or deliberately) by the investigators.

It is no doubt true that there is general agreement with regard to the use of sampling mainly because it saves time, labour and funds, besides enabling us to lay down the error involved and its level of significance and to plan for specified lower limits of error. A problem, however, has arisen due to certain modes of study, such as case-studies and studies of model units. A case study need not be the study of an unit which is representative in a particular region, or field of activity. It is often the result of availability of response, data and records; it can then be representative at best only in a subjective way. As to the study of model units, the need for it has been emphasized even by some foreign experts like Black and Stewart, presumably in order to arm the village level worker and the extension worker with normative advice that he may give to the cultivators. Weighed on the scales of common-sense, it would appear that something is better than nothing and that a few good and clear-cut data are better than a multitude of complex and incoherent data. Hence both case-studies and even studies of model units have their place and importance. We must, however, realise that even model units should desirably be representative of what is judged subjectively or objectively the main characteristic features of the universe which the extension worker endeavours to influence and improve. Hence it should perhaps be better to select some criterion (or a few criteria) from general experience and use them to decide upon the model units.

It will definitely be better if we select a narrow universe and prepare a complete frame of units to be studied with the help of some criteria and then choose a number of sample units randomly; alternatively all the units falling in the frame may be listed in a frequency table or a manifold-classification table and model units selected for study, experiment or demonstration. These ideas are only to guide, and are not to be rigidly followed.

A word about non-sampling er-

rors. It is said, and rightly, that in a country like India these are more important than the sampling errors. Hence some may belittle the need for random sample, while others maintain that proper care, suitable instructions and due check and supervision can enable one to reduce the non-sampling error to an extent. There is another idea. If the surveys are carried out by academic institutions rather than Government departments, there is likely to be greater sincerity and efficiency on the part of the investigators who are mostly ex-students of the academic departments concerned. More research projects should, therefore, be entrusted to academic institutions. If possible, institutions should be helped to acquire specialisation to ensure a permanent set up for tackling a steady flow of statistical studies.

In the West studies have expanded from the stage of micro-analysis and relationships between values observed in individual units to macro-analysis and studies to determine models and parameters (or constants) of the models. They have passed from the study and comparison of averages, deviations and correlations to econometric studies on the basis of the least square method, method of moments and maximum likelihood methods; to activity analysis; and to input-output studies. We in India have contributed our mite in the field of sampling methods and are keen to learn and adopt the latest western techniques. There is a danger that we may dissipate our energies and funds in using such novelties though our agricultural sector offers a heterogeneous appearance in contrast to the homogeneity of western economy. Consequently, while one may not mind an experiment here and an experiment there—pilot experiments, shall we say—we should choose a few well-defined agro-economic concepts such as can be statistically measured and analyse the features and relationships of our economy with their help.

One is reminded here of the idea arising out of the presidential address by Prof Gadgil at the Conference of the Indian Society of Agricultural Economics that notwithstanding the controversies with regard to the definition and desirability of acting on the basis of such terms as ceiling, optimum holding, economic holding, floor, and basic holding, we have got

(From a Correspondent)

AGRA was the venue for the 37th session of the All-India Economic Conference, held in the last week of December. The Taj and the historical glamour of Agra more than the utility of the conference as a rostrum for discussing and exchanging views on the problems selected, loomed large in the imagination of the delegates. The food served was an eloquent testimony to the fertility of the Jamuna valley, and the hospitality of the host university. The lunches and dinners more than compensated the delegates, lodged at various places, for the inconvenience of rattling to and fro in the buses and the boredom of attending the sessions.

It was a treat to listen to Shri K M Munshi's inaugural address. He can switch over with a remarkable degree of tact from his original professions of a lawyer and a litterateur to the more intriguing but nevertheless interesting ones of a politician and an economist. He confessed, however, that the items on the agenda, though meat for the illustrious gathering, was for a layman like him, forbidden food. An attentive listener would have definitely taken him for an amateur called upon to speak to experts on their own job. For one thing, his inaugural address was conspicuous by the absence of any reference to Vana Mahotsava and its utility for ameliorating economic ills.

Dr Balkrishna's presidential address, which ran into 32 printed pages, was in a serious vein and much too heavy. His thoughts appeared to be struggling to peep through the attire of an involved and verbose style and throughout, he made a conscious attempt to read each printed word rather than to make himself understandable to his listeners. The value of his speech would have greatly increased, had he practised the economy of words.

The topics selected for discussion were (1) Growth of Population in India; (2) Bank Rate and Monetary Policy—Recent Developments; and (3) Finance and Management of Public Enterprises. One could gather the impression from the old-fashioned way in which the first topic was treated, that a dead horse was being flogged. There were stimulating observations as regards the problem and its solutions, while con-

siderable data was supplied regarding birth rate, death rate, fertility rate, sterility rate, mortality rate, rate of growth of population and sex ratio.

'Bank Rate and Monetary Policy' called forth the maximum number of contributions. A few of these showed pains-taking efforts at tracing the history of Bank Rate movements in different countries including India and thereby evaluating its efficacy as an instrument of monetary policy. Some of the others dilated on the contribution of Keynes and the tool of liquidity preference which he made available to the future generations of economists—unfortunately to be mishandled and maltreated. The limitations of Bank Rate policy alone as an effective instrument of monetary policy—especially in a country like India—were realised. Out of the discordant notes, a harmonious symphony emerged—the Bank Rate to be an effective weapon of monetary policy should be accompanied by fiscal and monetary measures and selective controls.

The discussion of the third topic was marked by the absence of almost all the contributors and most of the delegates. The birds had flown to Fatehpur Sikri. The monumental constructions of the Moghuls had proved more attractive than the 'dismal science'.

The discussion on the current topic—An Appraisal of the Progress of the Five-Year Plan—aroused the keenest enthusiasm. The participants were in their elements. It was suggested that a more handy technique should be adopted for reporting the progress of the plan to the public. Dr K N Raj of the Delhi School of Economics made very succinct and clear-sighted observations while pointing out that saving was definitely lagging behind investment. He suggested that a distinction should be drawn between recurring investment and fresh investment, between utilisation of unused capacity and the creation of new, one, between amenity investment like residential building activity and investment for industrial development. Dr V K R V Rao acted as the defence counsel for the Planning Commission. It was true, he said, that the first Five-Year Plan was just a programme of expendi-

ture. With the second Five-Year Plan the Planning Commission had embarked on an ambitious investment programme with definite targets in view and a definite policy to achieve them. Prof D R Gadgil hinted at the necessity of distinguishing between the achievements of the Five-Year Plan and those attributable to other developmental factors. Shri J J Anjaria, like one pleading guilty before he was accused, modestly urged that the achievements of the plan should be judged from an objective and an unbiased viewpoint.

And so the conference ended, successfully, as one would say, more as a sightseeing excursion than an intellectual feat. To say that the quality of the papers submitted was poor would be to run down the efforts of those who had found the time and the enthusiasm to make their contribution to the work of the conference. Nevertheless, it cannot be denied that the standard left much to be desired. The senior economists, scattered all over the universities and Government bodies need to be painfully reminded of their duty. They should not limit their duties to those of detached observers. The discussions which follow reading of papers offer only restricted scope for active participation while the public speeches given by the senior economists offered almost unlimited scope for expressing ideas and developing them at length. The volume of conference papers, which stands as the only evidence of the work of the conference, is a much too poor testimony of what is discussed and what is achieved. Next year, the Indian Economic Association is holding its conference at Poona. The scholastic achievements and the austere simplicity of Maharashtra augur well for its success.

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to think in terms of fulfilling the felt-needs of the masses and to recognise the justification even for the very small owner-operated holdings which are being created as a result of the Bhoodan-movement. If we think in terms of advancing technology and think of developing our economy, then the size of the cultivated unit should be increased, indeed the whole economy has to be reorganised. But if ownership rights in very small units are created, may it not lead to opposition by such owners to future attempts at consolidation to increase the size of the holding? An opinion survey is likely to suggest itself here, which would not call for many complex concepts. We are led to this when we think, not merely of abolition of intermediaries but also of land management with regard to structure and size of the farms.

The idea implied in the previous paragraph concerns production—particularly production in an exchange economy. But we may also think of consumption and of the need for multiplicity of consumption. If the very small farms can be cultivated intensively to grow vegetables and eggs and other protective food-items, it would be far better. It would help to reduce the demand for cereals. Also, if those producing non-agricultural goods and services do not insist on having their pound of flesh but instead ask for just enough to keep their body and mind in active, vigorous health and to provide them with incentive for innovations, the very small farms would not appear so very undesirable. Here, again, is a scope for opinion surveys. We know that farmers and even other low income groups have been accused of inertia, for continuing on gruels and tattered clothes although they have more money. A Research Officer of the Planning Commission accused the cultivators in the Tungabhadra Valley Project area of showing this inertia. This may well be good from the point of view of capital-formation in a sense, but we referred to it here only to fortify the argument for simple-looking surveys of man's behaviour in the agricultural sector.

Finally, a warning must be given about the indiscriminate use of statistical measures of central tendency, correlation and statistical tests without clearly understanding the assumptions underlying their use: as also about statisticians making much ado about technicalities which slow down investigations or involve large expenditure.

Protection to Textile Machinery Industry Extended

THE Government of India has accepted Tariff Commission's recommendation on the continuance of protection to the cotton textile machinery industry.

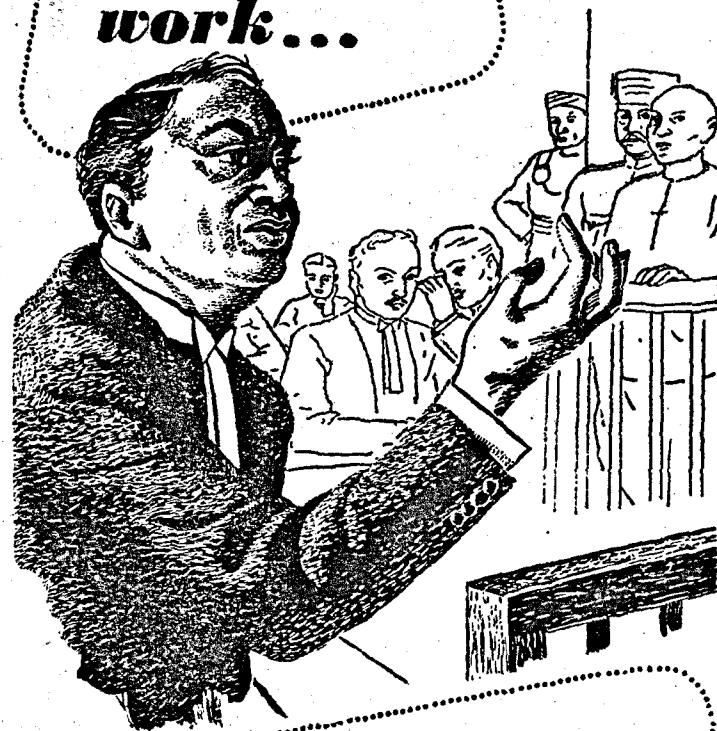
Protection will be extended to cover (a) all types of looms, namely, automatic and plain, whether used in rayon, silk or cotton textile mills, and (b) fluted rollers, and that it should continue for a further period of three years, that is, up to Decem-

ber 31, 1957.

The Government has also accepted the recommendation of the Tariff Commission that indigenous tin rollers are no longer in need of protection and should be removed from the scope of protection.

The rate of duty on the protected categories of cotton textile machinery will, during the extended period of protection, remain at 10½ per cent *ad valorem*.

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Community Organisation and Development in Lebanon

K G Sivaswamy

[The working of Community Projects in Lebanon from the angle of methods of operation, difficulties encountered and the success achieved, is examined in this article by the author who visited that country as a member of the UN Mission on Community Projects in the Middle East in December 1952. The impressions are his own, and the UN is in no way responsible for them.]

THE small farmer of Lebanon depends for his living on an export market for the citrus fruits, onions and potatoes that he raises. His holding is small. Any assistance in reducing costs of cultivation and transport adds substantially to his income. Further, as compared to countries of the Middle East, Lebanon is a land of small owners in mountain tracts who have security and are an economically stable peasantry.

Favourable conditions therefore exist for the success of co-operative societies. The Abadiya Co-operative Society is one of such small owners. It has reduced the costs of marketing fruits and vegetables by half. It has prevented cheating in weight. It has helped members to learn market prices. It has shown that a society can maintain out of its own funds a staff for direction and administration costing about Leb £625 per month. Further the society has contributed to social activities out of its funds such as the construction of a canal, bridge, and road and provision of free medical relief.

OTHER SOCIETIES

But many societies attempted at other places have failed. At one place this was due to family feuds and at another, to the lack of perseverance on the part of the organisers. At Gibrail there has always been opposition from influential money lenders to the starting of a credit society.

1941 DECREE ON CO-OPERATION

The Government of Lebanon was not lukewarm in promoting co-operation. On the basis of the experience gained in working the Abadiya Co-operative Society, it issued a decree for the development of co-operatives. The 1941 decree of the Lebanon Government provided for the development of co-operatives. A Supreme Council was to supervise the over-all policies of agricultural co-operation. This Council comprised the Director of Agriculture, head of the Co-operative Service which is a section of the Ministry of Agriculture, a representative of the Director of Finance, three members

from among managers of Lebanese banks and four members elected by co-operative societies from among their members. Again the decree provided that the rate of interest for short-term (one year) loans to members should not be more than 3 per cent, and not more than 2 per cent in the case of medium-term loans (five years). The decree further provided for unions of agricultural co-operatives for different objects, and an audit union for inspection, audit, education and development. The decree should be appreciated for many of its good features. It brought together Directors of both the agricultural and co-operative departments of the State under a single Council, thereby recognizing the organic connection between the two departments in assisting the farmer. Secondly, it recognized the need for central societies for credit, supplies and sale in order to aid primary co-operatives. Thirdly, it provided for co-operative education and audit. But the issue of loans at a nominal rate of interest cannot be more than a pious wish.

OBSTACLES TO ECONOMIC PROGRESS

The co-operative movement, however, could not be fostered by the State. Obstacles to it were both within and outside the movement. But external obstacles were more powerful. In the first place, credit was costly. Even the members of the Abadiya Co-operative Society borrowed at 9 per cent from commercial banks. Private banks, both foreign and native, always stood against the growth of agricultural central banks. Also firms dealing in seeds and fertilisers or marketing lent at high rates of interest. Secondly, the seed companies had their extension agents to sell fruit nursery products imported from American and European markets, vegetable seeds and fertilisers. Some of them had monopolies for importing certain varieties of fertilisers. They sold these articles on credit at an interest rate of 12 per cent with the extension agent realising the price at harvest at 16 per cent interest for a period of three months. The cost was high and seeds and fertilisers could not reach the small farmers.

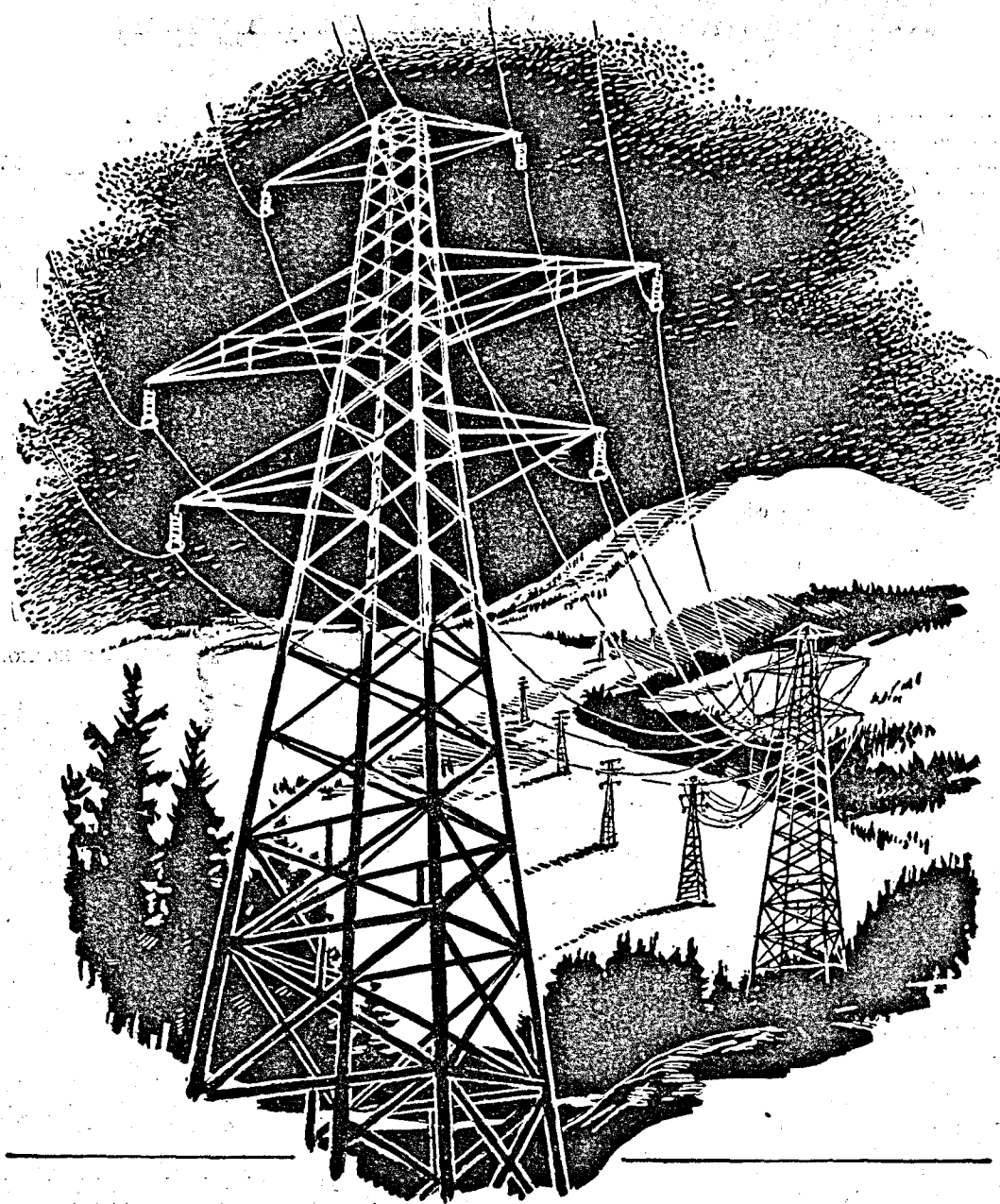
Small business with innumerable petty farmers was not profitable and therefore unattractive to private merchants. As regards the suitability of seeds, the technical supplement of the UN Economic Mission says that 'seeds of potatoes, cereals and vegetables were imported without ascertaining their suitability to climate and soil.' It adds that 'though provision was made in the six-year plan of a sum of Leb £1,000,000 for multiplying approved seeds, it is not yet exactly determined how the money is to be spent.'

MERCANTILE ECONOMY

The Lebanese economy is mainly a merchant economy. By history and tradition, an important community living by foreign trade has grown in Lebanon. State policy is very largely influenced in the legislature by representatives of the commercial community. One of the methods by which the State is thinking of assisting the farmer is by promoting an agricultural project of the French Government for the sale of agricultural requisites. But in spite of the large place given to concessionaire companies doing big business, they feel that individual dealings with innumerable petty farmers will raise their establishment charges and consequently the costs of distribution and that some collective form of buying and sale by the farmers will help their wholesale business.

EXPORT SUBSIDIES—HARMFUL DEVICE

An exporting economy such as that of Lebanon will have to adopt all kind of devices to reduce the costs of cultivation and marketing. At present a number of difficulties are experienced in selling oranges and other fruits. Government is subsidizing the growers and traders for furthering exports. Having allowed the costs to increase in consequence of the absence of control over credit, supplies and marketing and finding that reduction in the principal exports must lead to distress within the country, Government has been forced to adopt the easy, though slippery, device of export subsidy.



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CONTROL OF PRIVATE BANKS AND TRADE

Dr Tannous wrote as early as 1944 that the obstacles to the growth of co-operation have been "money-lenders, traders, brokers and factions among Arabs." A recent article in the *Middle East Journal* (V 6.4) on economic nationalism says, "Lebanon is the paradise for private merchants and money-lenders. Foreign concessionaire companies are criticised for exorbitant charges or inadequate services, but there is little talk of State industries." Some degree of control will be needed over private companies regarding their costs of distribution and quality of articles. Also the State agricultural research stations should be able to test and approve the quality of seeds imported.

Egypt, a neighbouring State, has a different story to tell. Its agricultural bank lends at special rates to primary co-operatives and also sells fertilisers at a concessional price. It supplies cotton seed from its experimental stations in such large quantities as to minimize the sale of contaminated seeds by private merchants. It has fixed the price of seeds and fertilisers. Its agricultural bank, through its 800 shoonas (store-houses), sells seeds and fertilisers to the co-operative societies. What must be noted is that small farmers will hardly be able to fight unaided powerful companies and banks, and their own primary and central organisations will need to be fostered by special concessions as a definite State policy. The Abadiya Society has shown how farmers can benefit by co-operative supplies and marketing even in the present economy where private trade has the upper hand. So too the milk-marketing activity of Mr Feldmahn at Anjar has shown how it can further cattle-breeding, ensure some income to the farmers and supply the essential needs of milk and dairy products to the town of Beirut. The decree of 1941 for promoting co-operation needs therefore to be improved and implemented in these directions. Primary co-operatives for credit supply and sale should take the place of private agencies. The Director of the Department of Social Affairs in Lebanon, in an article in the *International Labour Review* of January 1952, refers to the importance of this policy in the following words, "It is easy to imagine the progress that could be made as a result of a sound rural policy providing for irrigation schemes and a system of co-operative credit, mar-

keting, purchase and hiring of equipment. This is the thread which runs through all the plans of farmers and Government."

AGRICULTURAL FINANCE

The proper functioning of co-operative societies rested on the supply of necessary finance at fair rates of interest.

The one working society at Abadiya was forced to contract with a commercial bank to lend to its members at the high interest rate of 9 per cent. It has always failed to supply credit to its members. At Chetoura and Gibrael the farmers had to pay exorbitant rates of interest. Mr Feldmahn referred to his difficulty in finding funds to supply cows, buy dairy equipment and promote fruit-growing. At Gibrael soil conservation and terracing could not be furthered for want of funds. The NEF centre could supply motor pumps only to the rich who had capital, but not to the hundreds of farmers who required them. These facts indicated that the main bottleneck against the development of agricultural co-operatives was scarcity of finance. A central agricultural bank or State finance for supplying short-term and long-term credit to the primary agricultural co-operatives and to central societies for the purchase of agricultural requirements for the latter is essential. The State should therefore find the necessary funds if co-operative farmers' organisations are to thrive.

A radical change is necessary in the financial policies of the State. The decree of 1941, which had high aims of promoting co-operation, failed mainly because of want of a State policy to provide short and long-term credits for farmers. Capital has also to be raised by preventing conspicuous consumption by taxation and by regulating internal investments. (See the article by the Director of Social Welfare in *ILR* of January 1952.) Community co-operation cannot make any headway in promoting economic progress unless the State provides the necessary financial aid for short-term, medium and long-term needs, and the agency of primary rural co-operative societies for taking this aid to the farmer in the village.

CENTRAL SUPPLY SOCIETIES

Reference has already been made to the difficulties of farmers in getting proper supplies of seeds and fertilisers. Without a Central Supply Organisation, co-operative societies

and social centres could not distribute seeds and fertilizers of good quality at a reasonable price. But central supply societies cannot function unless priority is given to the import of agricultural requisites. Further, if imports are not regulated so as not to affect the internal production of food supplies, co-operative societies will be adversely affected in their production plans.

If cattle and cattle feed, motor pumps and tractors, seeds and fertilisers and insecticides and sprayers are to be imported, the import policy will need regulation so that priority is given to these imports instead of luxury articles. During my stay in Lebanon my attention was drawn to American readymade clothes in Lebanon, which tended to drive local tailors out of employment. The import of Dutch cheese, New Zealand butter, Australian butter, Australian jam, and Dutch biscuits must affect the local cattle breeding, fruit-preserving and food industries.*

Success of community organisation on the economic side rests on a sound import policy regarding priorities of supplies of agricultural requisites and prevention of imports which hinder the internal development of the agricultural processing industries.*

STRUCTURE OF RURAL SOCIETY

The prerequisites for the working of any community organisation are that the individual should be free to act without fear of being deprived of his source of livelihood, and that power and leadership are not concentrated in the hands of a

* The Director of Social Affairs, referring to this state of things, says in the article already referred to:

"Many of the imported goods are luxuries or are not necessary to the economy. From the social point of view, this state of affairs is harmful, since it encourages the natural inclination of the Lebanese to spend money unprofitably on goods which are quickly used up. As an example we may cite the extraordinary number of expensive cars which are converted after a few years' use into taxis or delivery vans."

The UN Mission's report puts the case for priority of imports needed for agricultural development in the following words: "The first requirement is to feed its own people and provide exports to other lands, by these means paying for the imports of these manufactured goods, necessary to modernise agriculture."

few as a result of the ownership of means of production such as land, water, money and trade. Land ownership in the hands of a few is hardly conducive to the working of community organizations.

Religious feuds, political feuds and family feuds prevent the working of community organisations particularly in villages dominated by big landlords. To illustrate this, while the co-operative, at Marg, succeeded because of the equality of status in land-ownership, that at Kubelias failed because of the power-mongering type of leadership.*

These problems have to be faced. In the area of the Litany river project undertaken by Point 4 American aid, a large portion of the agricultural land is owned by three big

* Writing about the need for trained leadership, in the *Scientific Monthly* of January 1951, Tannous says, "There is a small minority stratum of privileged elite on the top of a tremendous mass of depraved peasantry, and some industrial workers at the bottom; the vacuum has to be filled up or this society will not hold longer." In the same article, he refers further on to the existence of big land-ownership and foreign business enterprises and the difficulty of carrying technical skill to the new leadership under these conditions.

land-owners. Crop-sharing tenants and agricultural labour do not get a fair return for their work.

EXTENT OF BIG LAND OWNERSHIP

The area of big ownership existed in the coastal plains of North and South Lebanon and parts of Bikka Valley. Most of these landowners are city families having no interest in cultivation. Some of these estates belong to the wealthy families of Ottoman times. Some have been grants by Turkish Sultans to powerful politicians such as the very large estates in the Bikka and Litani Valley.*

INCREASE IN NUMBER OF OWNER-PEASANTS

Community development cannot prosper in these areas unless a homogeneous community with equality of land status is created. Tenants and petty owner-farmers who have traditional skill to manage farms should get security and sufficient land to cultivate. The large areas of big land-owners will have to be acquired

* The ownership of holdings is estimated as follows: "83,000 small owners hold 5 acres and below; 15,000 between 5 and 12½ acres, 1,000 between 12½ and 25 acres, and 171 large landowners hold 3,37,500 acres or about 2,500 acres each on an average."

at a price which can be paid out of the land income in a definite number of years. This will have to be re-distributed among poor farmers. Simultaneously, co-operative organisations for developing these lands will have to be promoted where possible in varying degrees of co-operation according to the measure of development achieved by farmers in different localities. Where agricultural labour is not mature enough to own land and develop it on a family basis, a paternal type of central organisation may be necessary. But unless this land concentration is broken, family feuds among big owners are bound to continue.

OTHER DIFFERENCES OF VILLAGE LIFE

Differences, due to political parties, cannot, however, disappear in democracies, and they have a value in giving importance to submerged people rousing their self-respect. Religious feuds have lately been disappearing, and festivals of different religious groups are gradually becoming occasions for bringing together all the communities. The main obstacle to the growth of rural leadership among the large mass of the working class is their feudal subjection to big landlords. This can only be broken by the adoption of bold land reforms similar to those attempted in other countries of the Middle East.

Rural Credit: II—The Solution

THE problem of rural credit can only be solved by a regeneration of the co-operative movement for which the movement must receive considerable assistance from outside. While such assistance can only come from the State, the tendency to over-administer and under-finance evident till now must be given up. The total programme required is one of rural re-orientation, which implies a combination of rural conscience, rural will and rural direction. Such a combination strong enough to be an over-riding factor in the situation has to come from Government and the more powerful institutions of Government.

With this approach to the problem and its wider aspects, the Committee bases its recommendations on three fundamental considerations. It is argued that there must be not merely State guidance and State aid but also State partnership with co-operatives in credit, processing, marketing, etc.; that this raises the need for positive State association with a defined sector of commercial banking; and that the State must take the initiative in the creation of suitable institutions for the promotion of storage and warehousing on an all-India scale with State participation. For all these purposes training of proper personnel is necessary.

The integrated scheme proposed by the Committee requires State participation at different levels, full co-ordination between credit and other economic activities and administration through trained personnel, responsive to the needs of the rural people. For these purposes the creation of certain funds is recommended.

The development of co-operative credit is considered under the following heads: (1) Reserve Bank, (2) Central Government, (3) State Government, and (4) the Co-operative Movement.

(1) RESERVE BANK

In collaboration with the State Governments, the Reserve Bank is expected to draw up plans for the co-ordination and re-organisation of co-operative credit on the lines recommended by the Committee outlined below. The Reserve Bank should further be empowered to make long-term loans to State Govern-

ments, from the National Agricultural Credit (Long-term Operations) Fund that is proposed, to enable them to participate directly or indirectly in the share capital of state co-operative banks, central co-operative banks, larger-sized primary credit societies, central land mortgage banks, primary land mortgage banks, etc.

Short-term accommodation by the Reserve Bank on the guarantee of State Governments through state co-operative banks, should be continued but medium-term loans (from 15 months to 5 years) should also be given. The existing overall limit of Rs 5 crores and other limits should be removed and actual assistance should be left to the discretion of the Reserve Bank.

The Reserve Bank should be enabled to give long-term accommodation to land mortgage banks through direct loans or purchase of 'special development debentures' either from the National Fund mentioned above or otherwise. Such purchases should be apart from normal purchases in pursuance of existing policies.

In case repayment of short-term loans to various types of co-operative societies becomes difficult due to the occurrence of famine or drought, the National Agricultural Credit (Stabilization) Fund should be used to convert these short-term loans into medium-term loans though the Reserve Bank may insist that similar funds are maintained within the movement and are used to meet part of such liability.

The operation of the two funds mentioned and the planning and, to the extent feasible, execution of programmes and policies should be left to the Reserve Bank and its Board. For this purpose, however, the Agricultural Credit Department should be reorganised and strengthened. The Standing Advisory Committee of the Reserve Bank should be continued as a smaller expert body, while a representative Advisory Council should be constituted, common to the Reserve Bank and the Ministry of Food and Agriculture.

(2) CENTRAL GOVERNMENT

The Ministry of Food and Agriculture should have a National

Agricultural Credit (Relief and Guarantee) Fund to give grants to co-operative credit institutions through State Governments for writing off irrecoverable arrears, where these have become so large as to threaten the stability of the structure and are due to such causes as widespread or chronic famine. State Governments may be required to make contributions for the same purpose from similar funds maintained by them.

(3) STATE GOVERNMENTS

These will be responsible for the implementation of the planned programmes of credit development drawn up in consultation with the Reserve Bank. The Committee has recommended that *taccavi* and similar loans from State Governments should be limited to 'distress' finance to meet contingencies such as famine, drought, etc. The only exceptions to this rule should be (a) Where co-operative credit institutions are yet to be developed, until that is done; and (b) Where special credit arrangements are made for certain areas—chronic famine areas or those inhabited by backward tribes—and for certain classes for whom special policies of rehabilitation are adopted.

(4) THE CO-OPERATIVE MOVEMENT

The recommendations with regard to the Reserve Bank, Central Government, and State Governments, outlined above, are all based on their operating to improve the co-operative movement. The crux of the matter is, therefore, the way in which the movement itself can be reorganised and strengthened.

THE STATE AS MAJOR PARTNER

It is recommended that a phased programme for the reorganisation of co-operative credit institutions at all levels should be drawn up by the State Governments in consultation with the Reserve Bank. This reorganisation should be on the basis of partnership with the State, which should continue to be major partner for an indefinite period at the apex and district levels, and for more limited periods at the primary level. The Committee has recommended that State participation should be direct only at the apex level, and that it should be through the State co-operative bank in the central

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banks, and through State and central co-operative banks in the larger primary credit societies.

To ensure maximum co-ordination between short-term and long-term parts of the credit structure, State co-operative banks and central land mortgage banks should have a common administrative staff and board of directors as far as possible, though they should remain independent legal entities. State and central co-operative banks and larger primary credit societies with limited liability should be established and one of the main lines of future development of the primary credit structure should be the organisation of larger primary societies, with limited liability.

MODE OF OPERATION

Certain very important recommendations are made about the mode of operation of the co-operative societies. Short-term credit should be given as crop loans—i.e. for productive purposes, on the basis that a crop is anticipated, related to the estimated outlay and providing for recovery from the proceeds of the sale of the crop. Such loans should be disbursed as far as possible in kind.

Subsistence needs should be met by the primary credit society while credit needed in connection with specific items of consumption should be provided through *chit* funds, incorporated within the framework of larger primary credit societies, though including non-members.

Medium-term should be provided by the short-term credit structure, special attention being paid to loans for purchase of livestock.

Long-term loans should be given by land mortgage banks which should be established or reorganised in different States. Central banks or branches of the State Co-operative Bank should establish a section for dealing with long-term credit on an agency basis and this can be converted into a branch of the Central Land Mortgage Bank. Primary land mortgage banks should be established eventually. The Government and the Reserve Bank may give various kinds of assistance to land mortgage banks and the flotation of 'rural debentures' is recommended.

Trained personnel for key posts in co-operative institutions at higher levels, and even for larger primary societies should be 'deputed' from cadres instituted by the State co-operative banks or State Government. Various measures for administrative reorganisation are recommended in this connection.

STATE BANK OF INDIA

To ensure the development of rural banking, whether co-operative or otherwise, the Report has recommended the establishment of the State Bank of India, through the amalgamation of the Imperial Bank of India with the State-associated banks, namely, the State Bank of Saurashtra, the Bank of Patiala, the Bank of Bikaner, the Bank of Jaipur, the Bank of Rajasthan, the Bank of Indore, the Bank of Baroda, the Bank of Mysore, the Hyderabad State Bank and the Travancore Bank (together with a few minor banks).

In making this recommendation, the object of the Committee "is the creation of one strong, State-sponsored, State-partnered commercial banking institution with an effective machinery of branches spread over the whole country, which, by further expansion, can be put in a position to take over cash work from non-banking treasuries and sub-treasuries, provide vastly extended remittance facilities for co-operative and other banks, thus stimulating the further establishment of such banks, and generally, follow a policy of advances—including advances for agricultural purposes—which, while not deviating from the canons of sound business, will be in effective consonance with national policies as expressed through the Central Government and the Reserve Bank."

EXTENSION OF BRANCHES

It is recommended that the new bank should pursue a large and expeditious programme of branch extension and that losses, beyond an agreed level, on new branches should be met from an Integration and Development Fund to be established within the bank itself from the dividends on shares held by Government and the Reserve Bank. This dividend should not exceed 5 per cent.

It is a fundamental principle underlying the Committee's recommendations that other activities must be encouraged to develop on co-operative lines, if co-operative credit is to succeed. It is recommended that co-operative processing and marketing should be encouraged through a planned programme by long-term loans from the National Co-operative Development Fund at the disposal of the National Co-operative Development and Warehousing Board.

WIDENING CO-OPERATIVE ACTIVITIES

Co-operative societies for marketing, processing, dairying, etc should be developed in conformity with a plan on the basis of major State partnership. Initially, such societies should be organised at selected places, selected carefully to ensure success. Every marketing society should give effective representation in all cases to the medium cultivator and where possible, to the smaller cultivator also. Where regulated markets exist, local marketing and credit societies should be entitled to nominate members on the Marketing Committee.

In marketing and similar societies, members should be compelled to make additional contributions to share capital in proportion to turnover of their sales or to the size of loans taken. Existing processing plants may be compulsorily acquired if co-operative societies are willing to run them and licenses for new plants should not be issued to private parties unless no co-operative organisation is willing to and able to undertake such work.

For storage and warehousing, an All-India Warehousing Corporation, and State Warehousing Corporations are recommended while co-operative marketing societies may also undertake provision of storage or warehousing as one of their primary functions. The Report makes detailed recommendations about the functions and finance of these different bodies to ensure that through their effective functioning, the rural economy may be considerably strengthened.

THE MONEY LENDER

In its scheme, the Committee has not assigned any place to private agencies, but has expressed the hope that the moneylender, trader, indigenous banker and the other commercial banks will supplement the scheme, though not finding a place within it. The network of godowns and warehouses will assist them in doing so.

RURAL SAVINGS

About rural savings in the light of its study of the rural economy, the Committee concludes that

- the need to make rural savings possible is much more important than to render them available;
- to the extent they exist, rural savings are most likely to be made available where they

(Continued on page 49)

India Steamship Company Limited

Address of Sir A Ramaswami Mudaliar, KCSI, DCL (Oxon), Chairman, India Steamship Company Ltd, delivered at the Annual General Meeting of the Shareholders of the Company on 30th December 1954.

Gentlemen,

The Audited Accounts and Directors' Report for the period ending March 31st, 1954, has been in your possession for some time. With your permission I shall take them as read.

Trading Experience

The Directors' Report shows that the freight earned during the year is Rs 3,60,27,999-2-2—Rs 33 lakhs less than the freight earned during the previous year. This drop in freight and its resultant effect on the profit and loss account of the Company has been attributed by the Directors to the 'go-slow' movement adopted by dock labour in various ports and the general attitude of dock labour in ports. The consequential delay in the turn round of the ships and the time taken by ships in port as a consequence of the intransigence of labour is reflected both in the earnings of your Company and in the expenditure which the Company has had to meet. To take one item, Port Charges increased during the year by more than Rs 8 lakhs.

In spite of the unforeseen loss due to these circumstances, the Company has made a gross profit of Rs 27,80,081-8-2 before providing for Depreciation. It will easily be realised that the year under review has been a most anxious one and it is only by the careful management of all departments and of our Agents abroad that even this result has been possible.

Delay at Ports

I have frequently referred to the unnecessary and inordinate delays that are experienced at some of the ports both in India and abroad and have pointed out that the earning capacity of a shipping company is seriously crippled by such delays. The year under review has brought this problem to a critical stage. I must be frank and state that the crisis has been the result of reforms and regulations in themselves probably good, which have been enforced by the Ministry of Labour, without, however, being in a position to control or direct the labour situation in Indian ports. The waterfront in almost every country presents special problems which do not arise in industrial units in the country. The De-casualisation scheme adopted two

years back without adequate consultation with the interests concerned and in fact in spite of the serious apprehensions entertained by Shipping interests and the difficulties pointed out by them, has led to results which the Government did not contemplate and to situations which the Government so far has been unable to meet. It is unfortunate that sometimes proposals adopted in Great Britain in such matters are copied in India without a proper appreciation of the inherent difficulties involved in the application of such proposals. Even in Great Britain with labour better disciplined and with leaders of labour exercising greater authority over trade unions, dock labour has not proved as disciplined as the labour leaders would like them to be. In India with rival Trade Unions competing and with some leaders trying to get advantageous positions among the Unions it was a foregone conclusion that the reforms copied from England were bound to result in chaos, to the serious detriment of the economic position of the country itself and in particular of Shipping.

Go-Slow Movement

The most distressing aspect of the labour situation at some Indian ports is the 'go-slow' tactics adopted by various classes of dock labour. In spite of the fact that attempts have been made by Government representatives to prescribe the normal work that may be turned out by a gang of workers and the promises held out by labour leaders that these norms will be observed, the situation has deteriorated, indiscipline being rampant and authorities who can supervise or control such labour being incapable, owing to various reasons, to deal with the situation. Where one gang was in the recent past responsible for loading a certain quantity of cargo, more than two gangs and not unoften even three gangs, are required to load the same amount of cargo.

Last year addressing you, I stated that your Company, along with others, desired to co-operate in providing all reasonable amenities and levels of wages to labour but wished to emphasize that the labourer must be worthy of his hire and that he should do that amount of work which may be reasonably expected of him. Unfortunately conditions have steadily deteriorated. The Port Commis-

sioners labour, the stevedores labour, the winchmen alternately adopt 'go-slow' tactics and ships are held up for weeks on end in loading and unloading their cargo. This situation should not be allowed to last any longer and the public must clearly understand what the continuance of such a situation would mean to the economy of the country.

Economic Consequences

The Report of your Directors shows the economic consequences to your Company as a result of the labour situation, but there are wider consequences than those affecting your Company which result from labour's indiscipline and unreasonable attitude. The trade of the country will seriously be affected, and indeed has already been affected to some extent, by such an attitude on the part of labour. Shippers are unable to meet their contracts and deliver the goods to their importers in time. In an extremely competitive world where countries with the same resources which India has got wish to establish markets for their products, it can easily be realised that the economic consequences of delayed shipments and of shipments made at higher freight rates will be extremely serious to the normal trade of the country. It wants no imagination to forecast that once there is a diversion of trade from one country to another it will be an uphill task to recapture the original normal markets. Government and the public, therefore, have as serious a situation to face as the Shipping companies and I trust that the gravity of the problem having been now realised effective steps will be taken to regulate the conduct of dock labour. The 'go-slow' movement is nothing else than a direct attempt at sabotaging the efforts that the country is making towards economic progress. The Prime Minister has aptly observed "Aram haram hai". If his attention is drawn to this situation at the major ports in this country he will be shocked at the extent to which this evil practice of idleness is prevalent. When one looks at the amount of unemployment that exists amongst the educated classes and even the skilled workers and compares it with the position generally speaking of dock labour, one will realise how totally

unjustified and extremely anti-social the attitude of much of this labour is. It must be stated in fairness to some of the Trade Unions controlling part of the Dock Labour in these ports that both their leaders and the members of such Unions are willing to do their shares of work properly but are often threatened with violence for such proper behaviour by the Members of some other Unions.

Wages and Amenities

In all that has been stated before, speaking generally on behalf of Shipping companies, I should like to state that there is no suggestion that they are not willing to meet the legitimate and reasonable requirements of labour. Whether it is Port labour, Stevedore labour or any other kind of labour connected with the dock, the financial burden has ultimately to be borne by Shipping companies and they are well aware of this fact; but they cannot afford to be put to enormous losses quite unnecessarily by the attitude of sections of labour and by the result of factors beyond their control. It is time that the Government sets up a reasonable standard for all such labour and enforces such standard both in work and in wages and amenities on the employers and on the workers. If such a firm decision is not taken by the Government the commendable progress which Indian Shipping has now made in spite of odds and difficulties, will be seriously jeopardised and further progress retarded.

The Second Five-Year Plan envisages large industrial development in the country both in the public and in the private sector and consequently a much larger movement of freight between India and various countries of the West and Far East. Indian Shipping wants to play its part in this National effort to increase the economic strength of the country to raise the standard of living of its people and to promote greater employment for all classes of the citizens of the country. It will put forward proposals for increasing the tonnage that is now owned by Indian Shipping companies and map out routes other than the existing routes which will have to be served by Indian Lines. All this contemplated progress can only be possible with the goodwill and active co-operation of all kinds of workers in the industrial and the Shipping world, while on the other hand employers must realise their obligations towards the legitimate request of workers of all classes.

At a recent meeting of the Consultative Committee of Indian Ship-owners their views on the lines I have indicated above have been fully stated and the Shipping companies now look forward to the Ministry of Transport and the Ministry of Labour acting jointly not merely in the interest of Shipping companies but in the interest of the very economic progress of the country.

A Brighter Picture

Let me turn now from this gloomy and unethical situation that I have portrayed to a brighter picture which seems to emerge for your Company in the near future. I mentioned last year that your Company was negotiating with the Government for a loan for the construction of vessels which may be added to your fleet. I am glad to inform you that a loan was granted by the Government for the construction of two ships of 10,000 d/w approximately and orders were placed with a German Shipbuilding Yard—Messrs Howaldtswerke for their construction. One of the ships will be delivered after the trial run by the end of this year and the next ship is expected to be delivered by the end of January 1955. These ships are of the most modern type equipped to carry cargo of all kinds from and to India and with a speed of over 17 knots an hour. In fact they are the fastest vessels that have been built for Indian Shipping and the fastest vessels that are in the freight trade between India/Continent and the UK. It may be recalled that according to the agreement arrived at in 1950 with the India/UK/Continent Conference Lines your Company was allowed to trade with twelve ships on this route. Your Directors wish to attain this limit of twelve ships before the period of five years expire, i.e. by the end of 1955, and they are now considering the addition of two more vessels of the same type as has been recently built which will enable them to fulfil the target accepted by them in 1950. With these four fast going vessels of over 17 knots speed and with the six Victory ships whose speed is not less than 15 knots, the India Steamship Company will have a fleet of fast vessels comparable with any other Line on this trade and shippers will have no reason to complain of delays. Their shipments to and from India will be transported as expeditiously as by any other Line—in fact more expeditiously than by almost any other Line. I would only reiterate that I trust that all this effort of your Company will not be rendered intractable by

labour troubles and by labour indiscipline.

Indian Shipping and the Public

It has not yet been realised by a large section of the public that Indian Shipping of adequate strength and engaged in carrying freight to different parts of the world is an essential prerequisite for the development of the trade and commerce of the country. Shipping plays a large part in channelling trade and commerce in right directions. It has been my experience that Shipping companies in many countries have been promoted and encouraged not purely for earning adequate returns but even more for the contribution they can make to the trade and commerce of the country. They form, therefore, a vital economic factor in the country's development. Instances can easily be adduced to show that the trade of certain countries has been promoted and that of others has been almost extinguished by the manner in which shipping companies have plied their trade. If the public were to realise this aspect they would be even more anxious to co-operate in encouraging, fostering and developing Indian Shipping.

I am thankful to many Indian shippers who have appreciated the importance of Indian shipping and have regularly encouraged us. But I am bound to point out that there are some at least who have failed to realise that they cannot be dependent completely on foreign shipping for their trade and business and that their indifference to getting their cargoes through Indian shipping or their lack of interest will ultimately affect them adversely. I trust that the Federation of Indian Chambers of Commerce and Industry and its affiliated commercial organisations will make it clear to their members that in their own interests a healthy development of Indian shipping is essential.

Five-Year Plan

The need for the progress of Indian shipping has, I am glad to say, been adequately realised by the Government and proposals for the target which should be attained for Indian owned shipping tonnage during the next Five-Year Plan have been invited by the Government. Shipping interests are willing to respond to this call and the only request that they have made to the Government is a continuance of loan arrangements on similar terms as exist at present. They have not asked for an operation subsidy nor any kind of discriminatory legislation

such as has been proposed and is in operation in some other countries and yet the cry has been raised against Indian shipping that flag discrimination is resorted to. I have shown in what forms discrimination has been practised or at any rate 'restrictive business practices' have been adopted by the various shipping concerns. In the political field a great deal has been heard of negotiating from strength. There are serious differences about the wisdom of this policy. But I think it cannot be gainsaid that in the economic field 'negotiation from strength' seems to be the only armour which can adequately protect the interests of a country. I trust, therefore, that Government, the public and shipping companies, with enlightened self-interest policies, will create a situation where Indian shipping companies can 'negotiate from strength' and break down the discriminatory and 'restrictive business practices' which are so frequently adopted by vested interests in the shipping world.

Around Calcutta Markets

Better Sentiment

Wednesday, Evening

IT is symbolic of the uncertain phase of stock markets that even the New Year enthusiasm does not seem to be lasting for more than a couple of days. It would appear, in retrospect, that Clive Street's steadiness in the first three days of this week was a belated reflection of the higher dividends announced by an influential group of jute companies. This was partly responsible for the steadiness in equity prices on the Calcutta Stock Exchange on the last day's session for the year.

Clive Street opened after the Christmas holidays with a firmer trend in Indian Iron. There are many explanations for the rise in Indian Iron, although they are mainly technical. Indian Iron were bid up to unduly high levels due to speculative support and remained steady at higher levels until the announcement of the dividend. Subsequently they developed a drooping tendency, despite the satisfactory financial position indicated in the annual accounts, as the yield on the declared dividend was considered low.

Settlement Day

Indian Iron steadied-up during this week because of technical reasons. Some interested "bull" support was evident. It was also evident that in-and-out operators thought it prudent to cover their sales before the settlement day. Informed circles are inclined to the view that this week's steadiness in Indian Iron is, to a large extent, due to *teji mandi* operations based on the respective open positions of "bears" and "bulls".

Even so, the further improvement in Indian Iron after today's

clearing indicates that the recent spurt is not wholly technical. It is evident from this week's price fluctuations on the Calcutta Stock Exchange that market operators are not pessimistic about the future outlook of industries like tea and jute.

On the last trading day of the year, Clive Street steadied-up because of the improvement in Jute shares. This week's steadiness was due to the spurt in Indian Iron, although the continued strength in Jute shares helped the market sentiment. Tea shares also picked-up in the last few days.

Bird Dividends

In the last few days, there has been a broadening of activity in Jute shares. Almost all the important groups of jute companies have announced their dividends for the half-year to September last. A few days ago, the Bird group announced theirs. With one or two exceptions, all the companies in this group are paying higher dividends. That is why, Jute shares are moving up.

From the reports published so far, it would seem that the spinner's margin was favourable in the last half-year. Raw jute prices had not, by then, firmed-up appreciably; whereas, jute goods were fetching relatively better prices. This favourable spinner's margin was reflected in better earnings and profits. So, last half-year's jute dividends were higher than those of the previous six months.

For a proper appreciation of the current half-year's trading conditions, it is necessary to realise certain facts. In the half-year to September last, the relative parity

prices were in favour of those mills manufacturing hessian. Trends in parity prices in the last few months indicate that, in the current half-year, those mills manufacturing heavy goods are likely to experience better working results. It is necessary to add a foot-note. In the last few days, raw jute prices have resumed their upward trend. If this tendency continues, the spinner's margin may either become less favourable or may be affected in certain ways which are, as yet, not predictable.

Tea Export Quota Raised

For the recovery in Tea shares, there are two obvious reasons. For one thing, the tea export quota has been raised by a further 2½ per cent. This is a clear indication that the export demand continues. Clive Street has interpreted this to mean that fears of consumer resistance developing in the importing countries are exaggerated. This was one of the factors which was retarding activity in Tea shares in the last few weeks.

Despite the increase in the tea export quota, this week's average export auction prices have not declined. On the contrary, both the export demand and prices have improved further. It is, of course, natural that, with a further release of the export quota, the average internal auction prices will improve. This week's internal tea auction prices prove that this anticipation is not wrong.

Wider Issues

Stock market trading for the first few days of the new year indicates that investors remain cautious. They are perplexed with the outlines of the second Five-Year Plan sketched recently by the Finance Minister in Parliament. They are disturbed with the Government's attitude to managing agents. They are none too happy with the proposed legislation relating to the regulation of stock market trading. These doubts and fears explain why the New Year enthusiasm seems to be lacking depth.

But it is also clear from this week's price movements in equities that investors are not as pessimistic now as in the last few weeks. There is gradual realisation that an annual expenditure of Rs 1,000 to Rs 1,200 crores per year during the second Five-Year Plan must necessarily have a sustaining effect on stock markets.

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Around Bombay Markets

Confident Beginning

Thursday, Evening

IT is the usual experience of the Stock Market that certain significant developments take place in kerb trading during the Christmas holidays. Generally the movement would be upwards, so that the new year opens with a bullish start. This year, however, contrary to expectations and past experience, kerb trading displayed no significant movements. The market remained exceptionally steady over the holidays. Perhaps the repeated pronouncements by the Cabinet Ministers of the socialist objectives of the Government had a sobering influence on an otherwise bullish attitude. The uncertainty regarding the nature of the Taxation Enquiry Commission's proposals was the other restraining factor. Big speculators avoided substantial commitments during the holidays.

As against this, the enthusiastic welcome accorded to the Government's socialist policies by top industrialists like Shri G D Birla and Shri Kasturbhai Lalbhai gave the market an excellent filip and the hesitancy of the holidays gave way to cautious optimism at the beginning of the New Year. This has been reinforced by the news of excellent production figures for December 1954 by the TISCO.

The first few days of the New Year have witnessed good support for Tata Steel as well as Indian Iron. A leading industrialist is reported to have gone long in Tata Ordinaries and there are talks of a bull syndicate in Calcutta acquiring a grip over Indian Iron. There has been aggressive buying in both these scrips over the last two days. Tata Ordinaries touched Rs 230 last Thursday. There has also been a follow up support in textiles, though not very pronounced.

The working of the market during these first few days of the New Year indicates that the market sentiment is bullish, in spite of the repeated talks of Socialism. Technically the market is quite healthy. The sturdy old bear operator is reported to be still short to the tune of a lakh of Tata Ordinaries; and there is no corresponding long position held by any one or few

operators. Market is showing sign of confidence in the future, and is perhaps preparing itself for the expectations of a favourable budget.

Bullion

Price movement in bullion have been confined within a very narrow range, silver moving between Rs 155-156 and gold between Rs 88 and Rs 88-12. Sentiment, however, has slightly improved on reports of support to agricultural prices at an unduly low level. But occasional sales in silver by the Reserve Bank acted as a damper. For a busy season, the offtake is poor, judging from the experience of previous years. In gold, the undertone appears to be fairly steady in view of a succession of wedding dates ahead.

Cotton

There has been further weakness in cotton during the week due to absence of buyers. Mills both in Bombay and Ahmedabad have been keeping aloof. The cloth market continues to be dull and hopes of early revival of activity have been receding. The ready section as well as forward delivery touched a new low on Wednesday at Rs 609-8.

Oilseeds

The arrival of groundnuts from Hyderabad, Madras and Saurashtra continued and weak tendency prevailed throughout the week. The release of a further quota of 15,000 tons for exports gave no fillip to castor seeds. Hardly 2,000 tons of business could be put through by shippers and that, too, at unremunerative price.

Foreign market advises promise little possibility of export sales at this stage. Production figures for castor seeds estimated at 125,000 tons and the corresponding estimate of internal offtake of 40,000 tons pin-points the underlying weakness in castor seeds. Forward rates touched a new low at Rs 85-8 and the undertone was very weak.

RURAL CREDIT: II—SOLUTION

(Continued from page 44)

are most useful for rural needs; and
(c) rural savings fall so short of rural needs that they must be supplemented from, not diverted to, urban areas.

In the context of these conclusions, the Report has recommended that mobilisation of savings should be left to co-operative institutions and Government loans should not touch them at all. It has also recommended that mobile banks should be restricted to areas in which there is no immediate prospect of development of co-operative institutions and even there, on condition that advances for agriculture and allied purposes should not be less than the deposits they collect from the area.

A number of subsidiary recommendations and the subject of the staff of co-operative institutions has been elaborated in considerable detail. The entire problem is also discussed from the wider standpoint of the character that India's socio-economic structure should acquire in future.

Finally, the Committee lays considerable emphasis on urgency in the implementation of its recommendations. "The pressing need today," it says, "is to initiate measures which, if possible, will prevent damage". And for this, the Committee urges, there is no time to lose since its Survey indicates that an upward swing in indebtedness has, perhaps, just begun after a decade or more during which a process of liquidation of past debts has been made possible by relatively good prices.

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CURRENT STATISTICS

BANKING RETURNS

(Rs Crores)

	Latest Week†	A Week ago	A Month ago	A Year ago
Money supply with the public				
a) Note circulation	1200.49	1195.62	1182.37	1132.15
b) Rupee Coin	105.58	105.59	105.79	96.42
c) Cash on hand with the Scheduled Banks	32.03	34.60	32.42	32.08
d) Demand liabilities of Scheduled Banks (net)	574.98	572.22	572.29	516.31
e) Deposits with Reserve Bank				
i) Other Government	16.74	13.72	11.82	19.48
ii) Others	34.39	34.23	29.51	58.35
Reserve Bank				
a) Foreign Securities	663.15	663.15	633.15	588.15
b) Balances held abroad	67.64	67.01	89.62	139.32
c) Rupee Securities	417.75	417.75	417.75	421.38
d) Investments	75.34	75.78	86.99	76.25
e) Loans and advances to Governments	1.67	1.61	0.80	1.15
f) Central Government's Deposits	54.89	62.53	69.66	113.43
g) Banks' Deposits	69.13	66.92	76.29	46.70
Scheduled Banks				
a) Time Liabilities	367.26	364.73	366.85	331.85
b) Borrowings from Reserve Bank	1.46	3.20	1.08	2.05
of which against Usance Bills	0.90	1.65	—	0.49
c) Advances and Bills discounted	537.14	534.25	519.23	461.09
of which Imperial Bank's	100.67	100.72	93.59	—
d) Investments	348.98	350.09	349.79	336.04
of which Imperial Bank's	97.36	97.36	94.70	—
Cheque Clearances	—	—	—	—

† For Money Supply and Reserve Bank 31-12-54. Scheduled Banks and Cheque Clearances week ended 24-12-54.

Bombay Money Rates	31-12-54	24-12-54	3-12-54	1-1-54
Inter-Bank Call Rate	3	2 3/8	1 1/8	2 7/8
3 months deposits	3	3	2 7/8	2 5/8
6 months deposits	3	3	3 1/16	2 5/8

Bombay Bullion	6-1-55	A Week Ago	A Month Ago	A Year Ago
Gold Spot (per fine tola)	88- 7-0	88- 8	87- 5	82-13
" Forward " "	88- 9-0	88- 8	87- 5	82-14
Silver Spot (per 100 tolas)	153- 7-0	155- 9	154- 3	155- 6
" Forward " "	153- 7-0	155-12	154- 5	155- 2

LATEST CROP ESTIMATES FOR ALL PAKISTAN

(Area in lakh acres and Production in lakh tons)

	1953-54	1952-53 (Corrected)	Percentage change
FINAL ESTIMATES			
Rice			
Area	245.33	230.16	+ 6.6
Production	91.51	81.47	+12.3
Jowar			
Area	15.04	12.50	+20.3
Production	2.80	2.08	+34.6
Bajra			
Area	25.85	22.27	+16.1
Production	4.55	2.70	+68.5
Maize			
Area	10.67	9.70	+10.0
Production	4.37	3.75	+16.5
Wheat			
Area	10.65	9.51	+12.0
Production	36.83	24.38	+51.1
Barley			
Area	6.13	5.21	+17.7
Production	1.56	1.12	+39.3
Gram			
Area	27.67	22.32	+24.0
Production	6.46	3.70	+74.3
Sugarcane			
Area	9.62	8.70	+10.6
Production	12.93	10.77	+15.3
Sesamum			
Area	2.16	2.06	+ 4.9
Production	0.36	0.36	—
Rape and Mustard			
Area	16.31	15.44	+ 5.6
Production	2.72	2.28	+19.3
Linseed			
Area	0.74	0.71	+ 4.2
Production	0.12	0.12	—
Tea			
Area	0.75	0.73	+ 2.7
Production	52 *	51 *	+ 2.0

OTHER ESTIMATES

Tobacco (First)			
Area	1.81	1.78	+ 1.7
Cotton (Supplementary)			
Area	29.28	34.67	-15.5
Production	1.44†	1.8†	-19.7
Jute (Preliminary)			
Area	13.04	7.89	+65.3

* In thousand lbs In thousand bales of 392 lbs each

INDEX NUMBERS OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-group	Week ended 18-12-54	A Week Ago 11-12-54	A Month Ago 20-12-54	A Year Ago 19-12-53
I. Food Articles	316.3	318.4	329.8	367.6
Cereals	364*	364	375	428
Pulses	230	234	257	419
Others	266	270	278*	271
II. Industrial Raw Materials	432.6	438.4	445.1	464.9
Fibres	463	468	478	444
Oilseeds	390	393	403	522
Minerals	403	429	415	464
Others	444	440	436	406
III. Semi-Manufactures	346.6	348.3†	348.3†	355.7
Leather	382	382†	376†	391
Mineral Oils	221	221	221	221
Vegetable Oils	410	412	416†	537
Cotton Yarn	448	456	452	428
Metals	240	240	240	238
Oilcakes	373	383	401	396
Others	330	308	306	305
IV. Manufactures	374.3	375.1†	376.7	363.5
Textiles	417	418†	421	400
Jute	441	454	457	428
Cotton	412*	412*†	415*	397*
Rayon & Silk	452*	440*	445*	401*
Woollen	310	310	310	313
Metal Products	340	340	340	337
Others	284	285	285	283
V. Miscellaneous	576.1	583.4	606.7	712.4
All Commodities	366.2	368.5†	374.7	390.2

* Estimated

† Revised

COAL STATISTICS

(Monthly Averages or Calendar Months)

(in '000 tons)

	Raisings	Despatches	Stock at Pitheads
1948	2,485	2,155	2,262
1949	2,621	2,339	1,427
1950	2,666	2,235	2,008
1951	2,859	2,626	2,646
1952	3,019	2,625	3,519
1953	2,982	2,563	3,411
1953:			
Oct	2,937	2,704	3,437
Nov	2,677	2,555	3,194
Dec	3,163	2,538	3,411
1954:			
Jan	2,903	2,424	3,474
Feb	3,056	2,244	3,902
March	3,071	2,594	4,003
April	3,037	2,599	4,051
May	2,977	2,621	4,093
June	2,885	2,576	3,950
July	2,966	2,810	3,693
Aug	2,953	2,926	—
Sept	3,171	2,887	—
Oct	2,921	2,787	—

Sources: i) Monthly Abstract of Statistics
ii) Indian Trade Journal

COTTON STATISTICS

MILL CONSUMPTION

(in '000 bales of 400 lbs each)

Description:	Oct '54	Sept '54	Aug '54	July '54	Sept 1953 to Aug 1954
Indian	311.3	328.0	329.4	338.1	3888.7
Foreign	55.0	60.8	62.0	66.1	719.1
of which					
American*	19.2	20.3	24.0	25.5	159.0
Egyptian	16.9	19.4	24.0	21.4	279.1
E African	16.5	17.9	14.9	16.3	211.5
Sudan†	2.0	2.6	2.8	2.4	66.1
Pakistan	0.1	—	—	—	0.4
TOTAL	421.0	388.8	391.4	404.2	4507.8

Consumption in corresponding periods

a year ago:

Indian	326.6	310.8	303.5	316.5	304.5	3611.6
Foreign	61.2	62.8	69.7	74.9	70.1	848.8
TOTAL	378.8	373.6	378.2	391.4	482.4	4460.4

* Includes both United States and Peruvian cotton.

† Includes both Sudan Egyptian and Sudan American cotton.

MILL STOCKS OF COTTON

(in '000 bales of 400 lbs each)

	Oct '54	Sept '54	Aug '54	July '54
Indian:				
1954-55	861.1	916.01	1010.8	1117.7
1953-54	733.8	884.2	1013.3	1095.9
Foreign:				
1954-55	173.9	169.2	200.5	212.8
1953-54	228.9	251.1	246.2	240.4

Source: East India Cotton Association

COTTON IMPORTS

(in '000 bales of 392 lbs each)

Source:	Sept '54	Aug '54	July '54	Sept '53 to Aug '54
USA	10	13	38	189
East Africa*	10	13	38	183
Egypt and Anglo-Sudan	8	12	10	309
Other countries	—	—	—	10
Total	28	38	86	691

Total imports in corresponding months of the previous year:

	64	38	81	469
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* Includes Kenya, Tanganyika and Uganda.

COTTON EXPORTS

(in bales of 392 lbs each)

Destination:	Sept '54	Aug '54	July '54	Sept '53 to Aug '54
UK	5	1	1	18
Netherlands	—	—	—	7
USA	—	—	—	6
Other countries	4	7	5	102
Total	9	8	6	133

Total exports in corresponding months of the previous year:

	71	1	7	308
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Source: Indian Trade Journal.

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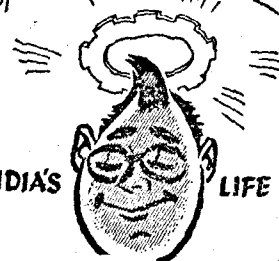
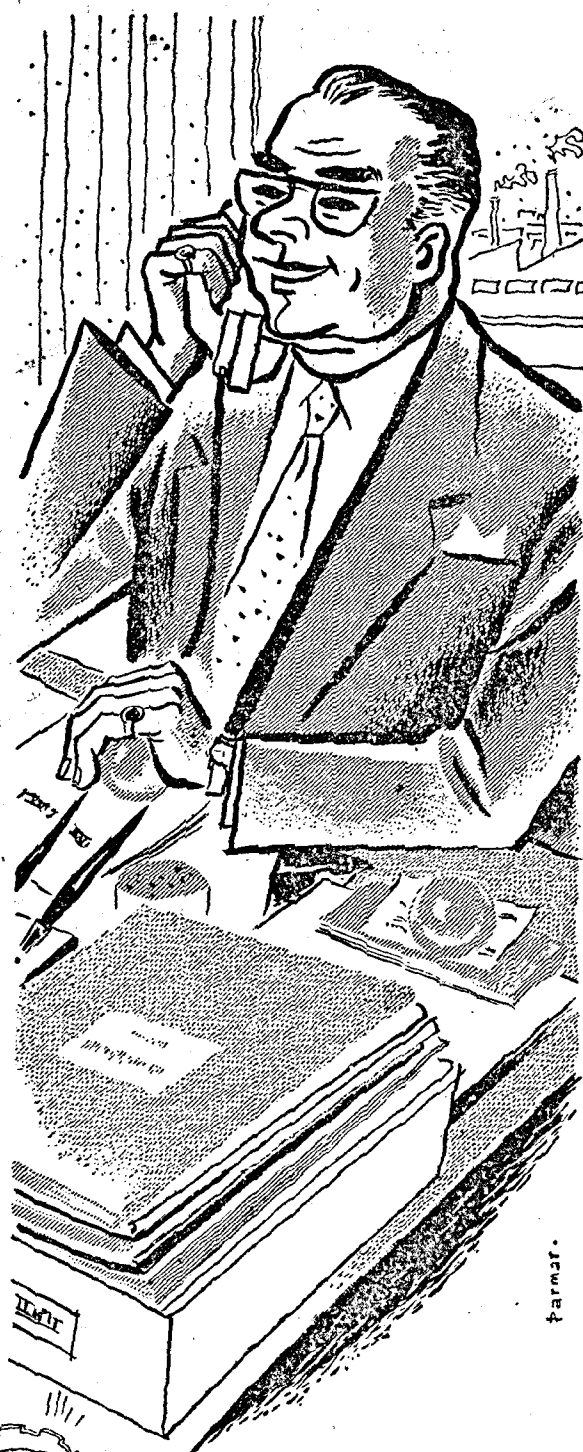
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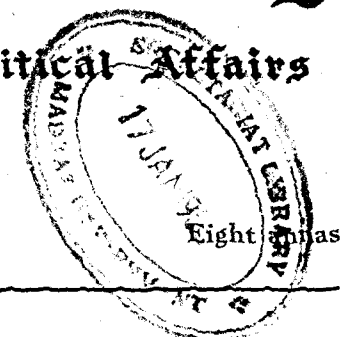
The Economic Weekly

A Journal of Current Economic and Political Affairs

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Flutter in Dovecots

ECONOMISTS today are very much on the defensive and the more talk there is of physical planning, the more afraid they are of losing ground to statisticians. They are supposed to have all the theory while the statisticians have the facts. And if the former get the worse of the bargaining, it is not necessarily because an ounce of fact overweighs a ton of theory. If an agreement has to be brought about between facts and theory, the statisticians and economists have to meet half way. It is easier, it appears, for statisticians to grasp the theory of planning and go ahead than it is for theorists to collect the facts and put up a plausible programme for development so that they, too, may get a hearing from the country. If the economists could have it their own way, they would like to use the statisticians for collecting facts while reserving the right to themselves to tell the statistician which facts to collect and of course also the right of interpreting these facts. To say, however, that asses carry oats while horses eat them would be to put the argument on the same level of vulgarity as the earlier one of an ounce of fact overweighing a ton of theory.

Another way of explaining this threatened eclipse of economists, albeit temporary, would be to consider the development of econometrics as a separate branch of study, a discipline in which economists in this country have not yet taken a conspicuous part. And if we have to build up econometrics in a hurry, it is easier for statisticians to shoulder the task than it is for analytical economists, who, both by choice and necessity, are somewhat out of touch with the world of facts.

It is not their inadequate knowledge of the background of economic development in this country, not the ignorance of facts, however, which can be held to be responsible in the last analysis for the failure of economists to play their part in giving a direction to affairs by helping to formulate economic policy on the right lines. Economists themselves will be the first to admit their own deficiencies and may plead with justification that they never had the opportunity of acquiring a greater mastery of facts. In many important respects, the collection of facts necessary for a systematic study of concrete economic problems is beyond the province of non-officials, however diligent or painstaking they may be. The elaborate organisation that is necessary for the collection of facts can only be mobilised by Government and Government has always its own purposes to serve, which are urgent and practical, and override the claims of academic research. Even what can be done by private agencies or academic bodies has been beyond the reach of academic workers in this country because the economic faculties of most of the universities have been so poor. The organisation of statistics has been a by-product of the administration. Not only are the data that are collected inadequate, the private practitioners of the science have no free or ready access to them.

Before one can pronounce a judgment on the failure of economists to rise to the occasion and give proper advice to the country or the failure of Government to utilise the services of economists to the best advantage, one has to be quite clear in one's mind what the

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economists are expected to do and what the Government can expect from them. Outside the dovecots, the economists are rated according to their power to capture popular imagination, to place before the country a solution that can appeal to the majority of the people and pave the way for purposive, determined action that promises a solution of the country's problems. But to suppose that the economists can ever meet this test and fill the bill is to misjudge their function woefully. There are such things as means and ends. What the ends should be, what kind of economic system people would like to build up, economists prefer to leave it to others to decide. This is a matter of social philosophy and surely economists claim no particular competence for moving the minds of men,

setting up ideals before them and have these ideals accepted by the majority of the people and not only accepted but accepted with all the strength of their emotions, which is necessary for their eventual implementation.

To repeat, it is not the lack of acquaintance with the background of economic problems which impairs the effectiveness of economists in this country. They have been brought up in a tradition which does not always enable them to keep in tune with the swiftly moving forces as those who hold the reins of power can. Their specialised training has been in a field which does not equip them either to understand the present day forces or to bend them to their own will and direct them. The laboratory of *laissez faire* economics has not

been a very helpful training ground for those who are called upon to work today in a different environment. In short, the basic postulates of the present economic situation in the country are not those which many of them can accept. If they cannot accept these postulates, they can neither change them. The mantle necessarily falls on others who are in a better position or more advantageously placed to direct affairs.

This is a distressing thought but there is no ground for despair. What it points to is the necessity of firmly grasping the ends; once these ends are firmly grasped and accepted without mental reservations, their technical competence will find a more fruitful field for application. Only then will economists come into their own.

Mathematics of Defence

PRESIDENT EISENHOWER has a pronounced nineteenth-century background. He is a liberal in economics. In politics, he is a rugged individualist. He, as President of America, may or may not have admitted the possibility of "peaceful co-existence". But, as a man, he has no faith in any such possibility. It is necessary to realise this in order to appreciate the contradictions in America's foreign policy. President Eisenhower pledges himself to "strive in every honourable way for enduring peace". But there is no doubt about the sort of peace he wants. His aim is not to maintain world peace in which the Western Powers and the Communist States can co-exist. In President Eisenhower's world, Communism can have no place. "It is of the utmost importance", President Eisenhower emphasises in his State of the Union Message, "that each of us understood the true nature of the struggle now taking place in the world".

President Eisenhower is a soldier who seems to detest the politician's outlook on world affairs. To him, the present struggle is not a reflection of the fight for world domination between the rival power blocs. He is not interested only in maintaining a balance of power in order to maintain world peace. He looks

on the world from the pulpit. He is a moral crusader. To him, "it is not a struggle merely of economic theories, or of forms of government, or military power. At issue is the true nature of man. Either man is the creature whom the psalmist described as 'a little lower than the angels', crowned with glory and honour, holding 'dominion over the works' of his Creator, or man is a soulless, animated machine to be enslaved, used and consumed by the State for its own glorification". Whether the individual in a democracy is what President Eisenhower describes him to be, is doubtful. He may not be wrong in his criticism of the Communist aggrandisement of the State, although it is contrary to the true Marxist conception of the gradual withering away of the State. It may be that neither the Communist States nor the Western Powers, as they exist at present, conform to their respective ideals. What is more relevant is that, as long as President Eisenhower, a typical American, views world affairs as he does, there can be no "peaceful co-existence" between the Western Powers and the Communist States.

Enduring peace is the aim of President Eisenhower and his Administration. In his Message on the State of the Union, he elaborates the means of achieving the end.

He is masterly in his exposition of the strategical aspect of the means to be employed to attain the end. It is the principle behind the means which is at fault. All impartial observers deplore the competitive race in armaments between the Western Powers and the Communist States. Some form of international inspection and control of national armies and armaments is an essential precondition of world peace. President Eisenhower impatiently rejects the recent Russian overtures on world disarmament as not "realistic". Instead, he emphasises that "the massive military machines and ambitions of the Soviet Communist Bloc still create uneasiness in the world". From this diagnosis of the world situation, President Eisenhower prescribes his recipe for world peace. "Free" nations must maintain countervailing military power to persuade the Communists of the futility of seeking their ends through aggression. As the Communists understand that America's response to aggression will be "swift and decisive", they will be "powerfully deterred" from launching any military venture.

There may be inherent contradictions in the means and principles enunciated by President Eisenhower for maintaining world peace. But he is logical in his defence planning. In his plans for mobilisation, his

emphasis is on armaments in preference to men. This may be good strategy. But its sinister implications must be fully realised. In his elaboration of the principle of collective security as a means of deterring aggression, he talks about the need for preventing "the catastrophe of a nuclear holocaust". But the recent re-statements of the principle of "massive retaliation" by the Western Powers make it evident that they have decided to rely on atomic weapons for the defence of Europe. This is the main reason for the recent American policy of a gradual reduction in the ground forces. In Paris last month, the NATO Council endorsed the policy of instant retaliation with atomic weapons. In a Press Conference, subsequent to his Message to Congress, President Eisenhower has emphatically implied that the use of atomic weapons, including atomic weapons, could be precluded in military affairs. It is not the Communist States, but the Western Powers who seem determined to provoke the "catastrophe of a nuclear holocaust".

Retaliation with atomic weapons is to be the policy not only to counteract the threat of aggression. "We must not only deter aggression", President Eisenhower elaborates his global strategy, "we must also frustrate the efforts of Communists to gain their goals by subversion". So far as Europe is concerned, the point has been raised that there can be no justification for compelling France to accept the Western European Union if the American policy is to retaliate instantly with atomic weapons. Military commentators in America have paraphrased the recent re-orientation in America's strategy. So far as Asia and the Far East are concerned, its implications need to be emphasised. If, to take an example, Red China launches an assault on Formosa, which, as the proposed mutual security treaty would indicate, Washington regards as vital to security, America will instantly enforce "massive retaliation" with atomic weapons. It is not without significance that such a policy of "massive retaliation" with atomic weapons may be enforced even in the event of indirect aggression, or acts of subversion, by Communists. This re-orientation of policy may be meant as a warning to Red China against any direct or indirect military action in Formosa or in Indo-China. But its sinister implications

will be deeply deplored by all peace-loving nations and peoples.

Even as military pacts and alliances have not prevented the "cold war", or the world tension, the new policy of "massive retaliation" with atomic weapons is not likely to ensure enduring peace. President Eisenhower emphasises the need for mobilising military strength in order to deter aggression. But he himself admits that such a policy can only lead to world stalemate, and not to enduring peace. Russia, too, now knows the secret of manufacturing atomic weapons. She, too, has the hydrogen bomb. Thus, even if America implements the new policy of "massive retaliation" with atomic weapons, it will have no more deterring effect on Russia than the present Western Powers' policy of military alliances has. Enduring peace can be had only if the Western Powers accept peaceful co-existence in political as well as in economic spheres. President Eisen-

hower, a nineteenth-century Liberal, is good in his economics. He is in favour of freer world trade. He has promised to request Congress to offer inducements to private American investors to lend to underdeveloped countries to help economic progress. He will ask Congress to approve of American participation in the proposed International Finance Corporation, whose main aim will be to increase private investment in underdeveloped countries. These are better and safer ways of combating Communism than issuing threats of "massive retaliation" with atomic weapons. America will be wise in accepting Russia's challenge of peaceful competition in co-existence. But this pre-supposes America's and the Western Powers' acceptance of the possibility of "peaceful co-existence". President Eisenhower can reject such a possibility only at a great peril to, if not annihilation of, the present civilisation.

Annual Number 1955

The next issue of *The Economic Weekly* will be the Annual Number. It will be out on January 26, Republic Day.

There will, therefore, be no issues of the paper on January 22 and 29.

The Annual Number will contain a minimum of 80 pages and will be bound neatly in art cover. It will be priced Rs 2 per copy.

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Weekly Notes

Truant MPs and their Mentors

ABSENTEE MP's may occasionally be a headache to party whips when the voting is close and party members have to be mobilised in full force. But otherwise, absence of members from parliament or their indifference to its proceedings even when present is no more than a subject of light banter to others. Such lapses on the part of legislators as being absent when important business is being transacted by the House or dozing in their seats instead of attending to the debate, these are tolerated good-humoredly. After all, one has to make concessions for human frailties. One must escape from boredom once in a while and monotony of debates is not a punishment that the voters sought to inflict on their favourite candidate when they gave him the vote. When august legislators steal away from debates to enjoy a cup of tea, or a chat with friends or even to doze off in peace, there is no doubt an element of the comic in it, but nothing so serious as to call for severe condemnation.

Not all legislators, however, are prepared to dismiss these lapses lightly and certainly not Shri M Ananthasayanam Ayyangar, the Deputy Speaker of the Lok Sabha. What is mildly amusing for the spectator in the gallery is serious remissness in the eyes of the Deputy Speaker: so very high is his conception of a law-maker's duties and responsibilities. Addressing the Laski Institute of Political Science at Ahmedabad, Shri Ayyangar described absenteeism among MP's as a "mockery of democracy". But even if such absenteeism betrays indifference to parliamentary affairs, surely it does not cause "considerable" or any inconvenience to the proper functioning of the machinery of law-making? Quite the contrary, in fact. For modern parliamentary system functions at its smoothest when the members leave it to function by itself and help it to do so just by registering their approval or disapproval but doing nothing more. Electrical recording of votes has simplified their part in the proceedings; the less they participate in debates, the smoother it is for the machine to function.

It will be difficult to establish

that lack of interest taken by members hampers the working of parliament unless MPs go to the extent of keeping away in a body and numbers of them fail to turn up to register their votes. True, members absenting themselves may appear to show a certain disregard for the electorate. But are not appearances deceptive sometimes? What could the individual member do to safeguard the interests of his constituency? Sober reflection might suggest the wisdom of keeping away rather than being present and doing nothing, or merely obstructing.

Shri Ayyangar demanded that such truant legislators should resign their seats, because it would be too expensive to allow voters to recall their erring representatives and also somewhat impracticable. A political columnist joins issue with him. "Such absenteeism", he writes, "should not be overlooked any longer. The voters should not allow themselves to be ignored or stultified in this fashion. They should follow Shri Ayyangar's suggestion that they form voters' associations, keep an eye on their representatives and call them to account whenever they play truant or err in other ways. Public opinion must assert itself on this question and absenteeism should no longer be made a subject for banter, but exposed as what it really is—a threat to democracy. If indifference on the part of legislators is accompanied by indifference on the part of voters too, there will be no force left to prevent democracy from sliding down the slippery path. . . ."

These comments suggest as inadequate an appreciation of the use of rubber stamps in running a big organisation as of the functions of the private member in Parliament.

Rural Credit—Second Round

BECAUSE the Rural Credit Enquiry Committee had recommended the nationalisation of the Imperial Bank—a subject which has been on the tapis all these years—and the utmost secrecy had naturally to be maintained about this recommendation and the decision of the Government on it, the stages through which a report

of this type usually passes had to be reversed. So the decision for the nationalisation of the Imperial Bank and the constitution of a State Bank to take it over came first and it is only now that the report itself is being placed before the Standing Advisory Committee for Agricultural Credit. By and by, the report will pass through the other stages such as its presentation with the observations of the Advisory Committee to the Board of Directors of the Reserve Bank, and finally, with a chit from the Reserve Bank, the report will be presented to the Government for whatever action the latter may choose to take on its other recommendations. Extraordinarily little interest has been taken in these other recommendations, considering the drastic changes the Committee proposes in the organisation of agricultural credit. It is the nationalisation of the Imperial Bank which hits the headlines though, however revolutionary the measure may sound, it is really not much of a change, so far as the organisation and the functions of this bank are concerned.

Fully admitting the case, which the Committee makes out, for a colossal expansion of rural credit, it still remains an open question whether the State Bank that will take over the Imperial Bank is the proper institution through which the desired transformation can be or should be effected, or whether it would not be better not only to keep the functions of supply of commercial and agricultural credit separate but also to have separate institutions for the purpose. There remains also the question of the initiative of the Reserve Bank in the matter, and the reactions of the co-operators to the proposed change. From the ashes of the old Imperial Bank may rise, phoenix-like, the State Bank of India, but can a similar metamorphosis be expected in co-operative credit also? As discussion proceeds and ideas crystallise, it would be surprising if the co-operators do not gird up their loins and offer a united front of resistance against the measure of initiative that, the Committee recommends, should be taken by the Reserve Bank. Exciting developments may well be in the offing.

Price Support

TRUE enough, there is no point in extending an open invitation to speculators to help themselves. But Dr Punjabrao Deshmukh's categorical statement at a public meeting held under the auspices of the Dharwar Congress Committee to the effect that the Government of India would not undertake any price support policy to check the falling prices of foodgrains, as reported in the daily press, is liable to serious misunderstanding. For one thing, it contradicts flatly the Food and Agriculture Minister, Shri Ajit Prasad Jain's statement in Bombay in the previous week that "Government would step in wherever prices fell to an unremunerative level and would deal with the situation". This is taken from the official version of Shri Jain's speech published in the latest issue of the *Food Bulletin*, and the authenticity of the text is not therefore open to doubt. True, Shri Jain took care to add that the "adoption of a general price stabilisation policy by Government was different".

This is not a matter of quibbling. Without committing itself to a general policy of price support, the Government may yet come to the rescue of distressed farmers and extend effective support in pockets of very low prices. The Minister for Food and Agriculture himself made a clear case for just this kind of selective, discriminating support. The peasant, he said, was devoid of retentive power. When the State Bank, which is to be formed by the amalgamation of the Imperial Bank with some State-associated banks, sets up a network of branches for financing rural credit, it will also sponsor the erection of godowns. When the credit system is strengthened on these lines, the peasant's retentive power will improve, so a sharp fall in prices immediately after the harvest will be avoided and the grower will get a better price. All this is still in womb of the future.

Without waiting for it, the Bombay Government has announced its decision to open grain banks in 12 districts, to begin with. It was "very seriously" watching the fall in prices and it intended to purchase at reasonable prices cereals in areas which were economically backward.

So, whether there is formal commitment or not, Government has acted more sensibly than its profes-

sions would lead one to expect. A case in point is the recent fixation of a minimum price for jowar, bajra and maize. The Government of UP has also been known to have extended support to wheat at a minimum price of Rs 10 and surely, it could not have acted thus without consultation with the Centre.

In the case of commercial crops, there is even clearer evidence of extension of price support in the indirect form of liberalisation of export quotas and reduction of export duties. The export duty on castor oil has been reduced with immediate effect from Rs 200 to Rs 125 per ton. Export of castor oil is now being liberalised freely and in the case of groundnut oil, following the reduction in duty earlier, fresh export quota for 40,000 tons has been announced in addition to 26,000 tons announced earlier. This makes up a total of 66,000 tons compared to only 37,000 tons last year, in keeping with the improved supply position. Black pepper is another export produce on which the export duty has been reduced, from 30 to 15 per cent *ad valorem*. It is only in the case of groundnuts HPS that the export duty has been raised but a further quantity has been released for export. Even in the case of *gur*, while imports of sugar keep mounting export is now being permitted, following the cry of distress raised from Andhra.

The trend is clear. Why did then Dr Deshmukh sound a discordant note to raise unfounded doubts?

New and Old in Airlines

NO face-saving formula could be found by which the old standing Indo-US Air Agreement, which is due to terminate on the 14th, could be continued while India's demands could be met by voluntary reduction of services by the American Airlines operating in this country. The compromise discussed in these columns last week did not eventually come through. Hence the agreement which has long outlived its usefulness will lapse on that date. Pending the signing of a fresh agreement, the Government of India is issuing temporary permits to Pan American and Trans World Airlines to operate two instead of three round trips weekly for the time being.

India is not the only country by any means, even among the under-developed countries, which is hav-

ing an international air service of her own. Indonesia has one, so has Thailand and so have others. Pakistan is one of the latest to join this company, and it gets off to a flying start with its Pakistan International Airlines, formed as a new corporation as a result of the amalgamation of the Orient and Pakistan Airlines. Its first Super Constellation will take off for London on February 1; this service will operate once a week for the present but the frequency may be increased later when traffic develops. The other foreign service of the PIS which was inaugurated on the 16th of the last month, is that between Bombay and Karachi. It is operated with Convair planes and runs three times a week.

Pakistan has a wide scope for internal air traffic as this is virtually the only practicable means of travel between its two far flung wings. Therefore stepping up the frequency of the services from Karachi to Lahore, introduction of Super Constellation services via Lahore and Dacca and what is more, the extension of tourist fares to internal flights are among the immediate objectives of the newly formed Corporation. The two Pakistan air services, from which the Corporation takes over, had the advantage of adequate traffic right from their inception. Pakistan did not have to face the problem of too many air carriers and too few paying routes. The new corporation therefore starts under very favourable auspices and should have a bright future before it.

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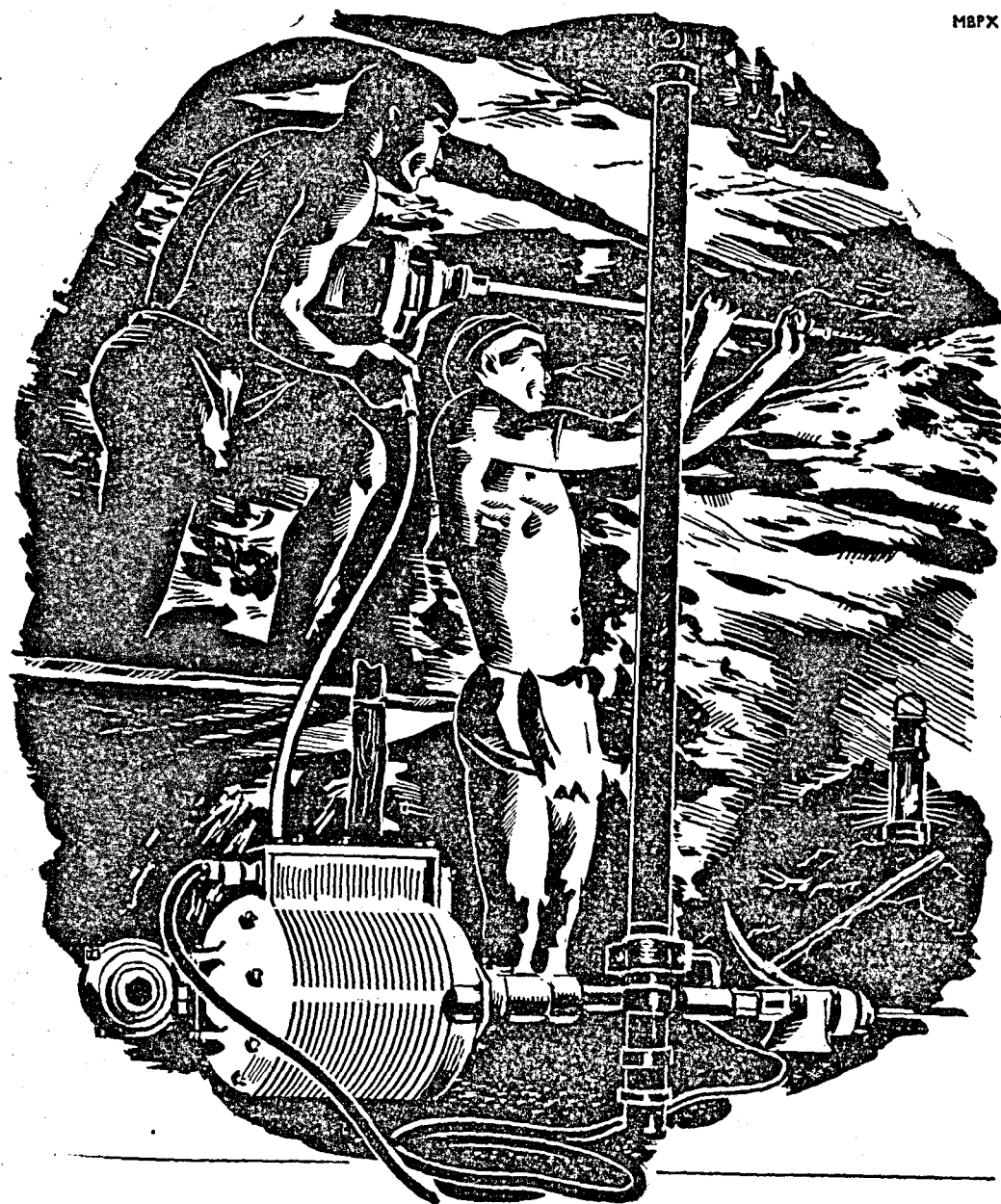
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Of Poultry and Planning....

THE crowds that flocked to the State Poultry Association's show in Bombay last week-end were probably too awe-struck by the gigantic fowls that were exhibited to think very deeply about the significance of the occasion. They had come out of curiosity and their curiosity was fully satisfied, for the specimens on show were undoubtedly impressive, contrasting vividly with the scraggy Indian fowls usually seen scratching around village huts.

Most of the world famous varieties—White Leghorn, Black Minorca, Rhode Island Red, Orpington, Australorps, Light Sussex, Wyandotts and Plymouth Rock—were represented. Judged by the number of exhibits, White Leghorns and Rhode Island Reds were the most popular varieties, which is not surprising in view of their special qualities.

The White Leghorn is perhaps the most popular breed throughout the world and with an annual average of 175 to 200 eggs, it is the world's greatest egg-layer. It also stands the climate well. The Rhode Island Red has a slightly lower average at 140 to 180, but it grows to a larger size and is prized as a table bird. Apart from its strong constitution, its special advantage is its ability to develop in relatively close confinement. Another variety, the Australorps, does not appear to have become so popular in this country as yet, although it is considered the best variety to breed with Indian hens so as to improve the egg-producing qualities and size of the chickens produced. Its vivid black colour may be responsible for this unpopularity.

Two aspects of poultry-breeding were stressed at the show. First, scientific breeding of poultry can be an important source of revenue and, therefore, provides to the small farmer in particular, a very interesting and valuable subsidiary occupation. Second, eggs and chickens provide a valuable supplement to the diet and increased supplies of these will, therefore, help to improve the quality of our food.

Better breeds of fowls give more and bigger eggs, and grow to larger

sizes than the ordinary Indian fowls. Though breeding and rearing them involves much more care and trouble, and also much more expense, the returns obtained make all this worthwhile. That the specimens on show, some of which were for sale, were priced at anything from Rs 15 to Rs 40 each might be considered illustrative of the values of these varieties in contrast with the maximum price of about Rs 5 at which an ordinary full-sized fowl can be bought in the city. Yet, experts were heard to comment that most of the better specimens were not for sale at all.

The advantage of poultry breeding as a business consists in its low requirement of initial capital expenditure. Any person making a small beginning would be in a position to gain experience and build up his business simultaneously to a level at which a fairly high flow of income could be expected from it. And this need not involve a very long period either.

An interesting side-light on the main object of the Association of developing scientific poultry-breeding and egg-production as a cottage vocation was provided by the show in Bombay. The villagers' section of the exhibition was much poorer in size and quality than the open section. While this may have been due to the difficulty faced by the small farmer in sending his stock a long distance on the off-chance of winning a prize, it is equally likely that the real reason was that poultry-breeding has not yet caught on in the villages on a sufficiently large scale.

In the open section, the competitors included well-organised, well-financed poultry farms run on business lines, middle-class people who had taken to the vocation on a small scale as a spare-time occupation and Government poultry farms. Apart from the Government farms which are meant to provide training in poultry farming and to popularise it among villagers, the others seem to be established in and around the larger cities and towns, which obviously provide a ready market for the products. As larger

numbers of people are taking to the business, a market is also provided for those already established by those who wish to enter the field and buy fertile eggs, day-old chicks or fully-grown birds in order to make a start or to increase their stock.

An attempt is being made in the Bombay State to encourage the farmer to take to poultry farming as a vocation. The discussion during the AIR programme for the rural areas centred around the Bombay show, being skilfully planned to develop in the rural listener an interest in this field. A Poultry Development Officer, with headquarters at Poona, has been appointed, and in various ways, attempts are being made to popularise the idea among the villagers. It is good to see that the Government has taken to this work in right earnest. One is reminded about the pioneering work in this direction done by voluntary workers in the past. The YMCA centres in and around Martandam described by D S Hatch in his excellent study *Towards Freedom from Want* devoted a considerable portion of their energies to encouragement of poultry farming on proper lines. Now that the Government has taken up the work, results should not be as difficult to obtain.

The food aspect of the poultry movement was symbolised at the show in the slogan, "An egg a day keeps the doctor away." There can be little doubt about the nutritive value of eggs and of chickens and the plea for an "egg-vegetarianism" made by the Union Minister of Agriculture at the show, will be endorsed by many. With our achievement of the targets of food-grain production, it has been suggested that the emphasis will have to shift to the supplementary foods. Planning in the future will have to think more in terms of poultry and of eggs. That is the message of the Poultry Show.

The Centre has a countrywide scheme for setting up a large number of poultry development centres in the various States during the Second Five-Year Plan. The Bombay Government has also been active

to popularise poultry farming among villagers. One has to make a start with a flock of birds. That can be arranged easily now; but one has also to acquire experience, there's the snag. There are two major handicaps which have retarded development so far. One is that of protecting poultry from their natural enemies—foxes, mongoose, snakes and the like. And the other is that of protecting them from diseases which often break out in epidemic form and take away his whole flock before the amateur has much chance to acquire experience. The problem of protection is not equally difficult everywhere. It depends on the construction of huts and natural surroundings in which the farmer lives and so on. Assistance is now being provided in meeting some of these dangers and where poultry keeping has caught on, private practitioners have also come on—the scene to help farmers to take preventive measures against outbreak of epidemics.

But while there is encouraging evidence of progress in so many directions, opposition as well as active hostility to the development of these protective foods is coming from an unexpected quarter. Adivasis not being inhibited by caste taboos have been traditionally keepers of poultry, if not always quality breeders. The reform movement that is now being carried on by Congress constructive workers among Adivasis—and they have every support from the Government—is doing much harm by thoughtless propaganda against keeping poultry and the traditional food habit of Adivasis to take eggs and chickens on the ground that these are unclean foods. To rob their frugal diet of vitamins by prohibition on toddy is bad enough; to deprive them of such nutritive foods and discouraging them from raising poultry is a great deal worse. There is little sense in discouraging the movement at one end—and at the most promising end at that—and encouraging it at the other end.

It is not that the Centre and the State Governments are of two minds about breeding of poultry. It is the conflicting attitudes and approach to the problems of tribal peoples that leads to this sorry state of affairs and calls for the severest condemnation.

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From the Calcutta End

Beauty and the Beast

THERE is nothing much "oriental", except the mongoloid features, about the members of the Chinese Cultural Delegation as one notices them entering or stepping out of the Grand Hotel. They look smart in their navy-blue trousers and buttoned-up coats and invariably years younger than their age. But they do not seem to be as unscrutable or simplex-like as the Chinaman of Calcutta's Chinatown. That, one is told, is the new People's Republic of China.

There is the new China. One gets a glimpse of that China as one attends the Chinese Cultural Delegation's performances in the City. The shows are popular. There is an "oriental" atmosphere. Costumes and make-up are elaborate and exotic. There is nothing "bazar" about the show. But it is bizarre. The dances are subtle and delicate. But there is a perplexing inter-mixture of acrobatics. It is part South India. But it lacks the virility of *Kathak* in its gymnastics. Modernism occasionally intrudes to make it garish.

As an after-thought, one wonders how and why the opera is popular in China and Japan while it is not popular in this country. Art-forms like the dance-drama or the musical-drama are not unpopular in India. There is now growing popularity, in Bengal particularly, of *katha-katha*, *jatra*, *jari*, *kavi* and the *dhop*, although all these art-forms have developed a nauseating streak of modernism. The Chinese opera is an admixture of all these and, yet, something different. But one who does not claim to be an art critic must leave this discussion on the different cultural manifestations in India and China to some of the enthusiastic members of the Indo-Chinese Cultural Society.

NEW LOOK OF REHABILITATION

For three days, Shri Mehr Chand Khanna, the Union Rehabilitation Minister, had talks with MPs from West Bengal about what New Delhi is doing, and intends to do, to rehabilitate the refugees from East Bengal. The discussion was frank and informal. It emerged that the end of the problem was not yet in sight. But it was admitted that, at

long last, the problem is being dealt with as it should have been from the beginning.

This problem of rehabilitation of displaced persons from East Bengal is receiving top priority in New Delhi. Calcutta is now the headquarters of the Rehabilitation Minister. The local secretariat has been strengthened. A senior officer of the Finance Ministry is now permanently at Calcutta for prompt investigation of the financial implications of the various schemes to rehabilitate the displaced persons. Expenditure to date for the settlement of East Bengal "refugees" comes up to Rs 30 crores. Another Rs 21 crores will be spent in the next two years.

"NEW LOOK"

In their distress, East Bengal "refugees" may feel impatient that their problems have not yet been solved. But the people of West Bengal realise that their settlement will take time. What has, until recently, caused irritation is New Delhi's unresponsive attitude to these problems. This feeling of resentment was forcefully expressed in Parliament some months ago. Panditji had the political sense to respond to this militant gesture. That has had the desired effect.

It is a tribute to Shri Khanna's sympathetic approach to the problem that the members of Parliament from West Bengal have expressed appreciation of all that he has done in the last few months. Panditji can feel assured, and Shri Khanna can feel flattered, that Dr Meghnad Shah, a combative critic of New Delhi's policy to East Bengal's displaced persons, is happy about the "new look" of the Rehabilitation Ministry's efforts in Calcutta.

POLITICAL ISSUE

New Delhi is not without blame. But all impartial observers will lament that the settlement of East Bengal's displaced persons has suffered because it has been made an issue in party politics. Most of partitioned Bengal's social, economic and political troubles are aggravated by the problem of the displaced persons. It is not unnatural that political parties will make this

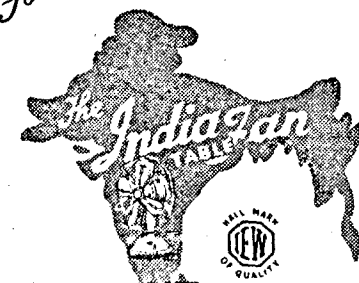
a political issue. But Shri Khanna must now feel satisfied that his explanation of his Ministry's activities has prompted an assurance by the West Bengal MPs that refugee rehabilitation will be kept above party politics. It is welcome news that there will now be a chance to deal with their problems from a human angle.

That the rehabilitation problem in the eastern zone is much more difficult than that in the western zone has never been denied. Almost as many people migrated to India from Western Pakistan as emigrated from India to Western Pakistan. Thus, land, rural and urban houses and properties and industrial undertakings were available for the rehabilitation of displaced persons from Western Pakistan. More people have come from East Bengal to West Bengal than have left West Bengal for East Bengal. Therefore, the facilities for settlement of displaced persons in the eastern zone are restricted.

LAND PROBLEM

Again, displaced persons from Western Pakistan have been settled in the various parts of India. Attempts made so far to rehabilitate East Bengal "refugees" outside West Bengal have not been successful. This makes the problem of rehabilitation much more difficult. West Bengal is a densely populated State. There is not enough land to settle the East Bengal "refugees". These are hard facts. But one wonders why the Rehabilitation Ministry or the West Bengal Government has not actively encouraged the Bhodan Movement, or why

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even Vinobaji has not stressed this aspect of distribution of land in West Bengal.

This is the crux of the problem. Most of the East Bengal "refugees" are from rural areas. They are either landless peasants or unskilled or semi-skilled workers and artisans. There is neither enough land nor enough opportunities for employment in the organised and the unorganised sectors of industry to settle them. These difficulties exist. They are not solved by payments of cash doles.

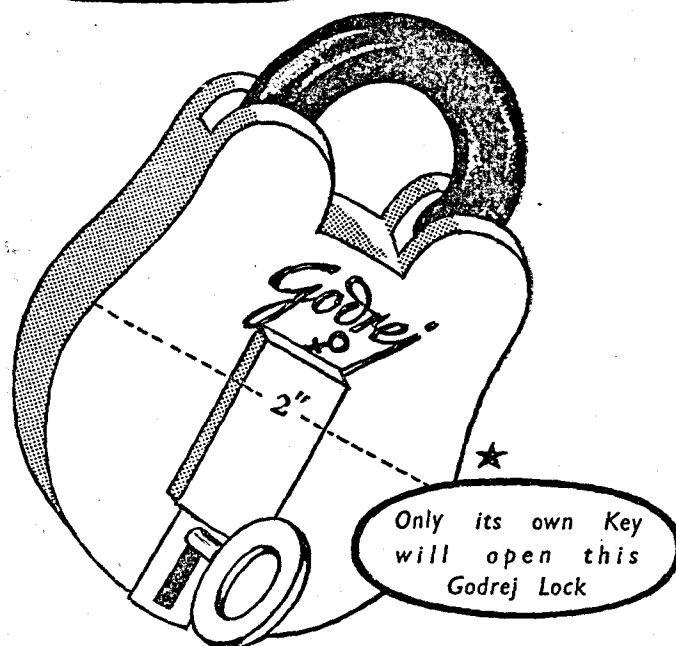
WORK CENTRES

Under a scheme, the West Bengal Government is providing facilities to industrialists to acquire land and property and to start industries on the condition that they give preference to "refugees" for employment as unskilled or semi-skilled labourers. In West Bengal, the response of private enterprise to this offer has not been unencouraging. But it is clear that the West Bengal Government and the Rehabilitation Ministry will have to take a more active part in absorbing the "refugees".

Soon, the West Bengal Government, in collaboration with the Government of India, will form development and industrial committees for re-organisation of work and production centres. This is an ambitious plan. It is a move in the right direction. It needs planned creation of production and employment centres and a simultaneous scheme of secondary vocational education so that the rural, unskilled, East Bengal "refugees" can become semi-skilled workers, fit for absorption into the planned growth of small-scale industries.

But this is not the end of the poignant story. If the end of the problem of settlement of refugees is not yet in sight, the end of the exodus is also not yet in sight. Even now, displaced persons from East Bengal are pouring in at the rate of 10,000 per month. Dr M S Mehta, the retiring Indian High Commissioner in Pakistan, explains that there are many reasons for the continued exodus, although the economic factor is the most important. This is too painful and unpredictable a chapter in the story about East Bengal's displaced persons. This writer does not claim the foresight to be able to write that chapter here and now.

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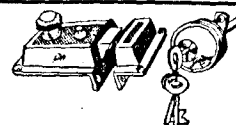
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From the London End

United States Investment in Europe

IT is one of the contradictions of the recently-published OEEC Report entitled *Private United States Investment in Europe and the Overseas Territories* (Paris, December 1954) that it should claim, on the one hand, that all the countries of Western Europe had given an increasing importance to American private investments as a contributory factor to European economic development and payments equilibrium while, on the other, list a whole series of restrictions imposed by each of these European countries on the inflow of such investments. In fact, according to the statistics now published, the hopes of the OEEC for a significant expansion of the rate of private investment from the United States since the ending of Marshall Aid has not been realised. The report under review gives various reasons for this and it would appear that the most significant has been the dangers usually associated with United States investment, particularly its implications for the economic sovereignty of the capital receiving countries.

The background to American foreign investment is now well-known. After the first World War the United States emerged as a major creditor nation. Throughout the 1920's until the crash with which the prosperity of that decade had ended, more long-term capital flowed out from New York than from any of the other great financial centres. Private American investors were investing in foreign countries at the average rate of \$800m a year, equivalent to something like \$1,600m in terms of current prices. Following the financial collapse of many European nations, in the 1930's, exports of American private capital had practically ceased. In addition, the environment of inconvertible currencies and multitudinous restrictions on trade and payments had set up considerable barriers to foreign investment. After the second World War it was expected that the 1920's would come again and that American investment would represent the main channel for the flow of dollars to a generally dollar-starved world. At least this is the impression given by the OEEC Report.

The total net exports of private

capital from the United States reached an average of \$860m annually during the years 1947-53—a figure which is hardly greater than that of the years of 1926-30. The total yearly exports of private capital has varied a great deal from year to year since 1947, ranging from a maximum of \$1,116m in 1950 to a minimum of \$544m in 1953. In fact, according to data given in the OEEC Report, the repatriation of US capital as well as service payments on past US investments in 1953 was almost equal to the total movement of private long-term American capital in that year.

Apart from the quantitative change in the level of American investment between the 1920's and the period since 1947, there have been significant changes in the form of such investments. In the 1920's more than two-thirds of private long-term capital exported from the US went into portfolio investments. In the post-war years only about one-fifth of private investments in foreign countries by US investors had taken this form. Concurrent with this virtual disappearance of private lending activity, loans abroad made by US Government agencies have assumed much greater importance than before the war. Whatever private portfolio investments have taken place, these have been mainly channelled through bond issues of the International Bank, whose resources are in any case mostly provided by the American capital market.

There has also been a geographic redistribution of US foreign investments between the two periods here considered. Two-thirds of private US foreign investments in the post-war years have taken place in the Western hemisphere itself, more or less equally divided between Canada and Latin America. Some 10 per cent has been directed to OEEC countries and less than 3 per cent to their overseas territories. Of course, American direct investment since the war has been mainly directed to the petroleum industry, to mining and processing of ores. This, it may be mentioned, is typical of the "colonial" structure of American investments abroad—its role in international economic development is negligible.

The merit of the OEEC Report is the detailing quantitatively of the distribution of American investments in Western Europe itself and the attempt to correlate the various West European restrictive measures to the inflow of such investment. It would appear from the Report that the United Kingdom at the end of 1952 was the largest recipient of direct private United States investments—something like \$1,200m compared to that of France and Germany between \$200m and \$300m each. In fact, American investments in Britain's overseas colonies were more than those in any single continental European country. Most, if not all, American direct investments in Western Europe have gone into the manufacturing industry. In the dependent overseas territories, however, the industrial location of such investments have been strongly orientated towards the

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petroleum industry and to industries producing raw materials for export to the United States. A feature of these investments in the dependent territories is that re-investment of non-repatriated earnings have been a major source of capital; this accounted for a little short of half of the total amount invested in the petroleum industry during the post-war years.

The OEEC Report details the motives of American investors for undertaking more direct investment than portfolio investments. Much of direct investments has as its object "obtaining or securing of supplies of raw materials required by the enterprise itself or by an independent producer intent on selling the bulk of its output in the United States rather than in the world market". Further, the Report suggests that direct investments in manufacturing concerns have frequently been undertaken in order to gain or to prevent the loss of foreign markets for American export products.

All the countries of Western Europe, with the exception of Switzerland and Italy, impose restrictions on the inflow of US capital and the OEEC suggests the reasons for this control. The potential dangers usually associated with the United States private investments fall into two broad categories: those concerned with balance of payments effects; and those associated with foreign activity in certain economic fields. With regard to the first, the experience of sudden and massive withdrawals of foreign capital during the early 1930's is still vividly remembered by European countries. This risk explains the attitude of national authorities which are reluctant to allow short-term borrowing abroad or the entry of capital not likely to remain in the country for less than a given time. Even long-term investments carry some dangers of violent capital outflows to the extent that they can be liquidated by sale to residents. There are various long-run repercussions as well. In 1953 transfers of earnings from private investment in Europe amounted to \$185m. The future balance of dollar payments of Europe may, therefore, become increasingly burdened with the charges of servicing American investments.

More significant, of course, is the second of the two reasons given above. There always remain the risks involved in allowing foreign

interests to gain control of industries or enterprises connected with national defence, products of strategic importance or which play a major part in the basic sectors of the economy. This concern is particularly apparent with regard to the exploitation of mineral deposits or oilfields, transport or communication systems and the development of energy resources. The history of

international investments for the past 150 years gives ample reason for such concern. Today, in overseas territories, American foreign investments raise political conflicts with the parent country and consequently governments exercise their right to supervise foreign activity which means restricting the right of foreigners and foreign corporations, in this case, of American nationality.



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Small Scale Milk Producers

Survey of Milk Production in the Jamia Development Circle in 1952-53, by M Sultan. The Jamia Institute of Agricultural Economics and Rural Sociology. P.O. Jamianagar, New Delhi. October 1954. Pages 127. Price Rs 2-8.

Reviewed by R K Hazari

THE Rural University of Jamia Millia is well-known throughout Northern India as a pioneer in its field. Its inspiration has been mainly Gandhian, but the publication under review—the first of a planned series—gives the refreshing impression that it is supplementing the ideal of service with scientific investigation, which is no less important. It is heartening to note that an institution which started as an experiment in basic education now finds itself in a position to widen its activities.

The Jamia Development Circle consists of 21 villages on the west of the Jamuna River, with the Delhi-Muttra Road as its western boundary. The area is spread around Okhla, a favourite picnic spot for Delhites. It supplies a little more than one per cent of the daily supply of milk to the city. It has 1,013 milk producers, owning 2,379 milch cattle, about one-half of which were not yielding milk at the time of the inquiry. Most (1587) of the cattle are buffaloes and only one-third of them are dry, as compared to two-thirds of the 792 cows whose yields, too, are much lower than the average for buffaloes.

Only 3 per cent of the producers follow dairying as their main occupation; 70 per cent follow it as a subsidiary occupation; 25 per cent produce milk for their own consumption; the remaining one per cent are breeders. The Circle as a whole sells two-thirds of its milk output. Forty-five per cent of the producers have only one head of cattle each, 29 per cent have two heads each, and 13 per cent have three each. The scale of production, therefore, is very small, the average sale per selling producer being about 3 seers per day. The scale of production and proportion of marketed output is, of course, higher for those following dairy farming as their main occupation.

Much the greater part of the fodder fed to cattle consists of by-products of crops: cultivation of special fodder crops is significant in only a few villages. Concentrates,

which are a cash expense, are used only by those who sell milk. The scarcity and inferior quality of fodder, together with the generally inferior breed of cattle and the large number of uneconomic and dry cows, are largely responsible for the low average yield of 2.3 seers per day. However, nine villages accounting for one-third of the total buffaloes and one-ninth of the total cows have average yields of 3 seers and above, the maximum being 5.5 seers in a village where there are no cows. In one village, namely, Madanpur, with nearly one-fifth of the producers in the circle, the comparatively greater availability of fodder and grass account for the large number of producers as well as an average yield of more than 5 seers per milk-giving cattle; the large number of cows, three-fourths of which are dry, however, reduces the total average yield to about 2 seers. Producers normally do not give any fodder even to milk-giving cows, except in winter, and leave them to pick up what little grass they can find. The general absence of proper grazing grounds further impoverishes the cows. Generations of underfeeding appear to have rendered the cow unfit as a dairy animal.

Evaluation of average yield by scale of production leads to the rather disconcerting conclusion that as the number of cattle with an owner increases, the average yield per head of cattle steadily diminishes. The author has not fully analysed the causes of this phenomenon. Is it due to limited managerial ability or shortage of fodder or inferior quality of cattle or the keeping of a comparatively larger number of transitionally dry cattle and/or useless cows? Mere scale can be responsible for a decline in yield beyond some range, but it does not appear plausible that it could per se explain the consistent decline from 3.6 seers for those keeping one head to 0.4 seer for those having more than 10 heads.

The small scale of production and sale makes the middleman an indispensable intermediary between the producer on the one hand, and

the city confectioner, dairy or the consumer on the other. He gathers the small quantity of milk sold by each producer and transports it to the market; he often advances loans to producers for the purchase of cattle, evens out the fluctuations in demand and supply and bears the attendant risks. The city middleman is another link in the chain. Together these two middlemen appropriate about one-third of the average retail price of about Rs 27 per maund prevailing in the city. Considering that this is a gross margin, it can hardly be called exploitation, especially when the scale of production and sale is so small. Much more objectionable are the use of false measures, adulteration of milk and inefficiency or corruption of public health authorities that seem to have become close associates of this chain.

The results of the Trading Account, which he has compiled for a sample of 30 producers, has considerably perturbed the author who comes to the conclusion that "most of the people in our Circle are carrying on the milk business at a loss". This conclusion is arrived at by imputing money values to all items of debit and credit. Depreciation and appreciation are also allowed for. The statistics presented in Tables 12 and 13, however, support this conclusion only partially. Fourteen producers in the sample are shown as making profits, most of the remainder do not make any profit but they do not sell milk either. The milk producer's idea of profit, moreover, is the difference between his cash income and cash expenditure; he does not estimate profits from imputed values. By this criterion, as many as 18 producers are making profits; of the remaining 12, all except one consume the whole of their output. The author has not glossed over this fact, but has underestimated the value of subsidiary dairying as a cash earner for the cultivator, notwithstanding the probability that this cash earning is offset by an equivalent or greater expenditure in kind.

Finally, the reviewer would like to

Hydro-Electric Project in Assam Canadian Assistance

point out one deficiency in presentation of material. The author does not explain how he has estimated the input of male and female labour in dairying as distinct from the main occupation, and the basis on which he has assigned money values to them. Nor does he mention the amortisation period for which depreciation has been calculated.

The major problems confronting dairying in the Jamia Circle seem to be (1) the elimination of dry cows, (2) greater supply of fodder, and (3) the need for a co-operative organisation to handle the marketing of milk and provide finance for purchasing better cattle. The last is perhaps the most urgent, as it would also enable the producers to get a better price than hitherto. The Jamia Millia might not be able to do much for the solution of the first two problems but its local prestige should enable it to participate actively in the setting up of such an organisation.

The survey is an extremely useful publication, and though deficient in presentation, it is the product of commendable painstaking research.

AN agreement has been reached for the joint Indo-Canadian participation in the Umtru Hydro-Electric Project of Assam. Canada has agreed to assist in the implementation of this project which is included in the first Five-Year Plan. The Canadian contribution for the project will be in the form of engineering services and electrical equipment at an estimated cost of 1.2 million Canadian dollars which is equivalent to about Rs 50 lakhs. Canada has also agreed to cover rupee expenditure on the project upto 2.1 million Canadian dollars or about Rs 10 lakhs. This contribution will be made from the rupees which become available from the sale of Canadian industrial raw materials provided to India under the auspices of the Colombo Plan.

The technical and administrative arrangements for the construction of the project have already been discussed between the Canadian consulting engineers and the Central

Water and Power Commission of the Government of India. The Electrical Engineer of the Government of Assam had also been in Canada recently for final discussions relating to the layout and design of the project and the procurement of the required equipment.

The Umtru Hydro-Electric Project is located about twenty miles from Gauhati on the road to Shillong. The total area which is likely to benefit from the project covers about 1,000 sq miles with a total population of nearly one million people. Benefits will be in the form of hydro-electricity for irrigation and land reclamation, for existing cottage and small-scale industries and for the development of new industries in the area. The project covers both the civil works and opening of hydro-electric power stations. Three generators of 2,500 kw each are expected to be installed at the site of the project which is likely to be completed by the end of 1956.

The Carp and the Whale Rehabilitation of East Bengal Refugees

(From a Correspondent)

A FEW years back a correspondent wrote in this journal that the West Bengal Government was tackling the problem of rehabilitating the East Bengal refugees in the manner of a carp nibbling at the tail of a whale. With due acknowledgements, this phrase may be repeated now with certain additions. The whale has got bloated and is full of maggots and the carp is still nibbling at the tail. There has always been a steady population of 50,000 in the camps since 1950; it now stands at over 90,000. A certain number of these camp inmates migrated back in 1950, a large number have returned from migration sites in Bihar and Orissa and of late, the rate of migration is on the increase. Sealdah is taking on its 1950 look and if the rate of migration continues at its present level, it is just about time someone thought something about it. One cannot treat this huge problem apart from the new Five-Year Plans that are now being put into operation and in which the displaced persons find no place.

Without going back to 1947, let us start with the influx of 1950. In this influx approximately 26 lakhs migrated to W Bengal, say, upto 1953. According to the latest statement made by the Union Minister for Rehabilitation, of this 26 lakhs, the government had given rehabilitation assistance to approximately 3,25,000 families, or 15 lakhs of persons. Let us now examine the nature of rehabilitation assistance given to these people 2,76,464 were given rural rehabilitation loans and 1,71,871 received urban resettlement loans. Another 10,000 got business loans varying from Rs 1,000 to Rs 10,000 from either the State or the Central Government. The last figure of business loans must be noted.

NO LAND FOR AGRICULTURISTS

The majority, being agriculturists, were given rural loans which include Rs 75 for land purchase, Rs 500 for house building and approximately another Rs 750 for agricultural implements, seeds, etc. No agricultural land was made available for them, neither was any amount allotted for the purchase of agricultural land. Two years later, in 1953, it was de-

cided to let the agriculturists have another Rs 300—Rs 150 on acquisition, Rs 50 per acre for reclamation and Rs 100 per acre on irrigation. But the entire Union Board Scheme and the variant to the UB Scheme under which about 8,000 families were sent to the districts at a cost of roughly Rs 70 lakhs, did not make any provisions for the purchase of agricultural land. It is like sending a groom on horseback for a wedding without choosing a bride.

The schemes of urban resettlement, Ganeshpur and Taherpur, are yet unsolved problems and tentative talks are now in progress about setting up a weaving mill in Taherpur, three years after the families were despatched there. The condition of these families is the same as that of others sent under official aegis without any planning. Plans are now being formulated but it is understood that the weaving mill scheme has fallen through. The new plans do not envisage the resettlement of these displaced persons but aims at creating small islands of prosperity by better production and marketing facilities, in a wilderness of economic turmoil. It may also be mentioned in this connection that the desertions from the Union Board and the variant of the UB Schemes were at the rate of 27 and 28 per cent. These figures are 1953 figures. By now the desertions must be almost cent-per-cent or the few families left are eking out an existence by hawking vegetables or grinding rice; they never received any agricultural land.

BUSINESS LOANS

On the other side, the number of business loans granted in West Bengal both by the RBRB and the RFA does not exceed 10,000 persons. That gives the total picture of rehabilitation in FIVE YEARS at a cost of Rs 50 crores. These figures of expenditure are quoted from a statement by the Union Minister on January 5, 1955, in his address to the members of the Lok Sabha and Rajya Sabha. The figures given in the course of this article are also from statements issued from time to time during the course of the years. The problems are there right enough—the almost complete absence of good agricultural lands, already de-

veloped, the existing problem of landless labour and above all, the unwillingness of the East Bengal refugee to break new ground by migration outside the state. Andaman has not yet been fully exploited by the East Bengal refugees, their quota is too small, only to be matched by their unwillingness to go that far. The few hundreds that did migrate, are doing well, according to the latest reports.

THE CONCEPTION STINKS

When there is a problem ways must be found of tackling it; if it is a big problem, the remedy may have to be as drastic as the malady. One cannot solve this problem by cash doles, maintenance grants, petty loans for purchase of land and agricultural implements, small house building loans and small trades loans for grocery and stationery shops. Someone, somewhere has to think in bigger terms, in terms of a generation and crores of rupees in constructive efforts. The entire conception of rehabilitation just stinks, the publication of statistics does not hoodwink anyone because the actual truth is never revealed. The actual number of persons that have found a means of livelihood, however meagre it may be, to keep body and soul together, to maintain our self-respect while our international prestige goes sky-high, it is this contrast that makes all our efforts in this direction so entirely ridiculous. When one totes up the sums spent in psychologically 'unsettling' these people for taking any responsibility in life, the total loss of human material and money would be baffling.

LOANS ALONE NOT ENOUGH

The number of people resettled and rehabilitated is small indeed unless one considers a person as resettled the moment his little grants and loans are entered in the ledger and he is entirely forgotten after that. He is left after that to his own resources and instability. The task is much greater than the granting of loans, the people have got to be psychologically 'reconditioned' to their new circumstances and ways of life. There is absolutely no supervision, except on paper, of these families after they have received their meagre dues. Most of them fall by the wayside and then the battle starts; it is a

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long battle with frequent visits to the headquarters of the district and finally a vigil in Writers Building, to redress what has been done. There are numerous instances, one can literally quote a few dozens where agricultural and horticultural loans were given on lands that might yield some results after five years of intense 'feeding' and development.

ACKNOWLEDGE THE FAILURES

It would only be gracious to acknowledge the failures and start anew but not on the old lines. No other nation has faced such a gigantic upheaval along with a change of government and constitution in such a short time. The achievements in the other fields have opened up new visions of prosperity and hope, has brought water where there was sand, has engendered optimism where dark clouds of doubts reigned supreme. But the failure in one field of nation building also stands to be criticised, the failure has been remarkable and there are no signs of any change in policy. Admitted that the East Bengal refugee is a difficult social factor, admitted that he is not given to hard work or persistent efforts, that his physical stamina is not equal to the task he has to face, little consideration has been given to these human factors. The 'human factor' angle has been publicised at great length without paying it any consideration. Governmental machinery moves slowly, many at the helm of affairs take the problem as they take other schemes in which human beings are not involved, there is apathy and carelessness all round and human nature cannot be changed overnight. It must also be understood that sympathy and pity will not solve the problem. These human virtues have to be harnessed into a system that will be applicable to all without distinction of recommendations from higher quarters, a most favourite practice today. Pity cannot administer or discipline, it must be converted into a system, well thought out, well planned and boldly executed.

DOLES OFFER NO SOLUTION

The ideas of cash doles to keep people alive from year's end to another and so forth for four years, without an initiation of a policy, the giving of small loans that cannot serve any purpose whatsoever even if they are given in one instalment, the system of bargaining with refugees for amounts for loans, the system has to be thought out anew. We still think in terms of budgets

and pies and much as one may try, the system allows of no deviations. The result is zero. Our failure in our first nation building attempts with say 30 lakhs of people, has been abject. Money alone will not solve the problem. There is a complete absence of constructive thought and ideas. Why has the Government not called for a nationwide conference of industrialists to find ways and means of solving this debacle? Why must the question be at the tender mercies of persons who have been elected by the party but whose intellectual calibre leaves a lot to be desired, in this particular field? Must party politics be responsible for ruining the future of a nation, or a part of a nation? It is ineptitude in the field that spells disaster. In the West, the problem was easier, as indicated by the Minister for Rehabilitation by the fact of there being evacuee property that could immediately accommodate large numbers of the displaced persons. In West Bengal the amount of evacuee property is negligible. The precedence of West Punjab is not applicable here, their problems were different, so was the human material,

THE ECONOMIC WEEKLY

sturdy, hardworking, healthy. There has got to be a new approach, a new outlook and above all a freshness of mind that is not easily available. Unfortunately, it appears that this is exactly what will not be done. The appointment of superannuated personnel, however great their experience under the old regime, will not help. Neither will voluntary workers do for the purpose. Brains have to be recruited and the willingness to face the problem. The general tendency has been to hoodwink the public and the department. Decisions have to be made and there are few in Bengal that can do so with the exception of one and he cannot be expected to run most of the departments all the time. A lot of dead weed has to be cut out but as time goes on, the experience of the problem does not arouse many hopes. It has often been said that the department has been put on a war footing. Well, in a war footing it is the poor soldiers that give their lives. Here it is the refugees who are at the mercy of persons who have shown neither the ability nor the inclination to face and solve this gigantic problem.



62 Offices & 14 Safe Deposit Vaults

Authorised Capital	Rs. One Crore
Subscribed & Paid-up	50 Lakhs
Reserve Funds (31-12-54) Exceed	28 Lakhs
Deposits	12½ Crores
Working Funds	15½ Crores
No. of Accounts	96 Thousand



19 Offices in Bombay,
17 Offices in Gujarat,
12 Offices in Saurashtra,
11 Offices in Maharashtra
& 1 each in Madhya Pradesh,
Calcutta & Delhi

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Community Organisation and Development in Lebanon

K G Sivaswamy

(Continued from the last issue)

IT should not be construed that big landownership prevails in the whole of Lebanon. Lebanon has many special features conducive to the rapid development of community organisations. The mountain tract, where vegetables and fruits are mainly grown, is inhabited by sturdy owner-peasants who struggle hard to make a living by terrace cultivation. There are peasant-owners in mountain valleys also. Peasant ownership, unlike farming by tenants-at-will, supplies the right type of human material for community development. Good rainfall and a large number of small rivers provide the material resources for such development. Secondly, a large number of Lebanese live abroad. They are mostly traders in the USA, South America and Europe. They not only send remittances to their dependants at home but influence their lives by creating in them the desire to modernise agriculture and crafts. They maintain their ancestral holdings, however small they may be, and are proud to call their lands by their family names. Thirdly, 60 to 65 per cent of the Lebanese are literate, and 80 per cent of the children go to school, though not all of them complete elementary school. This is not because of compulsory education through Government schools, but because of the innumerable primary schools run by communal charities and private agencies. The Lebanese are also kept well informed on current problems by an extensive press.

THE TRADING MIDDLE CLASS

One other feature of Lebanese life is worth mention. The trading community, spread in towns and big villages, forms an educated middle class which responds willingly to schemes of community organisation particularly on the social side. The trading community of clerks and shop-assistants forms a significant proportion of the total population. Municipalities in towns and big villages draw their leaders from these classes. If therefore there is any country in the Middle East which has exceptionally favourable conditions for

community development, it is Lebanon.

Where conditions are suitable for the growth of community organisations, much can be done by a whole-time worker operating through the community. Such workers have been doing extension work for the spread of fruit and vegetable cultivation and for the wider use of fertilisers. It is noteworthy that whole-time workers are needed to contact small peasants, that they get better results by working through cohesive groups such as the Armenians of Anjar and that the extension service is not without the aid of credit.

EXTENSION THROUGH CO-OPERATIVES

Some extension work is being done by the "Friends of Trees Association" for the last seventeen years. It receives some aid from Government. The association sells pine plants. In summer it holds agricultural and hygienic film shows with the aid of agronomists. But these activities do not go very far. The six-year plan of the Lebanon Government made provision only for research and not for extension. The State has left this work to private agencies without any regulation, which has led to harmful consequences to the farmer. A small State like Lebanon, with limited resources, will never be able to take to all farmers improved practices from its research stations through a paid staff. While big farmers in some areas may on their own initiative take advantage of such research for improving farming practices, others will need to be contacted and educated by whole-time workers. Even in the USA, the land of big farmers, "extension workers reach those who want and demand assistance but not the submerged third who are most in need of assistance but are too timid to ask for aid or not aware of its availability".

The need in poorer countries of taking extension to the door of the cultivator is greater. The only way out lies in co-operative organisations of farmers assisted by a paid staff, properly trained and directed for popularising improved methods. It

is here that the experience of the Abadiya Co-operative Society in maintaining a permanent director out of its own funds is valuable. It shows that a co-operative society is to be valued not only for the organisation it provides, but also for supplying technical and administrative assistance for training the farmer in necessary skills for managing his own organisation and improving his occupation.

THE VILLAGE APPROACH

As to the importance of the village approach instead of individual approach, Mr S Neale Alter, Director of the Jibrail Rural Fellowship centre makes the following meaningful suggestion, based on his ripe experience of 17 years of community organization work. "In the East the village resembles a large family; consequently there must be a unit approach, rather than the departmental approach as is used in the extension system of the West. After there is considerable development, the departmental approach may apply equally well to the East." The farmer too will take to improved methods when they are carried to him by committee members of his own village co-operative society. The needed credit for the purchase of agricultural requisites will be available in the society. Demonstrations can be carried out with the aid of the society's committee in farmers' fields. In short, what the Anjar centre has been attempting through an extension worker, community meetings and demonstration plots in farmers' fields can be secured through the provision of an agricultural co-operative society where possible with a whole-time worker as its secretary. A subvention from the State to societies towards the salary of this secretary for aiding extension work is financially easier than the maintenance of a costly State staff unconnected with the people's organizations. Further, where the state extension service is on a higher level, there will be less bureaucratic control over the agricultural activities of the people.

AGRICULTURAL EDUCATION

Village leadership is trained in two

ways. The working of a co-operative or village council or social centre, assisted by a whole-time secretary, provides continuous and effective education of village leadership. Rural education too has its importance in training the younger generation in leadership. A new type of education has come into vogue as a result of the working of the rural school at Gibrael. This school combines teaching of agriculture along with the 3 R's and theoretical and practical training in civics, citizenship and community organization. The aim of the school is to provide a course of education which will not only help boys to escape from the village but also improve their skills for living in the village. With the co-operation of the State, it hopes to have more schools of this type. It is fortunate that the American University of Beirut, which is intimately connected with the Gibrael rural centre, has entered into an agreement with the State council engaged in Point 4 work to train villagers in the skills they need. The NEF workers adopted also the device of teaching agriculture in primary schools as an extra-curricular course. This has had response from farmers. But when they started an agricultural school at Talabeya with a two-year course, the response was extremely poor. This only showed that an environment of agricultural development should precede the starting of such schools. Providing an agricultural and community bias in existing primary schools was a more feasible proposition. But Government did not seem to have favoured such education according to the UN Economic Survey Mission report.

TRAINING IN CITIZENSHIP

Apart from agricultural education, the Gibrael centre laid special emphasis on village work through boys and knowledge of community organisations in the curriculum of studies. Rural schools may create a generation of new leaders with a broader outlook only when the present youths come of age, i.e., after ten years. Even this educational work had to face opposition from the far-sighted rich who saw in these new youths potential rivals. The training of the youth was objected to by richer landowners as they feared that education of the poor would awaken them to a sense of their rights for better living. Opposition to the centre has always

come from the influential classes. The latter prevented the erection of a pipe to take water to the school. This led to a quarrel and the case is before a court. The centre purchased lands for the school at fancy prices, as the richer classes exploited for their own gain its devotion to the object of educating rural youths. Its workers call these influential opponents as 'Veto-men' who always object to any useful work for the poor.

AGRICULTURAL MIDDLE CLASS

Everyone will admit that the size of the middle income group in Lebanon should be increased. Such an increase cannot, however, be achieved without a time lapse and a definite programme of purposeful training for achieving it. But one should be clear about the kind of middle income group a country wants to develop. In the West, a professional middle class of technical men, doctors, lawyers and teachers has grown in towns and villages in consequence of industrial progress. In the words of the Economic Survey Mission for the Middle East, "the middle income group in the West usually furnishes professional and technical skill and initiative, enterprise and civic leadership". But in Eastern countries, which are mainly agricultural and have no scope for a rapid mechanisation of agriculture, it will be difficult to expect the kind of middle class which has generally evolved in the West. The medium holders of agricultural lands supply leadership in the villages of undeveloped countries. There is no doubt that there is a large class of poor farmers and labourers, leadership among whom has yet to develop. But rural leadership does exist today in villages of owner-peasants in Lebanon, and, if properly directed they will warmly respond to any scheme of community organisation which will add to their income and provide water supply and medical services. Their management of co-operative societies and municipal councils with the assistance of whole-time workers and guidance of the technical staff of rural departments of the State will ensure continuous education in building their capacities for leadership.

It is but a philosophy of despair to set the impossible task of building a professional middle class such as that of the industrialized West in Middle East villages, to under-

rate existing capacities of agricultural leadership and to assess human nature so poorly as to conclude that the educated middle class in towns will not produce at least a few workers devoted to the cause of building community leadership at some sacrifice to their standards of security and comfort.

TRAINING OF COMMUNITY ORGANISERS

What must be appreciated about the Gibrael centre is the psychological approach it is making to build community leaders. In its nucleus of directors are some university lecturers and Mr and Mrs Neale Alter. The centre selects properly-motivated students and community leaders for its activities. Its staff of teachers take the minimum salary. Its buildings are simple. Its activities are modestly confined to conducting a rural school as an instrument of community development.

The directors of Gibrael centre found that costly foreign agencies were suspect in the eyes of the local people. The high standard of life of the workers was apt to create a gulf between them and the people. Costly buildings and establishments were deterrents to the growth of community responsibility. All this experience has created a new outlook among them of identifying themselves with the life of the people and adopting methods of work to which the people could contribute. Continuous fight for freedom against foreign rule and liberal education in universities have created in the younger generation a national spirit to devote themselves to the uplift of their countrymen without calculating costs. Gibrael is canalising this new energy of the students and ex-students of the American University. It is from the ranks of such young men and women that new community leaders for training village leadership have to be recruited. The Point 4 rural improvement council has entered into an agreement with the American University for training students and Government workers in the needs and problems of Lebanese villagers. The University, with its experience in training students in rural work, is bound to play an effective part in creating an efficient State staff and outside specialists for community development.

(To be continued)

Around Calcutta Markets

SINCE the beginning of the new year, equity prices have been moving up. It has been partly due to active "bear" covering. Those who had sold "short" since September last had been squaring-up their books during the last fortnight. Some fresh buying has also been in evidence. It is apparent that the market is receiving support at all set-backs. But, on closer analysis, it would seem that the Calcutta Stock Exchange still lacks the confidence which it showed until September last.

Indications are that the immediate outlook is moderately "bullish". Current steadiness is partly due to technical reasons. One is that "bears" are covering-up their sales. And the other is that speculators are rigging the market up in anticipation of the budget. This is not an unusual procedure even in the "bear" phase of a market. Equities are pushed up as the budget time approaches so that sales can be effected at higher levels.

Awaiting Budget

To some extent, this is the explanation of the current "bullish" sentiment in stock markets. That being so, the near-distant outlook necessarily depends on the budget. Next year's budget proposals are expected to reflect the recommendations of the Taxation Inquiry Commission. That is a hurdle which stock markets may have to cross. Any appreciable increase in direct taxation is not expected. But a further increase in indirect taxation is widely anticipated.

In the circumstances, it may seem strange that equities are now moving up. If current indications are any guide to the future, it would appear that stock markets seem inclined to the view that the effects of any further increase in indirect taxation will be more than offset by the appreciable increase in deficit financing in the next financial year. Experience in the last eighteen months indicates that the stock markets may not be wrong in this interpretation of the future behaviour of equities.

Tea Export Quota

Although the higher half-yearly dividends by jute companies initiated the spurt in equities since the beginning of the new year, the Calcutta Stock Exchange received consistent support from the continued strength

Cautious Optimism

Wednesday, Evening

in Tea shares. Jute shares have now developed an irregularly lower trend. But, despite fast-moving developments, some of which are unfavourable, Tea shares continue to remain steady. This week's fluctuations in Tea shares indicate that, on balance, the market is not pessimistic about the outlook.

In the last fortnight, the tea export quota has been raised, in two successive stages, by 5½ per cent. This is visible proof that the export demand for tea continues. This interpretation of the Government's decision to release a higher quota for exports is obvious. But the other decision of the Government, relating to an increase in the export duty, is not quite favourable to the industry, although it may help the replenishment of the Central exchequer.

Good Dividends

Export auction prices did not decline when the export duty was raised twice in recent months. That was rightly interpreted by the market to mean that the industry was able to pass the higher duty on to the foreign importer. This time, the increase in the export duty has been reflected in a fall in the average export auction prices. This means that the recent increase in the export duty will have to be borne by the home producer. It is, indeed surprising that, even after last Monday's export auction results, Tea shares have not declined.

Some time must elapse before it can be known whether the unexpected steadiness in Tea shares since Monday is partly due to dividend considerations. Satisfactory interim dividend announcements for 1954 have almost coincided with the Government's decision to raise the export duty and the export quota further. Almost all the tea companies in the McLeod group have declared encouraging interim dividends. This explains why Tea shares remain comparatively steady.

Jute Perplexes

There are reasons why Jute shares have developed an easy tendency. This group was moving up partly because of higher dividend payments for the half-year to September last, and partly because of expectations of encouraging working results for the current half-year. Data relat-

ing to mill stocks at the end of December last are not discouraging. It is apparent that the industry is able to sell the higher output as a sequel to increased working hours. But there are other factors in operation which are rather discouraging.

In the last fortnight, raw jute prices have firmed-up appreciably. In sympathy, jute goods have also improved considerably. Rising raw jute prices are due mainly to the Pakistan Government's recent measures relating to stricter enforcement of export and price controls. That the statistical position relating to raw jute is "bullish", is a fact. If raw jute prices continue to move-up, jute goods prices will also improve. This may affect the export demand for jute goods.

Indian Iron

Along with the improvement in Tea shares, and with the steadiness in Jute shares, there has been some broadening of activity in Miscellaneous shares. In sympathy with the spurt in Indian Iron, Engineering shares have also been moving up. In these groups, Jessop, Texmaco and Karanpura Development have recorded appreciable gains in the last few days.

Fluctuations in Indian Iron since Wednesday last make it evident that the upswing in these shares is not wholly technical. For one thing, production at the Bumpur Works continues to be encouraging. In recent days, there has been inspired buying of Indian Iron in Calcutta by Bombay operators. Bombay is reported to be optimistic about this year's dividend. Calcutta has its doubts, but it is evident that Calcutta has been caught napping.

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TOTAL ASSURANCE IN FORCE

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TOTAL CLAIMS PAID

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V. C. SETALVAD
Managing Director.

Around Bombay Markets

Expansion in Sight

Thursday, Evening

THERE are visible signs of expansionist monetary policy which is indeed stimulating. The busy season is getting into swing and banks had to face a rising demand for credit. The usual feature under these circumstances is a shift in the flow of funds from the gilt-edged into short term channels. And therefore it was quite intriguing to observe over the last two weeks, that with an expansion of commercial bank credit, there was also a rise in the gilt-edged values. The 3 per cent Conversion Loan 1946 has gone up by 8 annas and now stands up to Rs 81-5. The rise has been so conspicuous that there has also been a follow up in the other gilt-edged securities, indicating an all round rise and not merely a redistribution in the portfolios.

It was being doubted whether this strengthening of gilt-edged was due to purely institutional support. The explanation is now obvious, after the publication of the Reserve Bank statement for the week ending January 7. The Reserve Bank has increased its holding of rupee securities over the week to the tune of Rs 9.94 crores. Add to this the other notable feature in the statement, viz, that the Central Government cash balances have fallen further by Rs 1.92 crores and now stand at Rs 52.96 crores. The balances have thus almost reached

what the Finance Minister calls the "irreducible minimum". It appears that the Government is now preparing the ground for a sizeable rise in money supplies and easy money conditions. The new physical resources budgeting concept seems to have helped the Government in overcoming its inhibitions in the matter of large scale spending. If this is so, it is really a welcome development.

Steady conditions, however, prevailed on the Bombay stock exchange throughout the week ending January 12, 1955. Steels moved within a narrow range. Textiles, after an initial rise, steadied at lower rates. Shipping shares and Tata Chemicals met with good enquiry from influential quarters.

Tata Ordinaries experienced alternate bouts of profit-taking and renewed buying within the range of Rs 227 to Rs 229. Indian Iron was steady around Rs 33-8 to Rs 33-14. Calcutta was a seller for the last two days.

This week the market had no significant news except that of the impending increase in the freight rates from February. Narrow range in speculative scrips might develop into stagnancy which usually takes a steep turn either way. It may be that after next settlement, the market will take a big turn. In the

meantime, the New York stock markets' steep rise taking the Dow Jones average to 408 and the subsequent sharp reaction, bringing it down to 390, to settle down finally around 400, seems to have no effect on the Bombay Market. The principal reason for the market's hesitation to move upwards seems to be the bad plight of the cotton and seeds markets, where the sentiment is adverse. The weakness in the cotton market especially affected the textile shares which even otherwise were dull owing to lack of enquiry in the cloth markets. The increase in tea export duty brought some profit taking in the Bombay Burmah. On the whole the markets ruled steady. The eighteen crore increase in note circulation had no tangible effect on the curb rates on Wednesday.

Bullion

Silver opened disastrously at Rs 153-12 against the previous close of Rs 155 due to heavy unloading by Calcutta bulls, and anticipation of further sales by the Reserve Bank. Subsequently, however, the recovery of silver was remarkable indeed, the quotation touching Rs 157-11 on Wednesday on Reserve Bank support and better off-take.

Gold ruled very steady throughout the week.

THE ECONOMIC WEEKLY

Absence of mill enquiry which in its turn was due to continued dullness in the cloth market was responsible for further sagging in cotton which touched a new low this week. Heavy option was also responsible for the fall. Starting lower at Rs 607, cotton met with heavy short covering which took it to Rs 619 in mid-week. But the spurt was short-lived, and on Wednesday, cotton touched Rs 603-8, a new low. Confidence was lacking and a distinctly weak tendency prevailed.

Oil Seeds

This week the seeds market was very weak, and all the centres in the country showed a distinct uneasiness due to increased pressure of supplies. Government's measures such as reduction in export duty or liberation of exports failed to arrest the decline in prices and the situation worsened further towards the end of the week.

Castor seed started around Rs 85-8 and jumped to Rs 88-8 on Government's notification regarding export duty cut by Rs 75 per ton, but this level could not be maintained. Prices declined, with intermittent short coverings, to Rs 81-2 on Wednesday to close at Rs 81-14. The undertone was barely steady.

Almost the same conditions prevailed in groundnuts. Neither the increase in export duty to Rs 300 per ton from Rs 150 nor the fresh allocation of quotas for export could stop the downward tendency. February-March commenced around Rs 22-13 to touch Rs 20-6 at the end of the week. Though the quotation tended to steady around Rs 20-12, confidence was lacking.

Smuggled Gold

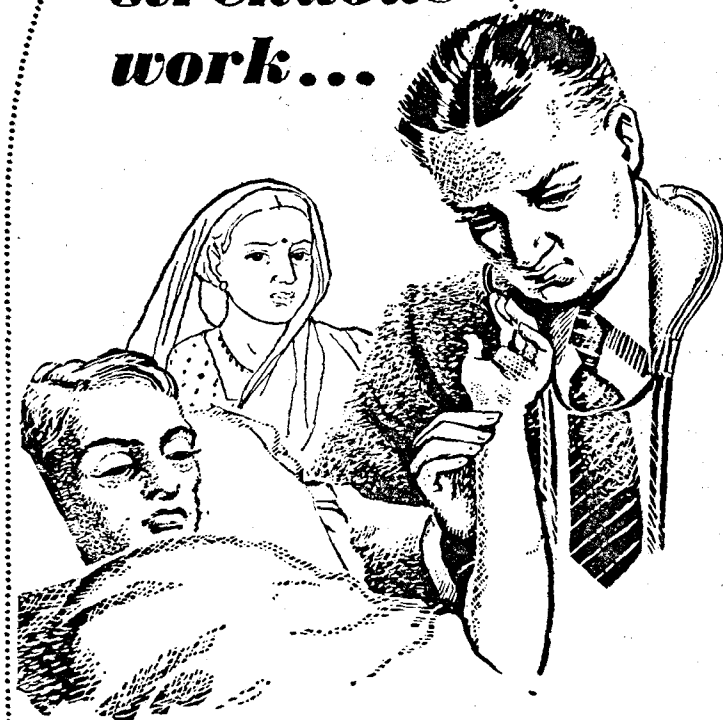
SMUGGLED gold affects the bullion market in various ways. In fact, it has never been a matter of secrecy that ever since the beginning of the last war, the only two sources of new supply have been the production of Mysore Gold Mines and the smuggling of gold across the frontier either from Pakistan or from other parts of the world. It has been a favourite pastime of bullion market reporters to speculate about the possible volume of new arrivals from the latter source, it being accepted on all hands that marginal supplies of smuggled gold form one of the most, if not the most, important factors influencing the price of gold in day to day trade.

If the smuggled gold that finds its way into the market affects prices directly, the gold that falls into the hands of the Custom Authorities also exercises an indirect influence. There is periodic speculation about the possibility of the threat of such contraband gold in the possession of Government being unloaded on the bullion market.

Lately, however, much concern has been caused to bullion brokers

and dealers by a change in Customs regulations which, it is apprehended, will seriously interfere with the normal transactions in the yellow metal. For the Customs regulations are proposed to be modified in the case of gold so that the onus of proving the origin of gold found in the possession of a broker or a bullion dealer should be on the latter, and not on the police as it is in the case of other goods.

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strenuous
work...



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refreshes you
so much, yet costs
so little as



TEA

our national drink



Market Leaders during the Week

(In Rupees and Annas)

	Closing 5-1-55	Week's		Closing 12-1-55	1954	
		High	Low		High	Low
Tata Ordinary	227-8	230-0	226-8	227-0	252-12	334-0*
Indian Iron	33-3	33-13	33-7	33-10	36-4	24-15 1/2
Bombay Dyeing	473-12	484-6	473-12	473-12	551-4	386-14
Century	360-4	373-4	367-8	368-0	403-0	275-0
Kohinoor	326-12	332-0	327-0	327-0	362-8	291-4
Bombay Burmah	479-6	486-4	464-6†	464-6†	501-4	358-12
ACC	180-0	183-0	181-4	181-8	192-8	147-12
Tata Chemicals	17-1	17-8	16-14	16-14	20-12	14-3
National Rayon	194-8	200-8	194-8	198-8	223-8	133-0
Premier Construction	140-0	152-12	150-0	150-8	176-0	111-0
Scindia	15-4 1/2	16-6 1/2	15-4 1/2	16-1	22-9 1/2	14-3
Belapur	316-8	320-0	315-0	315-0	338-0	242-8

† exdiv

* cum rights

CURRENT STATISTICS

BANKING RETURNS

(Rs Crores)

	Latest Week†	A Week ago	A Month ago	A Year ago
Money supply with the public				
a) Note circulation	1219.29	1200.49	1212.05	1132.15
b) Rupee Coin	104.24	103.58	104.59	96.42
c) Cash on hand with the Scheduled Banks	35.90	32.03	33.16	36.47
d) Demand liabilities of Scheduled Banks (net)	567.15	562.31	564.37	511.24
e) Deposits with Reserve Bank				
i) Other Government	11.10	16.74	11.82	19.48
ii) Others	34.40	34.39	34.34	58.35
Reserve Bank				
a) Foreign Securities	663.15	663.15	663.15	588.15
b) Balances held abroad	66.90	67.64	89.62	139.32
c) Rupee Securities	427.69	417.75	417.75	421.38
d) Investments	74.50	75.34	86.99	76.25
e) Loans and advances to Governments	2.75	1.67	2.67	1.15
f) Central Government's Deposits	52.96	54.89	67.80	113.43
g) Banks' Deposits	63.83	69.13	65.66	46.70
Scheduled Banks				
a) Time Liabilities	368.71	367.26	365.47	331.15
b) Borrowings from Reserve Bank	9.63	1.46	2.53	5.99
of which against Usance Bills	2.90	0.90	0.16	0.49
c) Advances and Bills discounted	538.41	537.14	528.75	465.94
of which Imperial Bank's	100.88	100.67	98.61	104.84
d) Investments	348.04	348.98	349.54	328.65
of which Imperial Bank's	97.37	97.36	95.77	83.33
Cheque Clearances	106.84	132.20	143.31	94.65

† For Money Supply and Reserve Bank 31-12-54. Scheduled Banks and Cheque Clearances week ended 7-1-55.

Bombay Money Rates	7-1-55	31-12-54	10-12-54	8-1-54
Inter-Bank Call Rate	2 7/8	3	2 7/8	2 7/8
3 months deposits	3	3	3 1/16	2 7/8
6 months deposits	3	3	3 1/8	2 7/8

Bombay Bullion

	13-1-55	A Week Ago	A Month Ago	A Year Ago
Gold Spot (per fine tola)	89-10-0	88-7	87-3	82-12
" Forward " "	89-2-0	88-9	86-15	82-10
Silver Spot (per 100 tolas)	157-1-0	157-7	153-11	155-8
" Forward " "	157-4-0	153-7	154-1	155-3

FOREIGN SEA AND AIR-BORNE TRADE OF INDIA

(Rs crores)

	Exports*	Imports	Balance of Trade
1950-51	606.81	581.17	+ 25.64
1951-52	715.56	862.84	- 147.28
1952-53	556.78	632.95	- 76.17
1953-54	515.39	541.87	- 26.48
November	47.07	37.24	+ 9.83
December	49.63	37.56	+ 12.07
January	43.17	38.01	+ 5.16
February	38.22	38.12	- 0.10
March	42.55	47.37	- 4.82
1954-55			
April	30.43	46.33	- 15.90
May	38.07	49.53	- 11.46
June	42.31	43.87	- 1.56
July	46.21	53.22	- 6.01
August†	44.94	44.27	- 0.67
September†	49.35	46.66	+ 2.69
October†	46.75	51.91	- 5.16
November†	65.11	57.76	+ 7.35

* Includes re-exports † Figures provisional

WORKING CLASS COST OF LIVING INDEX

(Base: 1944 = 100)

	Jabalpur	Kharagpur	Ludhiana	Cuttack	Monghyr
1948	146	132	163	137	166
1949	151	137	164	147	171
1950	153	137	165	163	193
1951	168	136	167	181	188
1952	150	133	151	160	172
1953	151	139	147	157	155
1953 :					
Sep	154	146	150	156	165
Oct	153	143	150	156	152
Nov	148	136	149	157	149
Dec	146	127	149	151	139
1954 :					
Jan	144	127	151	149	141
Feb	144	125	151	147	138
March	143	126	150	146	133
April	144	129	151	146	140
May	142	133	150	145	141
June	141	127	149	149	137
July	141	127	145	147	129
Aug	140	127	145	146	129
Sep	137	129	147	149	133

Source : Labour Bureau

ELECTRICITY OUTPUT

(in million kwh)

	Sept 1954	Sept 1953	1953-54	1952-53
Production	645.3	566.1	6,876.8	6,301.4
Distribution	523.3	464.1	5,572.7	5,134.3

Source : Ministry of Irrigation & Power

SUGAR FORECAST FOR 1954-55

(in lakh tons)

	1954-55 (forecast)	1953-54 (actual)	% change
Production	12.99	10.01	+ 30

Source : Ministry of Food & Agriculture

INDEX NUMBERS OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-group	Week ended 1-1-1955	A Week Ago	A Month Ago	A Year Ago
I. Food Articles	318.4	319.3	316.9	377.2
Cereals	365	364	364	437
Pulses	236	231	247	414
Others	269*	272	262*	284*
II. Industrial Raw Materials	429.7	432.4	442.0†	471.4
Fibres	460	464	475	451
Oilseeds	386	385	395	538
Minerals	402	412	422	442
Others	448	444	441	413
III. Semi-Manufactures	346.0	346.5	348.3	357.9
Leather	390	382	379	391
Mineral Oils	221	221	221	221
Vegetable Oils	410	406	416	546
Cotton Yarn	452*	452	455	430
Metals	240	240	240	236*
Oilcakes	325	356	381	409
Others	330	329	307	306
IV. Manufactures	374.4	374.2	376.6†	364.1
Textiles	417	417	421†	400*
Jute	441	438	472	-
Cotton	412*	412*	412†	397*
Rayon & Silk	455*	455*	440*	407*
Woollen	310	310	310	313
Metal Products	340	340	340	337
Others	284	284	285	283*
V. Miscellaneous	570.5	574.2	585.1	712.2
All Commodities	366.3	367.1	369.1†	395.0

* Estimated

† Revised

INDUSTRIAL DISPUTES

(Resulting in Work-Stoppages Involving 10 Workers or More)

Year/Month	No. of disputes Start-ing	No. of workers In progress	No. of disputes Start-ing	No. of workers In progress	Total No. of man-days lost
1947	—	1,811	—	1,840,784	16,562,666
1951	—	1,071	—	691,321	3,818,928
1952	—	963	—	809,242	3,336,961
1953	—	772	—	466,607	3,382,608
1954 :					
Jan	62	84	34,049	51,973	325,514
Feb	61	85	26,419	41,351	344,295
March	70	91	21,498	34,202	331,419
April	78	101	30,062	34,963	207,247
May	56	60	27,606	40,073	216,084
June	60	81	14,723	21,349	204,838
July	105	120	22,529	29,931	275,506
Aug	59	78	36,262	57,072	322,545
Sep	64	86	24,663	39,915	328,960

N.B.—Figures for 1954 are provisional.

Source : Indian Labour Gazette

SECOND ESTIMATE OF SUGARCANE 1954-55

	1954-55	1953-54	% Change
Area ('000 acres)	3,617	3,503	+ 3.3
Production ('000 tons)	47,459	42,111	+12.7

FINAL ESTIMATE OF POTATO 1953-54

	1953-54	1952-53	% change
Area ('000 acres)	648	628	+ 3.2
Production ('000 tons)	1,965	1,956	+ 0.5

Source : Ministry of Food & Agriculture

JUTE STATISTICS

	Nov 1954	Oct 1954	Sept 1954	July to Nov '54-55
Production ('000 tons)				
Hessian	35.2	31.1	32.6	163.5
Sacking	49.8	41.5	43.7	224.3
Others	3.0	2.5	2.7	13.8
TOTAL	88.6	75.1	79.0	401.6
Total Production in the corresponding months of:				
1953-54	69.0	66.8	73.1	353.8
1952-53	72.2	76.8	70.0	377.1
Stocks:* ('000 tons)				
Hessian	27.0	22.9	26.7	—
Sacking	40.6	45.0	39.8	—
Others	1.4	1.8	1.5	—
TOTAL	69.0	69.7	68.0	—
Stocks at the end of the corresponding months of:				
1953-54	98.3	102.9	118.6	—
1952-53	104.4	95.0	91.5	—
Despatches:† ('000 tons)				
Hessian	32.9	34.6	38.1	174.71
Sacking	54.3	35.9	40.5	233.7
Rope, twine, etc	15.0	1.7	2.1	10.1
TOTAL	89.5	72.2	80.7	418.5
Total despatches in the corresponding months of:				
1953-54	73.5	81.8	89.9	393.5
Raw Jute Consumption: (lakh bales of 400 lbs each)				
1954-55	5.18	4.32	4.66	22.79
1953-54	4.15	3.88	4.27	20.59
1952-53	4.36	4.56	4.18	22.09
IJMA Mills' purchases of raw jute (lakh bales)				
Pakistani	1.10	1.02	0.80	4.74
In corresponding periods of:				
1953-54	0.94	0.45	0.33	3.59
1952-53	1.19	2.76	3.06	8.70
Indian	6.84	4.72	3.74	21.83
In corresponding periods of:				
1953-54	4.65	4.45	2.32	16.70
1952-53	2.48	3.84	4.95	17.77

* Stocks at the end of the month.

† Despatches include exports and sales for internal consumption.

Source: Monthly Summary of Jute and Gunny Statistics issued by the Indian Jute Mills Association.

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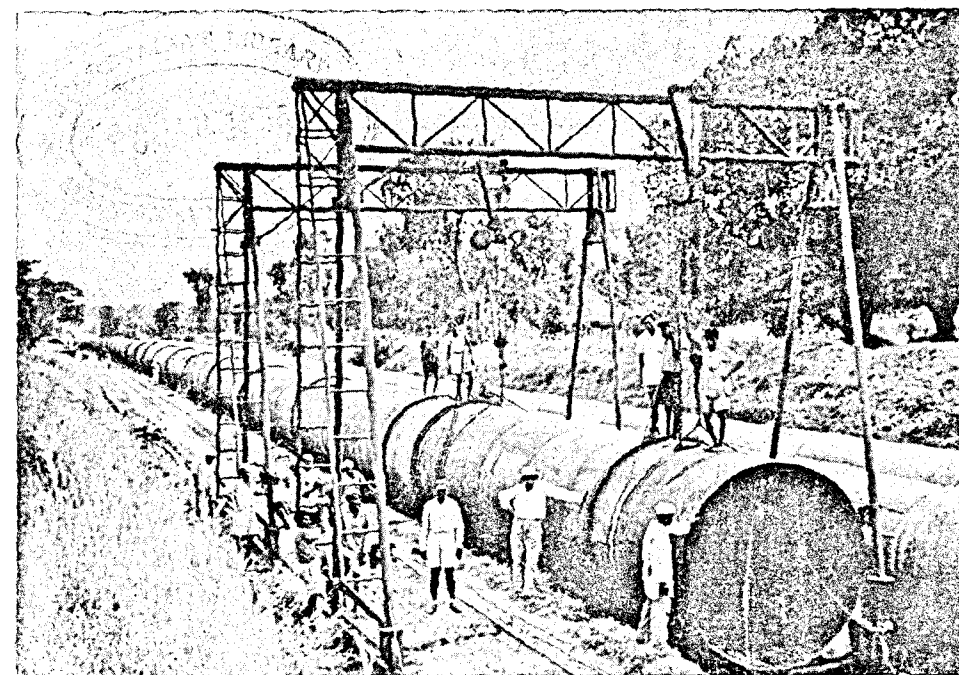
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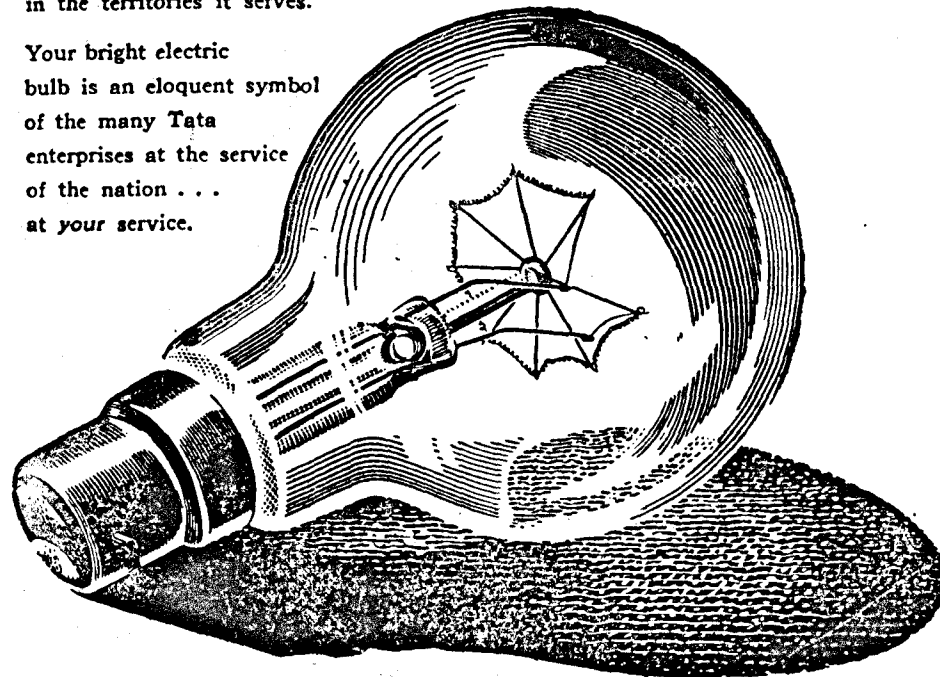
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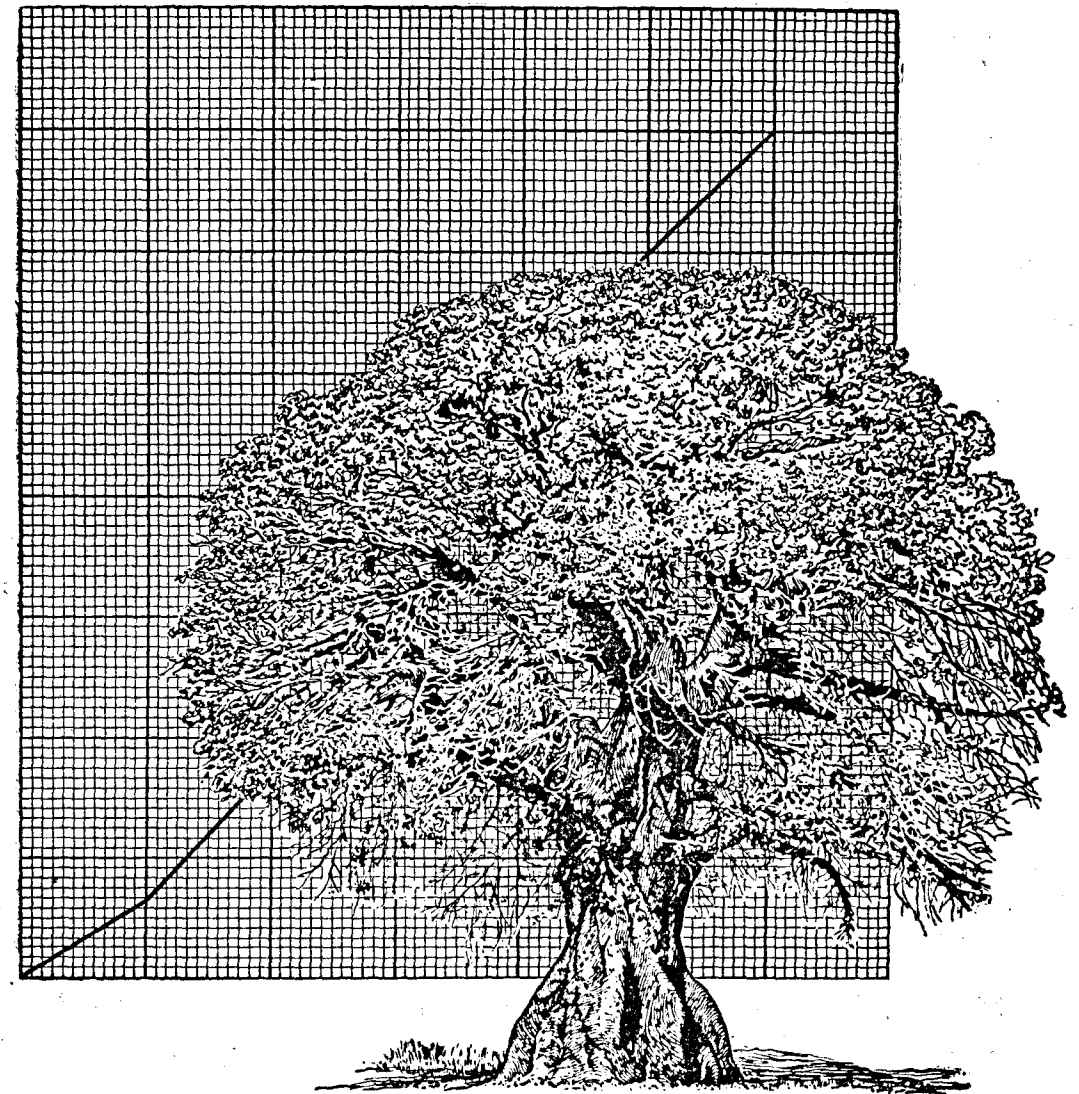
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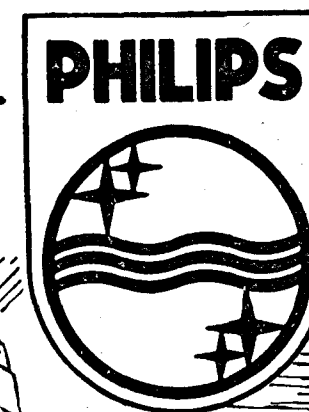
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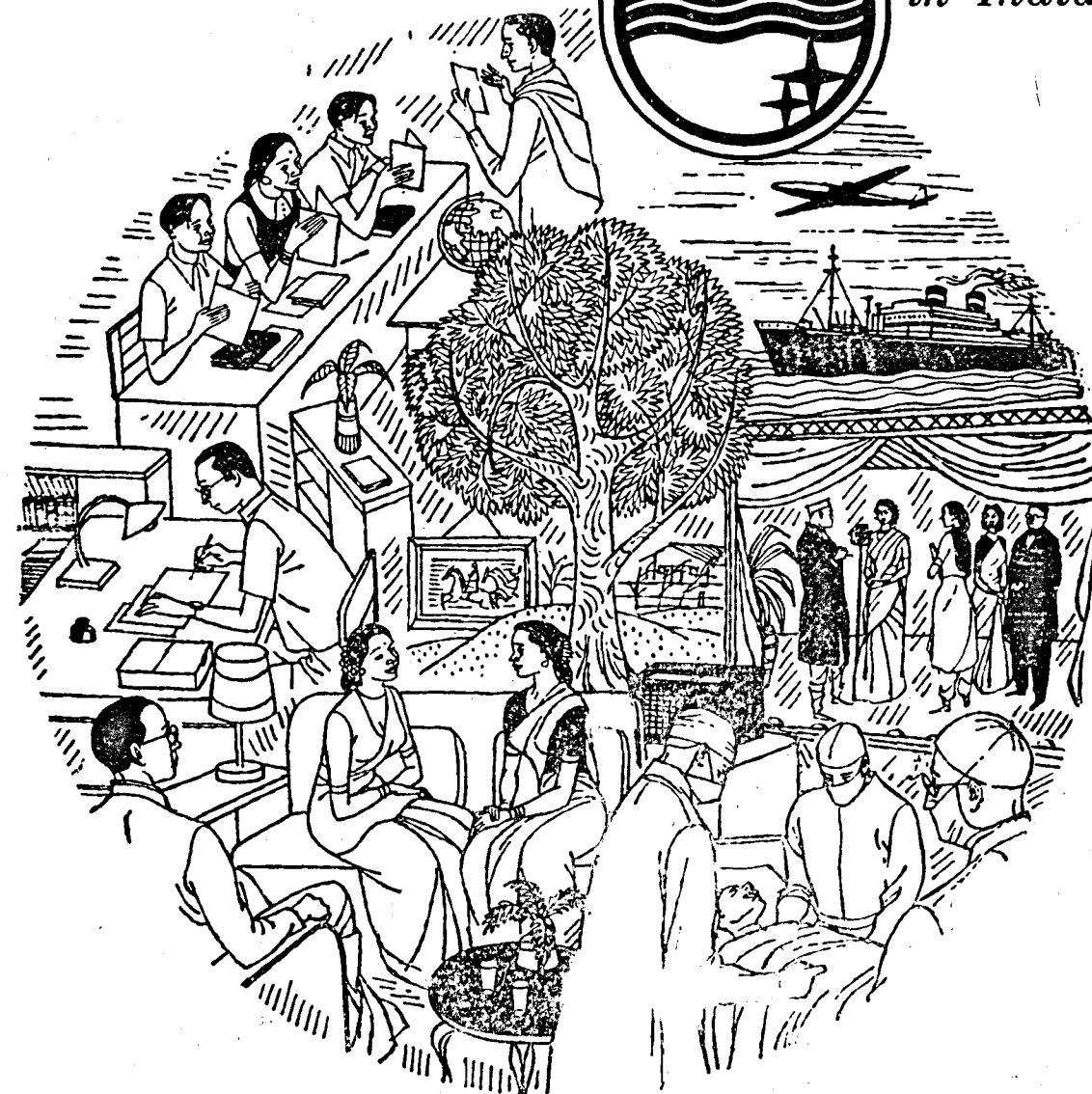
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Alladin's Lamp

FIVE years ago, the Indian Republic was formally inaugurated on the twenty-first anniversary of the day on which the country took the pledge of independence on the banks of the Ravi. That association remains and it is invariably renewed whenever the Congress, then the common forum for the whole people and today a political party holding the reigns of Government, meets in an open session and takes important decisions. On the anniversary of this day of hallowed memory, questions inevitably arise; what is the state of the Republic and what is the direction in which the ship of state is going? Is this ship being steered in the right direction and is it going to be smooth sailing in the foreseeable future? No one bothers much to look very far into the future. Many, and in this country their number is legion, do not even

bother to think of the morrow, so pressed down are they by the cares of today. The last ounce of their energy and strength is sapped by the struggle for a living. They toil and bear patiently all their burdens. The future they resign to fate, but by not thinking about it they store up trouble for themselves as well as for others. By and large this is the background against which have to be studied the problems of development, of rapid capital formation, of social justice and all the other desirable objectives that we are after.

The pledge of independence taken quarter of a century ago comes back to mind because those who guide the country's affairs today still rely on their achievement in the past in winning independence as a main motive force that will propel the country forward. Moving the economic policy resolution at the Subjects Com-

mittee meeting at the Avadi Congress, Pandit Jawaharlal Nehru asked the members to recall how the country had marched forward as one man to attain freedom, and then to visualise how great it would be if the same people marched in a great sweep towards the achievement of progress in many directions. Moving the same resolution at the open session of the Congress last week, Pandit Nehru said:

"I hope you all will accept this resolution at this Avadi session and understand its meaning fully. We are today taking a pledge before our people and the whole world to work for the fulfilment of the socialistic pattern. This pledge marks a turn in our mental attitude to our economic problems and we have to work hard to realise it."

To this pledge there was a preface. The Congress could not

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1950: Goodyear installed world's highest single flight lift belt for Chicago-Wilmington & Franklin Mine — total lift 868 feet.

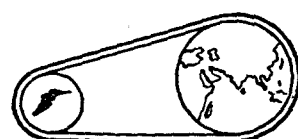
1954: Goodyear developed and installed first Speedwalk belt at Hudson & Manhattan Railroads, Eire in Jersey City to unload and load 10,800 people per hour commuting to and from the city.

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thrive in the future on its past glories. It could exist only if it found an answer to the new challenge that modern times had thrown up. This was the challenge of uplifting 37 crores of people economically and socially.

The Congress could only survive if it succeeded in providing an answer to these new problems. "The Congress became such a mighty organisation only because it lighted a spark in the hearts of men. It drew them within its fold and ultimately the people became the Congress and through their work and sacrifice wrote the history of India of the last three decades and more. But now the Congress can continue to find a place in the hearts of our people only if it remains a living body and helps them solve their new problems". Pandit Nehru said that "our eyes" were always set on the goal of establishing a socialistic pattern, but "now we have to fix our gaze on it more sharply in order to make greater efforts to build the socialistic pattern". This would also help in formulating our future Plans in the right perspective.

All these sentiments are unexceptionable. It is the text of the economic policy resolution, however, which leaves room for thought, and for different thoughts to different people, should they go through it carefully, take it seriously and not dismiss it as just words, or mere electioneering propaganda. For what the Congress has resolved is to define its aim afresh. The national aim, henceforth, is a Welfare State and a socialistic economy. This can only be achieved, says the resolution, by a considerable increase in the national income and a more equitable distribution of that income. Keeping these objectives in view, the second Five-Year Plan should be based on the physical needs of the people and these needs should be mainly provided for by production within the country. This necessitates the building up of heavy industry, including machine-making industry, as well as a wide extension of small-scale and cottage industries.

With the declared objective of a socialistic pattern of society, the State will necessarily play a vital part in economic development. In particular it will (1) initiate and operate large scale schemes providing services such as power, transport service, etc., (2) control over-all allocation of resources and ensure the essential balances in the

economy, (3) check and prevent anarchy in industrial development, and (4) set targets for the economy in its basic and broad aspects.

While the public sector must in future play a greater part than in the first Five-Year Plan—more particularly in the sphere of basic industries—the private sector, including the co-operatives and small-scale industries, "are necessary for adding considerably to production and employment", provided it functions "in terms of the National Plan". The contents of the resolution outlined above are startling, since no one can doubt Pandit Nehru's integrity, sparkling sincerity and genuineness of intentions. The effect on the minds of those who had been lured so long by past and equally authoritative statements into exploring possible financial resources of the country, is more than startling. The exercises into which they had been led, had proved baffling. The financial outlays suggested in the Second Plan could be related in no possible way to known or imaginable magnitudes. And while most experts are scratching their brains trying to solve what seems insoluble, the Congress puts the Alladin's lamp in their hands—planning in terms of physical resources. How these resources are to be collared and mobilised is, however, quite another matter.

Along with the designed expenditure for the Second Plan had been given a target of additional employment to be secured—12 million jobs in the next five years. Whether the limit has now been expanded or not, no one knows for certain. Now it is going to be full employment, whatever that means in the Indian context, in the course of the next 10 years. All these are to be achieved by democratic means. But the evils of anarchic industrial development are to be checked and prevented by strategic controls exercised by the State.

Those who despair of ever finding means for getting anywhere near the financial targets proposed for the next Plan, find no comfort in deficit-financing either. For the circumstances under which the latter could be possible as a second best, are not themselves amenable to control. A situation is not difficult to conceive where a bad monsoon or crop failure could upset all calculations and precipitate a severe crisis, should such a *contretemps* occur just when deficit financing was getting under way and gathering momentum. Planning in terms of phy-

sical resources seems to cut out all these complications; all that it will require is the maintenance of balances in the strategic sectors of the economy. But how are these balances to be maintained and who will maintain them? We come out by the same door as we go in.

If the achievements of the Congress in winning the country's freedom is a rickety base from which to start the programme of economic reconstruction, the achievements of the Five-Year Plan so far as a positive quagmire in which the country will be bogged, unless serious efforts are made to examine closely the reasons for its failures and shortcomings, and the lessons to be drawn from it are taken to heart and acted upon. Until this is done, financial resources will continue to fall short of the targets and expenditure authorised will not be incurred. The States will go on blaming the Centre for being grasping and unhelpful, the Centre will lay the blame on the States for being non-cooperative and wilful. The spending departments will point accusing fingers at the Ministry of Finance for being too rigid and sanctimonious, while Finance in self-righteous indignation will keep up its pose of being the martyr, claiming credit for saving the country from criminal waste and utter ruin and getting no thanks for all its pains.

The Congress now holds the reins of Government. So any resolve taken by it as a political party will in due course be endowed with the authority of the Government. It therefore behoves the Party to think again and ponder deeply before it commits the country to any particular line of action—whether it is in regard to the way in which a plan is drawn up or in the manner in which it is to be implemented. Planning in terms of physical needs and resources is clearly most alluring. It shows a desire to break fresh ground. But it should not lead the Government to view finance as a means which is always and completely amenable to one's control. Beyond a certain point, physical planning can well take the initiative and become a Frankenstein monster—especially in a country in which controls are anathema. To point this out may appear faint-hearted to Pandit Nehru who is impatient of the leisurely pace in which things are moving in the country. Nonetheless, it is a point which needs to be remembered by those who strive to advise him and translate his vision into reality.

Congress Redefines its Aims

"COLD WAR" may be a by-product of the second world war. But the ideological conflict between Capitalism and Communism is, perhaps, as old as the Industrial Revolution. It assumed significance the day Communism was established in Russia. Since that day, Capitalism has been fighting a rearguard action. This losing battle has been, and is being, fought on both the political and economic fronts. In Capitalist States, political parties and labels have been changing. Today, the party system of government is based not as much on political as on economic considerations. If the late Lord Keynes became the most popular Briton in Europe after the first world war, he was also the most hated economist in Russia in the 'thirties.

Keynes started the fight against Communism with its own weapons. America was then suffering from the aftermath of a devastating slump. Throughout the world, there was the problem of equating purchasing power with production. Keynes advocated full employment. It had a twin objective. It was aimed at stimulating demand. It was expected to lead to a more equitable distribution of income and of wealth. It has been remarked that Keynes has, perhaps, extended the life of Capitalism by at least half a century.

That remains to be seen. But it was not without significance that Keynes's theories were translated into action first in America, which was, then, engulfed in economic chaos. To the late President Roosevelt goes the credit for the political projection of Keynes's economic theories. To him also may be traced the beginnings of a one-party State, even outside Communist Russia. By the time the second world war came, five major countries in the world—Russia, Germany, Italy, Spain and America—had become one-party States. This political phenomenon still continues. Since the war, the party system of government may have re-emerged. But the distinctions between the political parties are being blurred. Today, even non-Socialist parties believe in the socialist pattern of economy, of government, and of society. Jointly, all the political parties everywhere, outside the Communist States, are fighting, by

proxy, in their countries, the battle against Communism.

Superimposed on these political trends, there is another influence in operation in post-war Asia. Asia is a poor Continent. Poverty prevails with excessive concentration of wealth in a microscopic minority. All the newly-independent countries in Asia are under an urgent compulsion to raise the standard of living of the masses. Governments in this region are judged by their economic policies. Communist China is an alternative which is a constant threat to them and their peoples. This is the main problem before political parties and governments in India, Pakistan, Ceylon, Burma and Indonesia.

This is the broad background against which the re-orientation of policy by Congress, in its diamond jubilee session at Avadi, is to be assessed. It would be wrong to assume that no change in policy is contemplated by Congress. Both Maulana Azad and Pandit Nehru have been at pains to assure vested interests that no revolutionary change in policy is intended. Here, the question is not whether the private sector can co-exist with the public sector. Congress is wiser by the experience in Britain. It is not for nationalisation. But there is ample evidence that Congress has, under the compulsion of wider political and economic influences, come to a decision that it is necessary to ensure social control of the major means of production. Speculators and gamblers are free to take comfort from Panditji's suasive diplomacy. But those who are aware of the fundamental politico-economic trends may not be wrong in their assumption that acceptance by Congress of a policy more revolutionary than that of a co-operative Commonwealth is inevitable.

Achievements of Congress are not unimpressive. It is in power in all the States except two. By tolerating non-Congress governments in Andhra and in Travancore-Cochin, Congress has shown its faith in democracy and in its own strength. There is political stability throughout the country. Economic progress to date may not have exceeded all the targets of the first Five-Year Plan, but what has been achieved has strengthened the confidence

that more can be done. It is a tribute to the sense of responsibility of Congress as a political party that it has decided on a more ambitious second Five-Year Plan. Its stress on relative expansion of the unorganised sector of industry will not lack a sound economic basis, if this expansion is not made an end in itself but a part of a coordinated programme of development. But its emphasis on full employment is conditioned by fundamental politico-economic influences. Experience has taught Congress of the urgent necessity of a re-definition of its aims for smooth execution of an expanded Plan.

Political reasons equally necessitate a re-definition of objectives by Congress. It is good electioneering tactics for Congress to pose as a party of the Left. Thus alone can Congress hope to recover its position in Andhra and in Travancore-Cochin. Congress has to show a bias to Left to maintain its hold in the South as well as in some of the problem States. By re-defining the policy in socialistic terms, Congress can hope to steal the thunder from PSP. It has not been unsuccessful in this aim. In Andhra and in Travancore-Cochin, PSP seems to be losing ground. As it professes faith in the socialistic pattern of government and of economy, without any emphasis on doctrinaire Socialism, it can hope to win the Right-wing of PSP back to its fold. This is a policy which will appeal to all progressive elements. The all-India Forward Bloc has already decided to merge with Congress. Many of the splinter groups in some of the southern States may be tempted to follow suit. Simultaneously, with the re-definition of the aim and with the prevailing dissensions among its rivals, Congress has taken a more firm stand. In Andhra as well as in Travancore-Cochin, Congress has had the boldness to disown any alliance with PSP.

These electioneering tactics may have been partly responsible for the re-definition of aim by Congress. But there are wider compulsions behind the Congress attempt to equate itself with the country. Certain facts are beyond dispute. There is no alternative to Congress. Only the Communist party is a potential rival. To fight Commun-

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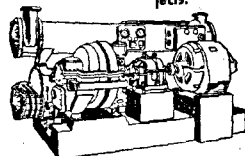
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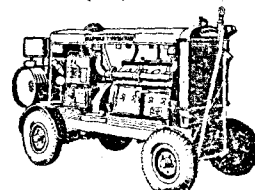
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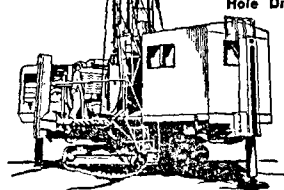
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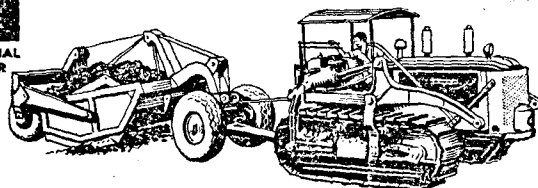


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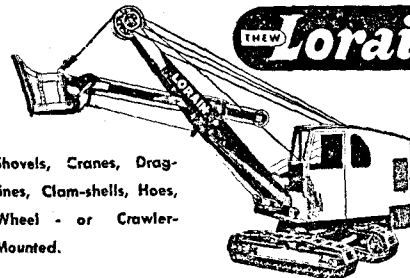


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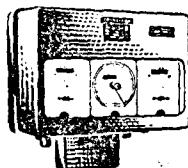
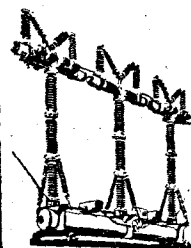
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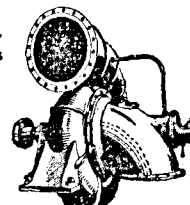
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ism on the political front, it is necessary for Congress to emerge as the only other single party. A re-definition of aims on a broader, more progressive, basis was needed to achieve this objective. Those who are aware of the political assumptions behind the progress of an under-developed economy will accept the inevitability of a re-definition of Congress aims on leftist

lines. Whether Congress will succeed in equating itself with the country, or whether it will be able to ensure stable, democratic, political and economic progress, depends on whether Congress is conscious of these fundamental political and economic trends. Some time must elapse before these questions can be answered decisively.

Co-existence in Peace

IMEDIATELY after India attained independence, she took two major decisions. She decided to remain a Republican member of the Commonwealth. She took the initiative to convene an Asian Conference. These were symbolic gestures by Free India. She, a Republic, rejected kingship, but willingly accepted kinship with like-minded members of the Commonwealth. Her active membership of the United Nations and her insistence on kinship as the basis of relations with the countries of the world underline her peaceful democratic approach to world problems. India is one of the free nations of the world. But she cannot ignore her geographical position as an Asian nation. In convening an Asian Conference, she initiated developments some of which have been fulfilled while some others still continue to be sources of conflict.

Two assumptions are implicit in the United Nations. All the nations of the world must be members of the United Nations. It, therefore, follows that all the countries of the world must be independent. There are many countries in Asia and Africa which are still not independent. This is a danger not only to peace in Asia and Africa, but to world peace. Even as India emerged as a free nation, she realised this fact. That is why she convened an Asian Conference as soon as she became free. That Asian Conference initiated developments which led to the independence of Indonesia. Many years later, Pandit Nehru issued an appeal to the parties and powers concerned to end the war in Indo-China. This appeal was endorsed by the Colombo Powers. In Indo-China, the incidental arrangements of an armistice are being gradually implemented.

All the countries in Asia are not yet independent, but Asia is in the

process of emerging as a free Continent. Africa still remains the Dark Continent. Because India believes that colonialism is a danger to peace, she has espoused the cause of freedom in African countries. Through contact and co-operation at the United Nations, Asian and African countries have realised the bond of unity among them. All of them are aware of the demoralising effects of colonialism. They are all poor countries. They have two common enemies. Their poverty is an invitation to Communism. They do not want to remain as spheres of influence either of Communist States or of Western Powers. It is natural that Asian and African nations will like to discuss their common problems. This is the basis and the justification of the forthcoming Afro-Asian Conference. No pacts or alliances are under contemplation. Asian and African nations will assemble in Indonesia for informal talks about the problems in which they are jointly interested.

India can claim to have established before the world that world issues cannot be solved in the context of Europe alone. There are many nations in Asia and Africa. Both are populous continents. Both are politically conscious. Both demand acceptance of their due importance in world affairs. Many of the countries in Asia and Africa are economically poor and militarily weak. They want to eliminate poverty. But they have no desire to join the Western Powers or the Communist States in any mad race for armaments. They do not believe in military pacts or alliances. To emphasise their neutrality is to misinterpret them. They abhor war. They are trying to make the rival power blocs realise that a third world war will not solve any of the world's problems. As members of

the family of nations, they claim to have a voice in world affairs. This demand is now accepted.

Even while India, along with the Colombo Powers, is trying to impress on the rival power blocs of the suicidal consequences of war, she, and the nations of Asia, are trying to prove how peace can be attained and maintained. This attempt is based on the Five Principles, enunciated first, in the preamble to the Indo-Chinese Agreement on Tibet. These principles have since been unilaterally and jointly endorsed by India, China, Ceylon, Pakistan, Burma and Indonesia. Marshal Tito has repeatedly expressed his conviction that world peace as well as amicable relations between the various nations can be achieved on the basis of these Five Principles. These principles conform to the objectives of the United Nations. In emphasising sovereignty of nations, and non-interference in the internal affairs of nations, the Five Principles underline the basic aims of the United Nations. It is the intention of India, as also of the other Colombo Powers, not only to create an area of peace, but to extend such an area. Extension of the area of peace will be one of the aims of the Afro-Asian Conference.

To those of the Western Powers who argue that collective security is a better means of ensuring world peace, India and the other Colombo Powers reply that there can be no enduring peace as long as fears of war persist. To eliminate these fears and suspicions, it is necessary to agree to base relations among nations on the Five Principles which have been accepted by China and the Colombo Powers as the foundation for amicable relations between nations. Once these principles are accepted, peaceful co-existence follows. Collective security can, at best, lead to world stalemate. Therefore, the pursuit of an alternative way to world peace is all the more desirable. Only those who deny the possibility of peaceful co-existence can refuse to give the Five Principles a fair trial.

In the wider search for peace, India has, since her independence, been confronted with peculiar regional problems. Colonialism may have retreated from Asia. But there are renewed, and more subtle, attempts by some of the Western Powers to create spheres of influence in Asia. To many Asian

countries, the Manila Treaty is such an attempt. Not only in Kashmir, but in all parts of Asia, India has been, and is, opposed to the stationing of troops of outside Powers. India is reluctant to enter into any regional military alliance with any of her neighbours. She is more intensely opposed to any alliance like SEATO, which is a regional military arrangement between Powers some of which are not situated within the region concerned. America is not a south-east Asian Power. Britain and France have ceased to be such Powers. Neither of these Powers can, therefore, have any legitimate interest in creating SEATO.

If SEATO is a threat to peace in South-East Asia, the latest developments in the Formosa waters are potential threats to peace in the Far East. Although President Eisenhower has hinted that the Red Chinese offensive around the Tachen and adjacent islands may not provoke "massive retaliation" by America, there are reports that he may seek authority to send the Seventh Fleet into action in the event of any Red Chinese attack on Formosa. More intriguing is the report that America may not be unwilling to lend her support to any proposal that China and Formosa should exist as separate States. It is doubtful whether Peking will accept any such plan even with an inducement of America's support to Red China's admission to the United Nations. America may not, but many member-States concede, that China has an abiding political interest in neighbouring islands like Korea and Formosa. In their efforts to create and to extend the area of peace, India and the Colombo Powers must persuade the Western Powers not to conclude regional military pacts, or to foster developments which are obstacles to peace.

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From the Calcutta End

Problems of West Bengal Industries

West Bengal's industrial make-up has been undergoing a change. The move for dispersal was initiated for the first time during the war; it has continued since then, though for very different reasons.

The present attitude of the Government to managing agency may further strengthen this process. For a necessary corollary of the break-up of managing agency will be a dispersal of the offices, now concentrated in Calcutta, which control the coal and tea industries.

WEST BENGAL, partitioned Bengal, is a small Part A State. But it is still one of the biggest industrial States in this country. If West Bengal, divided Bengal, has become a problem State, its major industries have also become problem industries. Like the State, its industries have not yet succeeded in overcoming the consequences of partition. Two of its major industries, jute and coal, depend, to a large extent, on supply and demand respectively from Eastern Pakistan. Although the tea industry's problems are different, all the three major industries of the State have shown a pronounced tendency to suffer from alternate bouts of booms and depressions. These industries have two common problems. All the three have labour problems. Each is dependent on fluctuating export demand.

EXPANSION DISCOURAGED

During and since the war, this State's industrial make-up has been undergoing a change. The move was initiated for the first time during the war, that the location of industry should be away from Calcutta. This was because of this city's proximity to the war zone. Kanpur has gained, in consequence, as an industrial centre. The trend towards dispersal has continued ever since, though for very different reasons. The development of new industries in this State has been discouraged. This has some relation to the anti-non-Bengali feeling of the Bengali. It is partly due also to industry's fears of growing Communism in this State. This raises the question of labour troubles. There have been labour disturbances since partition. All may not have been quiet on the labour front in 1954. But it was a year of relatively smooth relations between labour and capital. Labour troubles may start again in the near future.

Not only industrialists, but New Delhi also seems reluctant to encourage expansion of new industries in West Bengal. There has been an unseemly quarrel between Calcutta and New Delhi about the West Bengal Government's coke-oven pro-

ject at Durgapur. Rejection of Durgapur as a location for one of the State-sponsored steel plants has caused severe resentment in West Bengal. New Delhi's refusal to allow Birla Brothers to erect a pig iron and a steel plant at Durgapur may be due to a variety of reasons. But there is a feeling in this State that New Delhi is unwilling to encourage development of new industries in West Bengal either because of strategic or of ideological reasons. West Bengal is a border State, with land frontiers with Eastern Pakistan and Burma. Communist influence exists in all these three areas.

COAL—THE MOST CONTROLLED INDUSTRY

These are wider problems which do not directly affect the existing major industries. For some years now, the coal industry has been in the doldrums. It complains of two troubles. Many years ago, the transport bottleneck was blasted. But the coal industry still seems to suffer from wagon shortage. This complaint is really a sequel to its major grievance that it is, with the possible exception of the iron and steel industry, the most controlled industry in India. Distribution and price of coal are regulated in details. This affects internal consumption. Exports have been falling in recent years.

An Export Promotion Committee has recently recommended measures to stimulate exports. These suggestions are in the process of being implemented. But exports are not looking up. Internal consumption is stationary at a not unsatisfactory level. But the industry does not expect any appreciable improvement in internal demand. To meet this situation, the industry has been restricting output. Labour is its main problem. About 66 per cent of its production costs are absorbed by labour charges. A Tribunal has been appointed to adjudicate on the dispute between labour and the industry. Its future depends mainly on the Tribunal's verdict.

These problems are undoubtedly important. But an examination of this industry's problems indicates

that the industry is diplomatic in not stressing the basic issues involved. Coal is one of the major mineral resources of this country. This seems to be the main reason why it remains the most controlled industry. New Delhi has made no secret that it is determined to ensure conservation of metallurgical coal. New Delhi and some of the States concerned are interested in fuller exploitation of mineral resources in the wider interests of the country. This raises the problem of mineral rights and leases. Colliery-owners are apprehensive that their rights and leases may be re-adjusted at their cost. On wider grounds, no exception can be taken to the Government's policy of ensuring proper conservation and utilisation of a major mineral resource like coal. But there will be surprise that the Government is not yet fully aware of the supreme need for controlled exploitation of such vital strategic materials as mica, manganese and shellac.

PROBLEM OF RAW JUTE SUPPLY

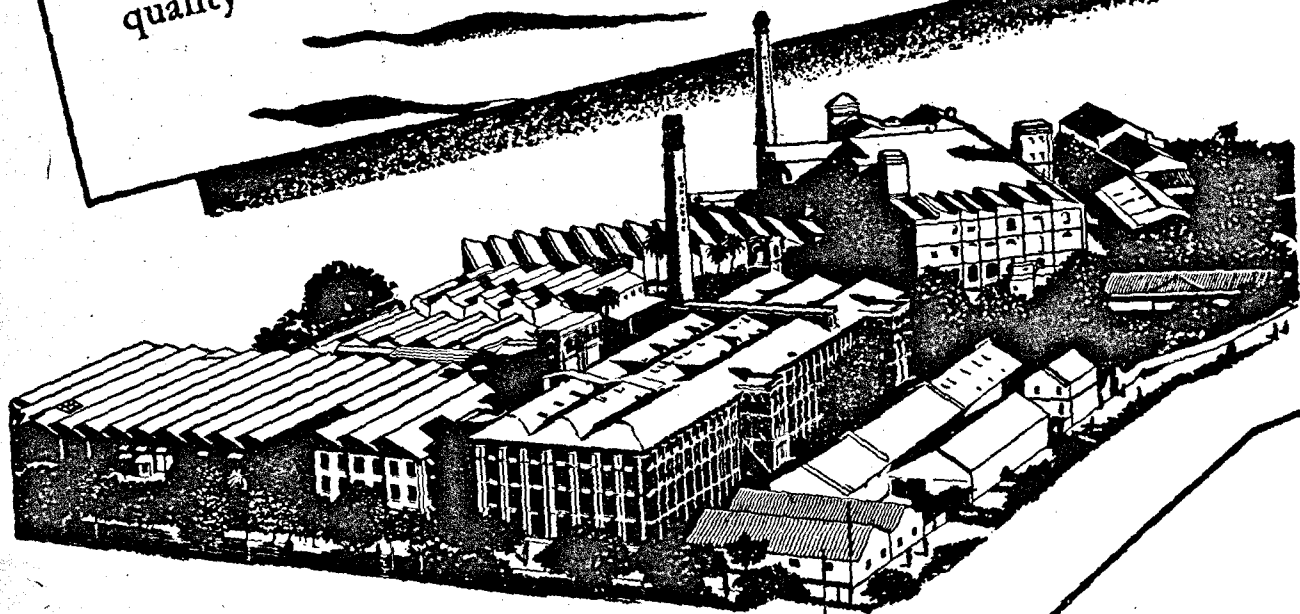
Before the jute industry's problems can be discussed, it is necessary to refer to an issue which is of common interest to jute and coal industries. Since partition, the supply of raw jute has been a constant problem with the jute industry. It was acute in 1950 and 1951. It was comparatively comfortable in 1952 and 1953. It has again become acute now. Raw jute prices are rising mainly because of restricted imports and of hardening prices of Pakistani raw jute. In Eastern Pakistan, price and export controls are now being more strictly enforced. Exports of kutchra bales are banned. This affects India only. It is only natural that Pakistan will try to exploit the advantage it enjoys in its golden fibre. But it should not be forgotten that, even as India no longer enjoys a near-monopoly in the manufacture of jute goods, East Pakistan is no longer the only area which produces raw jute.

Both coal and jute interests have a common grievance that New Delhi has never been adroit in using its bargaining counter against Pakistan.

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Amicable economic relations between India and Pakistan are necessary for progress of both countries. Neither of the two Bengals can develop without free and unrestricted trade intercourse. Economic warfare is as undesirable as political conflicts. Many thinking persons hope that economic inter-dependence between the two neighbours will be the urge to political amity. This cannot be over-emphasised. Even so, it is surprising that India has never realised fully that she has a quid pro quo in coal. It should not be impossible for New Delhi to inform Karachi, mildly but firmly, that if the Indian jute industry is to be forced to pay higher prices for supplies of Pakistani raw jute, India is in a position to retaliate by charging correspondingly higher prices for coal supplies to Pakistan.

While both friends and critics of the jute industry are keenly debating its future, it has not shown lack of adaptability. It seems to have mastered the technique of adjusting total production, as well as the output of the different types of jute goods, to the changing demand. There has been a substantial fall in demand for sackings in recent years. Through trial and error, the jute industry seems to have almost succeeded in adjusting its production to the changed pattern of demand. But there are other problems which confront the industry. Since the war, there has been a tendency for the consumer countries in Asia and the Far East to try to produce their requirements of jute goods. East Pakistan has now one of the biggest and most modern jute mills in the world. Three years hence, Pakistan will emerge as a serious rival to India. Although India seems to have recovered the ground lost some years ago in America, the Continental countries have completed the process of modernisation of their jute mills in the last three years.

PHASED RATIONALISATION

Rationalisation is the major problem before the Indian jute industry. It has been emphatically recommended by the Jute Enquiry Commission. Both the industry and the Government endorse this remedy. Twenty-eight jute mills are now implementing phased rationalisation. So far, the process has been financed by the industry out of its own resources, or through issues of bonus shares and debentures. Ultimately, it will involve an expenditure of Rs 50 crores. Negotiations between the industry and the Government are going on. As one of the specific

responsibilities of the State-owned National Industrial Development Corporation is to finance modernisation of jute and cotton textile industries, it should not be difficult for the Government and the jute industry to reach a satisfactory arrangement for the financing of modernisation. To overcome competition from rivals, the jute industry must rationalise. But this and the reports now current that the industry is thinking of curtailing working hours, raise the problem of labour troubles. Prevention of labour troubles is as important as implementation of rationalisation. It will require all the combined wisdom and diplomacy of both the industry and Authority to achieve these two aims successfully.

COST FACTORS IN TEA

Like coal and jute industries, the tea industry faces the problem either of labour troubles due to the possible recommendations of the Plantation Inquiry Committee, or of rising production costs due to mounting labour charges. Although colliery-owners constantly deplore rigid labour costs, labour-management relations have been comparatively amicable in jute and tea industries in the last year. Some years ago, when the tea industry was passing through a crisis, tea labourers accepted a cut in wages. A year ago, when tea started to recover, planters were wise in reciprocating the earlier gesture by labour. Wages were restored. Now that the tea industry is prospering, labour is demanding higher wages. In the last year, the tea export duty has been raised by successive stages. A transport duty has been levied by the Assam Government. From the questionnaire of the Menon Committee, it is apparent that the industry may be foisted with certain additional responsibilities which may raise production costs appreciably.

TEA AUCTION AND PLANTATION COMMITTEES

Even as the future policy of the Government to plantation industries, including tea, is under investigation by an expert committee, the prospects of selling a larger proportion of India's tea output through the Calcutta and Cochin auctions are under examination by another committee. Even today, more than fifty per cent of India's crop is sold within the country. Those who are in favour of continuing sales of Indian tea through London auctions argue that such sales fetch better prices. Assuming that expansion of sales through internal markets will not raise the earnings of the producers,

but it will improve the earnings of middlemen and people engaged in the trade, this will, of course, augment the income of the country. Today most of the tea brokers and auctioneers are non-Indians. The situation will change as Calcutta auctions develop and expansion of sales through internal auctions will also augment the country's invisible exports in the shape of shipping, freight and insurance earnings.

This, unfortunately, raises the vexed question of non-national interest and influence in the tea industry but it should not. Tea may be the only industry which is still owned and managed by non-nationals. A couple of years ago, tea labour made representations to the Government that the tea industry should be nationalised. Long ago, New Delhi abandoned any intention of wholesale nationalisation of industries. Although the Government did not consider seriously the demand of tea labour for the nationalisation of the industry, it let it be known that it was in favour of rapid Indianisation of the industry. Indianisation of the tea industry's technical and managerial cadre is desirable. But there does not seem to be any reason for nationalisation of the industry. Tea is a valuable foreign exchange earner. But India has no monopoly in tea. Nor is tea a scarce, strategic raw material. There can, therefore, be no justification for utilising public resources for nationalising the industry. Not only that, but in view of the critical shortage of capital in the country and the pressing need for fresh capital formation, the utilisation of private savings for acquiring existing assets—in this case the European-owned tea gardens—would be wasteful in the extreme.

During and since the war, Indian capitalists have purchased ownership or managing agency rights in many of the companies formerly owned by non-Indians. As Calcutta was the home of British capital in India, it was inevitable that this process of change of ownership was in extensive application in Calcutta. Many jute and engineering companies have thus been bought over by Indian capitalists. Many managing agency houses have thus changed hands, and the change of ownership has often been effected at an unduly inflated cost. This is one of the main problems of many of Calcutta's industries. These reflections are prompted by reports that a similar process of change of ownership is now taking place in the tea industry. In the last eighteen months, the tea industry has made

steady progress. It is now enjoying boom conditions. Tea prices are soaring. So also are the industry's earnings and profits. These developments are reflected in rising quotations for tea shares, and in higher dividend payments by tea companies.

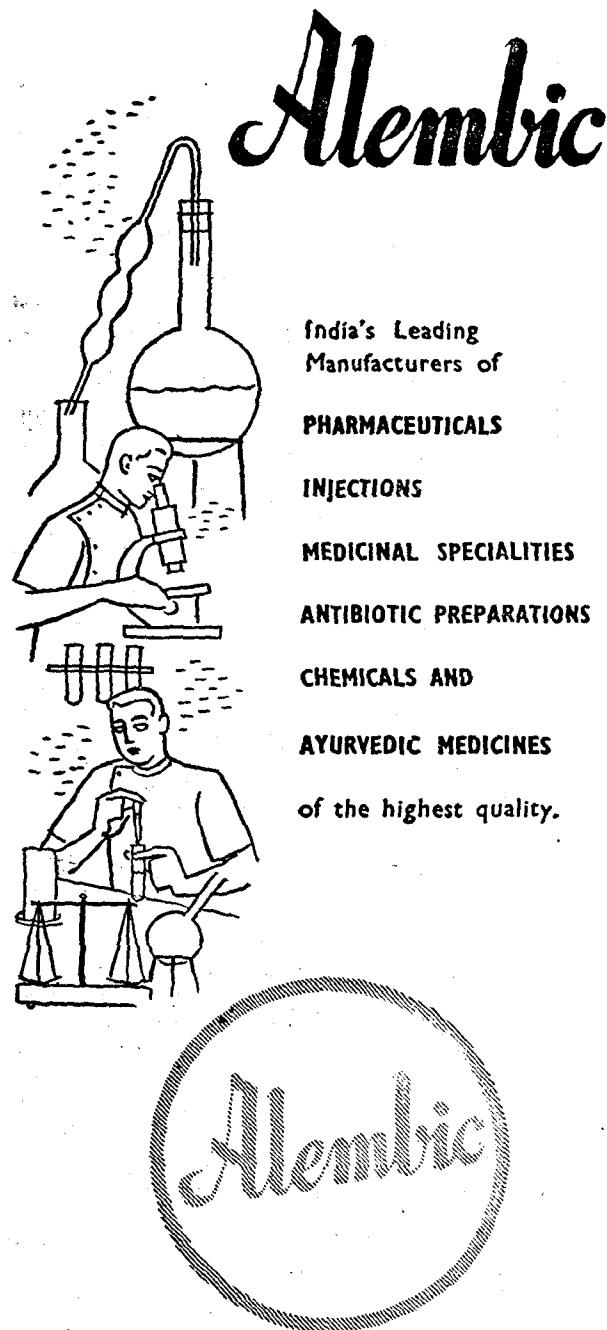
BREAK UP OF MANAGING AGENCY?

An examination of recent trends and developments in West Bengal's major industries will be incomplete without a reference to the Government's change in attitude to the managing agency system. This was the main topic in the speech of the outgoing President of the Associated Chambers. In his reply to the President's criticism of the Government's hardening attitude to the managing agency system, the Finance Minister emphasised that what was of importance in the private sector was the "dynamism of private enterprise and not static adherence to traditional forms or institutions". Although the Finance Minister was not prepared to discuss an issue which was under reference to a select committee, he assured the British business community that the Government was contemplating only to clothe itself with discretionary powers.

DISPERSAL AS COROLLARY

Despite this assurance, apprehensions prevail that the Government has already decided to introduce substantial adjustments in the managing agency system. Here, the question is not whether the managing agents perform any useful function, or whether the principle of inheritance should be allowed to continue in the system without certain restrictions. But the effects of the Government's decision to introduce adjustments in the managing agency system on West Bengal's industrial development may be emphasised. There are reports that the Government's new policy to the managing agency system has some reference to the respective locations of managing agency houses and the managed industries. There are many managing agency houses in Dalhousie Square which manage tea gardens in Assam, collieries in Bihar and, to take a few other examples, light railway and electrical undertakings and various forms of business enterprises in areas outside Calcutta or West Bengal. If current reports are true, the managing agency houses of Dalhousie Square will have to undergo a complete transformation in their make-up and location. Its repercussions on West Bengal's industrial status will be far-reaching. Calcutta will no

longer be the controlling centre of Assam's tea industry, or of Bihar's coal industry. Calcutta will, then, be the controlling centre of the jute industry alone. And this will be the only major industry in which West Bengal will remain interested. This is a dismal, but not, perhaps, an inaccurate description of the shape of things to come.



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Behind the West German "Miracle"

The achievements of West Germany in the past year have been hailed as a triumph for "free market economy". That this is a myth is, of course, now well known. The various artificial incentives to stimulate exports, the deterioration in the living standards of the working population and the re-emergence of trusts and combines expose the myth.

The German "miracle" is the result of astute planning, but planning of a type—its effect on the German people is harmful; from the point of view of the neighbouring industrial exporters, it is positively alarming.

"MIRACULOUS," "spectacular"—that is how all observers have come to describe the almost unbelievable recovery and expansion of the West German economy. The year 1954 has been a good year for Europe as a whole, but it was by far a better year for the Federal German Republic. Industrial production is now double that of pre-war, exports three times the level of 1950 and income almost four times that of 1936. No other country in Europe can boast of such a record; the rate of economic growth for West Germany is now probably the highest in the entire Western world. In continental Europe it has become as *The Times* put it "the dominant economic power" and the remarkable fact which in 1954 became clearly visible is that West Germany is beginning to rival the United Kingdom more than the United States for world leadership as an industrial exporter.

SPECTACULAR RISE IN PRODUCTION

Between 1953 and 1954, industrial production rose by some 10 per cent (compared to 8 per cent in Britain) and this expansion has been for the most part concentrated in the heavy industries (see Table I). Hard coal production has risen by 3,500,000 tons to 128,000,000 and West Germany is now producing 53 per cent of the coal output of the entire Schuman Plan Area. The progress of the steel industry has been spectacular, and production of steel has jumped from 15.4 million tons in 1953 to 17.5 million tons in 1954—an increase of 14 per cent. And a large part of this achievement belongs to the Ruhr—the focal point of Germany and in many ways, that of Europe.

In spite of this rapid growth in the output of these industrial materials, the Germans continue to claim that the capacity of the steel industry is still 15 per cent higher than the production actually realised. It is further claimed that orders for all sorts of steel products are still

running at a higher level than production. There are, for instance, orders on hand for over 4.5 million tons of rolled steel products and delivery now takes an average of five to six months.

WHAT SUSTAINS IT?

What are the factors that sustain this high level of demand for the output of the basic sectors of the German economy? The two principal ones appear to be internal investment and exports. Capital investment (gross capital formation) which now absorbs about one-third of the national product, house-building and expansion of industrial capacity have been among the strongest stimulants.

Between September 1953 and September 1954, it is recorded that some 220,000 new dwellings were put up. This was 13 per cent higher than for the previous year. But building activity is not only confined to residential houses. As a result of the increase of output in the capital goods industries, the past year has seen a substantial increase in the amount of building done for industry and trade. If measured in terms of man-hours worked, the output in this category of building during the first eight months of 1954 was 7 per cent greater than in the corresponding period of 1953.

In a recent report, the Bank Deutscher Lander, the Central Bank of West Germany, remarked that production in the capital goods indus-

tries was "still receiving stimuli from the activity of capital investment", and that activity in this field was continuing to grow. The inclination of industrialists to engage in capital expenditure shows little signs of weakening; the capital expenditure plans of industrialists are not merely concerned with increasing efficiency, but more importantly with expansion.

OTHERS DWARFED

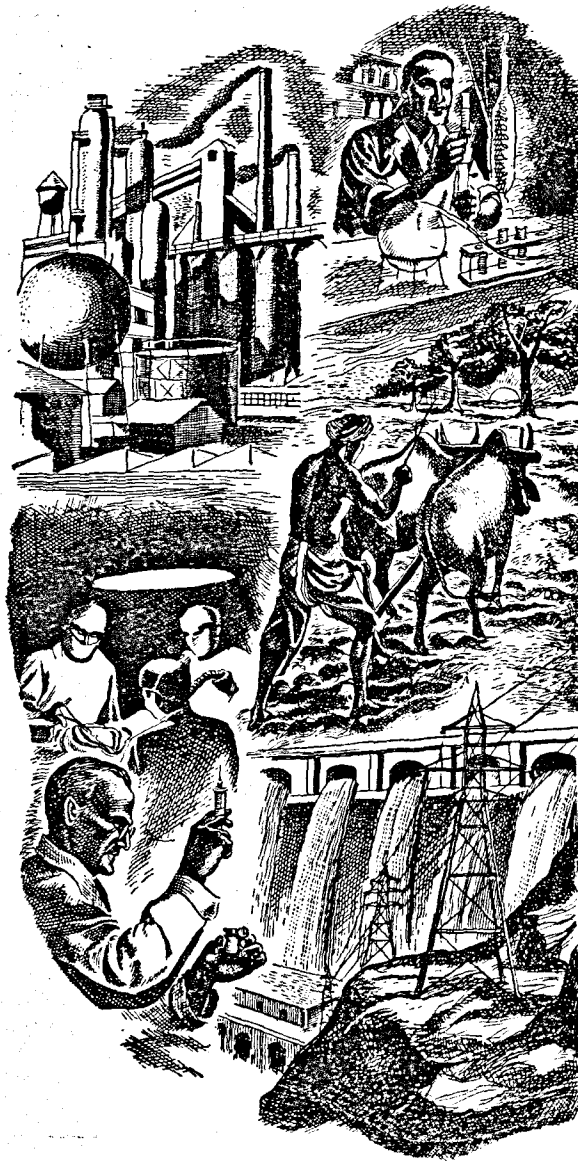
The industries most affected by these plans of expansion are chemicals, steel, transport equipment, particularly ships and motor vehicles, machine tools and, finally, electrical machinery. The rate of expansion in each of these industries cannot be quantitatively determined, but it is clear from the general production records that the expansion in West Germany dwarfs that taking place in any other country. According to figures compiled by the UN Economic Commission for Europe, the West German metal-using industries increased output by some 17 per cent between June 1953 and June 1954. In chemicals the increase was of the order of 16 per cent. For Britain, comparative figures are 9 per cent and 7 per cent respectively; for France, 5 per cent and 14 per cent; and Italy, 7 per cent and 15 per cent.

The stimulus has other sources as well. The Government, though loud in its cry for "free enterprise", has been itself sponsoring, through

Table I—Indices of Economic Activity in West Germany

	1950 = 100			
	1937	1952	1953	1954 (Jan-Sept)
Industrial production	88	128	140	164
Investment goods	88	149	154	180
Other producers' goods	93	122	134	160
Consumer goods	88	119	137	152
Employment (manufacturing)	—	113	119	122
Wholesale prices	54	121	118	116
Cost of living	63	110	108	108
Wages (weekly earnings)	65	123	130	132

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various State agencies, a considerable amount of investments which are not strictly non-economic. From counterpart funds released through United States aid, exceeding DM 4,400 millions a year on an average, State agencies are financing private interests to expand the ship-building industry in particular. Western maritime nations were recently startled to see the world's biggest tanker being put on trial by a Hamburg shipyard. More than that, the Government has undertaken to build a new shipyard with a building capacity of 30,000 tons and employing a staff of 2,500 in the Voss sites of Hamburg.

ADVANCE IMPACT OF REARMAMENT

Underlying all these, there is another important factor: rearmament. West Germany has not yet started her programme of arms production. The London and Paris Treaties are yet to be fully ratified. But the industrial capacity for arms production is being laid. Investments in several typical armaments industries, the Financial Times recently reported, have been "under way". These industries include electronics, steel alloys and aircraft. The matter has reached the stage where "plans for the setting up of purchasing machinery are being discussed by experts in various Ministries". Military expenditure for the fiscal year 1955-56 has already been fixed at £780 million.

FINANCING OF INVESTMENT

How is this giant expansion of West Germany's capital producing industries being financed? The West German capital market has shown encouraging tendencies, but is certainly still too small to be as significant as a "collector" or "distributor" of the nation's savings. The most important source is, of course, the release of counterpart funds from United States aid. In the entire post-war period West Germany received some \$7,670 million in aid from the United States and of this some 30 per cent was given after 1950. But apart from this, corporate profits have been an important source for capital expansion. The fact that it is important suggests that the considerable rise in productivity since 1950 has gone mainly to the benefit of the capitalists.

This last is probably one of the most significant factors explaining West German "miracle". As data in Table I shows, the industries producing consumer goods

have grown less fast than the others, in spite of the fact that the West German working population has been increased by some one million refugees from the East over the past two years. The standard of consumption in West Germany, in spite of the appearance of all-round prosperity, remains dismally low, compared to that in other West European countries. The proportion of national income which goes into consumption is 55 per cent, compared to 67½ per cent in Britain and 65 per cent in France. The increase in productivity can be gauged from the increase in industrial production (per working day) compared to the rise in the working population (employed persons). Between 1952 and August 1954, industrial production (per working day) rose by 19 per cent. In the same period the number of employed persons increased by 11 per cent. And in the same period wage rates (all operatives) rose by only 1 per cent.

BANK-INDUSTRY INTEGRATION

In the mobilisation of the country's capital resources, the West German banks are, like in old days, again playing a dominant role. In the early years of Allied Occupation, the "Big Three" in Germany—the Dresdner, the Deutsche and the Commerze Banks—were split up into 30 banks. Later, after the monetary reform of 1948, these banks were reorganized into nine regional banks, that is, each of the Big Three was divided into three regional banks. Following the great success of West German banking in acquiring the initiative on the West German capital market, it is reported that soon after the ratification of the Paris Agreements (for German rearmament), the "Big Three" will be revived. The traditional role of German banking in financing industry will then be resumed and once again, concentration rather than decentralization will be the feature of German banking as is the case with German industry today.

The reorganization of the German industrial trusts which the Occupying Powers over the last ten

years were attempting to break, was recently brought to public knowledge by the reconstitution of the pre-war and war-time Guetehoffnurgschuette Steel and Coal Mining combine. Previous to this, the Mannesman Steel Trust was reconstituted; it was among the first to be broken up in 1945 and the first to be reconstituted. It has been given permission by the High Authority of the Schuman Plan organization to commence business. The other pre-war trusts are on the way to being reconstituted though none of these would be of the size of the Mannesman group which currently accounts for 5 per cent of German coal output, 6 per cent of pig-iron and 8 per cent of steel. Ironically, the Mannesman trust now owns as much steel as before the Allied "decartelisation" and twice as much coal. The full return of the big trusts is now only a matter of time.

It is expected that those sectors of the German industry which happen to be State-owned at present—not by design but largely through accident—will in due course be taken over by the trusts and combines that are now being set up or reconstituted. The State is currently the biggest producer of motor cars mainly because it had to take over and honour the obligations of the Volkswagenfabrik which Hitler had set up in 1936.

"COME-BACK ON THE WORLD MARKET"

The achievement that is referred to most often, as described by her own Minister of Economic Affairs is West Germany's "come-back on the world market". West Germany's exports are now running at an annual rate of \$5,348 million compared to \$4,389 million in 1953. In other words, the increase in exports in a single year has been of the order of 25 per cent—a feat unparalleled in European post-war history. The broad picture of West Germany's foreign trade can be seen from Table II. Western Europe (the EPU Area) is the most important market for West Germany, while the United States and Canada are increasingly

Table II—Foreign Trade Balance (DM millions)

Trade Areas	1952	1953	Aug '54	Sept '54
EPU countries	+ 2036.0	+ 2624.2	+ 284.4	+ 236.8
Bilateral "offset" countries	+ 489.5	+ 533.3	+ 29.8	— 57.2
Dollar area	— 1856.4	— 697.9	— 3.4	— 61.2
Others	+ 36.8	+ 55.6	+ 10.0	+ 9.1
Total for all countries	+ 705.9	+ 2515.2	+ 320.8	+ 127.5

becoming unimportant.

The force with which West Germany has come back into the world trade area can be gauged from comparative advances made by Britain. There are two main differences between the exports of UK and West Germany. The first lies in the destination of exports: half of Britain's exports now go to the Sterling Area while over half of West German exports go to Western Europe. The second difference lies in the composition of exports: metal, engineering products of all kinds and chemicals make up 65 per cent of West Germany's exports and 57 per cent of Britain's exports. Textiles and foodstuffs make up 18 per cent of British exports and about 7 per cent of West German exports.

DESTINATION OF EXPORTS

In 1952 West Germany's exports to the Sterling Area amounted to only about 5 per cent of those of Britain—in 1954 this rose to 10 per cent. In Western Europe, Germany has maintained its lead where its exports are now 40 per cent higher. Britain's trade continues to depend on the prosperity of the Sterling Area, while West Germany's trade remains linked to Western Europe. The significance of it will be realised when it is remembered that West European markets have expanded more than the Sterling Area markets since 1950.

British exports to United States and Canada are more important and thus more vulnerable than West German exports. In the first eight months of 1954, British exports to these markets were 12 per cent below those of 1953, while German exports were only 4 per cent lower. In Central and South America, Germany has taken Britain's place as the second largest exporter after the United States. The distribution of the trade of the two countries in these markets is given in Table III.

Table III—Exports: January-August 1954 (\$ millions)

	W Germany	UK
Mexico	21	11
Columbia	32	17
Venezuela	33	42
Brazil	93	15
Uruguay	16	25
Argentina	53	41

West German exports to all the other markets are the same as those of Britain. Britain exports more to the Middle East and Finland; West Germany exports more to the East European countries, Indonesia, Japan and Yugoslavia (Table IV).

Table IV—Exports: January-August 1954 (\$ millions)

	W Germany	UK
Eastern Europe	47	36
Middle East	141	184
Indonesia	28	20
Japan	29	25
Yugoslavia	41	15

MARK READY FOR CONVERTIBILITY

In the sphere of trade and exchange restrictions, West Germany in 1954 undertook the greatest measure of relaxation. By July of last year, over 70 per cent of the country's dollar imports were freed from all quantitative restrictions. At the same time, the maximum tariff rate on a wide number of imports was reduced from 40 to 35 per cent. In the field of exchange control, West Germany now has a non-resident transferable and dollar account system similar to that of the United Kingdom. The blocked Deutschmark arising from war-time property and other claims has been completely unfrozen. On the status of the Deutschmark itself, the 1954 Annual Report of the Bank Deutscher Lander proffered its "all-rounded view" that West Germany "had definitely reached the stage of being ready for convertibility".

Here, only a summary of the reasons for this massive increase in exports can be given. West Germany's principal weapons for export promotion have all along been (1) export credits by requesting banks to finance exporters who, in turn, extend credit

to foreign importers and, (2) liberal terms to countries which are prepared to trade under agreements (the so-called off-set countries). For example, in the trade agreement with Turkey, West Germany increased its long-term export credits from DM 160 million to DM 225 million. Apart from these two, a third and totally new weapon came into her hand in 1954—cuts in export prices to steal a march on other competitors in the same market. Thus in 1954, export prices as a whole were reduced by some 5 per cent in the struggle to win and maintain markets. That it meant a deterioration in the terms of trade (import prices fell by only 2 per cent) did not matter as long as the world economic expansion of Germany went forward unhampered.

In West Germany, the achievements of the past year have been hailed as a triumph for "free market economy". That this is a myth is, of course, now well known. The various artificial incentives to stimulate exports, the deterioration in the living standards of the West German working population, and more significantly, the re-emergence of trusts and combines of the hideous pre-war variety, belie the claim of the West German apologists. The German "miracle" is the result of astute planning, but planning of a type; its effect on the German people, harmful and it is positively alarming, from the viewpoint of the neighbouring industrial exporters.



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Is Marxism Out of Date?

A Marxologist

No, there are abiding elements in Marxism, elements which are strong enough to pass through the porous bodies of specific cultures and particular historical situations and remain effective.

It is the only clue to an historical understanding of the way the world has been going in the last few centuries at least.

ON a number of recent occasions Pandit Jawaharlal Nehru has declared that Marxism is out of date. As his speeches are seldom bowdlerised in the Indian Press, one can take these declarations to be an accurate version of his opinion about Marxism. Though the occasions were political—and in meetings, particularly, on the eve of elections, some latitude of expression is quite in order—Panditji's candour is so transparent that he can never be accused of saying anything in which he does not believe even before a crowd of unthinking voters. He would much rather lose a thousand votes than win them by verbal dexterity. In fact, if our memory does not fail us, on one occasion he went so far as to appreciate the 'economics' of communism. So there can be no suspicion of political design behind the expression of his opinion. It is in no sense an ideological counter-move against the Communists either in Andhra or in Travancore-Cochin. That was his view in 1940; and it continues to be so in 1954. And none but a fool will interpret it as a gesture towards the UK and the USA, or a stance against China and the USSR to prove his genuine independence of attitude.

AS A TOOL OF RESEARCH

Yet, the statement demands scrutiny on its own merit. Students of ideas should be grateful to Panditji for sharply focussing their attention on an ideology with which the destiny of about eight hundred million people are tied and on a theory to which quite a number of intellectuals no less aware of the living problems of the age than Panditji subscribe. Those who will read this article need not be told who they are. Marxism, instead of being discarded as out of date, is being used as a tool of research by positively first-rate scholars from archaeology to zoology. It is not a political view having no connection with the technique of research; it is claimed by these scholars that Marxism has helped them to understand their respective problems in a new light. And it has happened not merely in the physical sciences and the social disciplines; it has also affected philosophical, literary and

aesthetic criticisms, though not fine arts and metaphysics to that extent. Surely, Panditji knows a few of the Marxist scientists, even if he is not interested in the history of art. So he must have meant something else which he had not the time to elaborate.

M N Roy also used to say that Marxism was out of date. We know that he had outgrown it. But his approach was different. He put Marx in the grand tradition of humanism and found Marxism as interpreted by some people, to be a bar sinister to humanism. Not quite a strikingly original point of view, but for most young intellectuals it was. In answer to his argument it could probably be maintained that far more than the concern for theoretical constructs to which objections have been laid, Marx's own writings reveal his passion for social justice, his deep involvement with the future of man—the future that is jeopardised by capitalism, and above all, his stern call to the dispossessed to make history in full possession of their wits. Of course, M N Roy was a thinker, though in his lifetime only a few recognised him as one. Today, Panditji is doing the work of thinking for the majority of Indian people. Indian intellectuals pretend to think; and whatever they may have 'thought', which is not much, never gets across to the people, no, not even to the student community. Panditji fills this vacuum.

JAWAHARLAL'S OBITER DICTA

To put it specifically, few, very few Indian academics know their Marx, and the majority of the literate have heard of him as a materialist, atheist, revolutionary and what not. As nature abhors a vacuum, and as Gandhiji's ideas do not form a theoretical system, and, still further, as Indian culture is usually identified with revivalism and tends to make most young men who are itching to think, feel ashamed, Panditji's obiter dicta remain the only stimuli to the majority of the people. None can deny his supreme services to adult education; he has made thousands of men and women world conscious. All honour to him for that. Yet the

fact survives that his pronouncements are not substitutes of thought—the thought that is the result of obstinate vigour of reasoning. This writer at least feels that Panditji must needs elaborate his view that Marxism is out of date.

INDIAN MARXISTS DISCREDITED

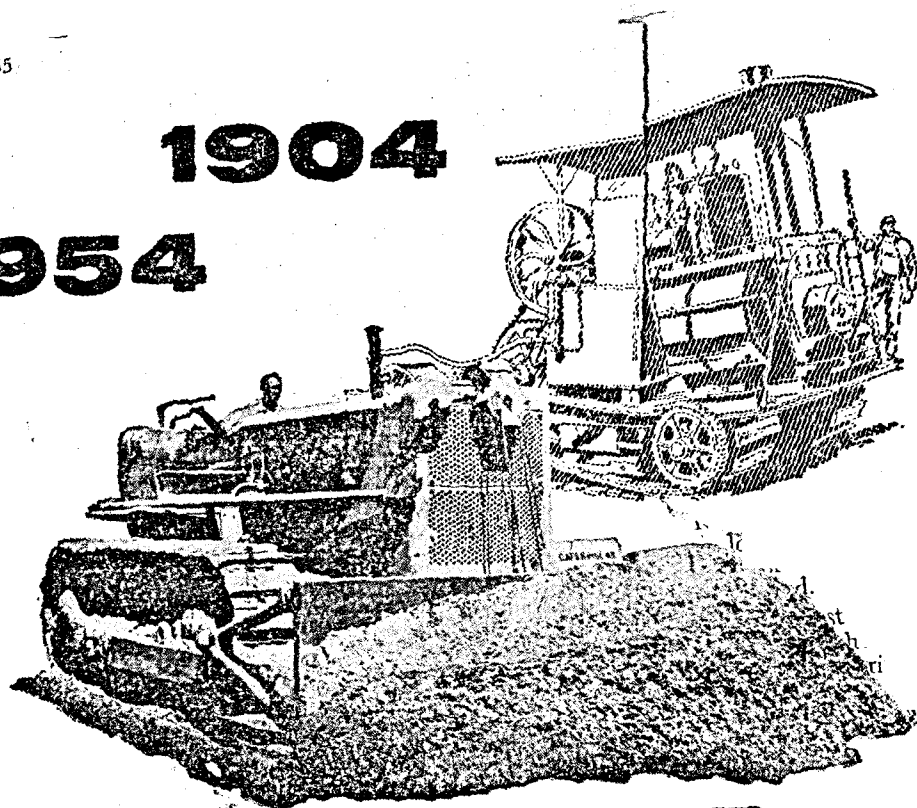
Meanwhile, let us guess what he means. If he refers to the Indian Marxists of the Communist Party, then one can hardly differ from him. For them Marxism is a series of slogans raised by other people in other countries. It is difficult to trace in their writing a single original rendering of Marxist thought in the light of Indian conditions. The real charge against them is not so much their out-of-dateness as their ignorance of the second elementary dynamics of knowing that knowing ceases to become a dogma—which means in this case out-of-date prejudices—only when it is related to, and in a general way, springs from the facts of specific existence, which means Indian existence in course of emergence. The Indian Marxists only related knowing—that is, theory, to action, and bare physical action at that. They were not interested in the growth of Marxism, nor in the study of actual evolving conditions of Indian life. No wonder that they have been mostly in the wrong, that they have not produced anything worth reading from the point of view of thinking.

SOCIALISTS ARE WITH NEHRU

Who else in India could Panditji refer to whose Marxism is declared to be out of date? Leaving aside M N Roy only the Socialists remain. Are they Marxists? Hardly. Among the top Socialists of India there is more of Bernstein than of Marx, more of Gandhism than even of evolutionary socialism. Bhoodan is not Marxism by long chalk, nor is theosophy, nor is world-consciousness. Only one Socialist leader still believes in class-conflict, which one usually associates with Marx and Marxism. Otherwise, from the point of view of thought, the Indian Socialists are just not Marxists, whatever else they may be. If they have outgrown Marx, as some Socialists assert, then they are with Panditji. He could not

January 26, 1955

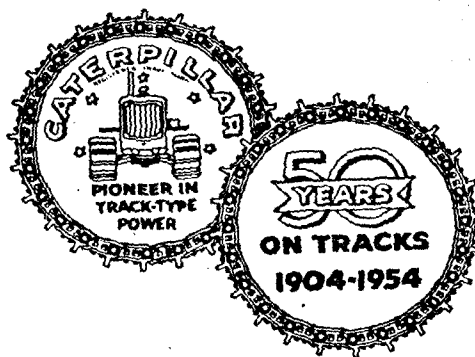
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have them in his mind when he declared Marxism to be out of date. The young Socialists are not yet in the picture. And the splinter-groups that take the name of Marx are not important enough for Panditji.

A HOUSE OF MANY MANSIONS

Is it then that the reference was not to parties and men but to certain lines of action? Here the difficulties of identification are greater. Marxist action is a house of many mansions, but it has no room for insurrectionism, which is the theory of Blanqui, Bakunin and Co rather than of Marx, Engels and Lenin. Telengana is as far away from Marxism as defence expenditure, community projects and national extension blocs (Fordism) are from Gandhism. Is the socialist programme of action, say the agitation against enhancement of irrigation rates, Marxist? The local programmes of action undertaken by the students in their ample spare time are more in the nature of crowd action than anything else. So far the Congress programme has been alleged to be Gandhist and empirical. Its line of action has been definitely non-Marxist. The Five-Year Plan is hitched to the binary star of mixed economy. Its economic theory is orthodox in the main. Its theory of Welfare State Marx would have abjured. It may have a dialectics of its own, but it resembles Dewey's instrumental logic rather than Marx's dialectics. In any case, Panditji could never have accused the Congress programme of anything so ancient as Marxism.

CHARGE OF OUT OF DATENESS

So the reference is most likely to be to the Marxist theory. That is out of date in his view. Panditji is in eminent company if he considers the following features of Marxism as out of date, eg, the labour theory of value, which incidentally is Smithian cum Ricardian, the theory of surplus value, the theories of class conflict, the law of increasing misery, the impending doom of capitalism, dialectics, which is more of Engels than of Marx, dictatorship of the proletariat, which is definitely Lenin's show, etc. He will also be on the side of angels if he considers the anthropology of Engels crude, the rationalist psychology of Marxism to belong to the eighteenth century and Marx's theory of prices insufficient. Nearly all professors who have read about Marx in books written by professors have been repeating these criticisms for quite some time by now. Bohm-Bawerk declared Marxian economic

system closed about fifty years ago; Keynes relegated Marx to the under-world twenty-five years ago; and Sombart and Schumpeter had been desperately trying to cast out the original sin in the last days of their life. It is all in the textbooks of the history of economic thought most familiar to Indian students and teachers alike. And, of course, no well-known metaphysician ever took Marx seriously and most philosophers have had a dig at Marxism at some time or the other. The historians we know never could discover any pattern in history; and those who do, like Toynbee for example, have discovered non-Marxist, idealist or Christian patterns. The same with the sociologists. And most proper scientists were either deists or idealists all along.

So the indifference to Marxism, the hostility to Marxism, the misunderstanding of Marxism, the declaration of Marxism as an out-of-date dogma are all ancient occupations of the intelligentsia, more ancient than their allegiance to Marxism. Even the attempt to evacuate Marxism out of the system, if one had gone to it at some salad days of youthful enthusiasm and irresponsibility, is old. To the last category belong a whole host of intellectuals whose genealogical tree is not a new plant. The charge of out-of-dateness is itself an out-of-date charge, if it were not just a matter of personal outgrowing.

ABIDING ELEMENTS

All said and done, Marxism as theory survives in France, England and Italy, and is living vigorously in eastern Europe, Russia and China, both in theory and practice. There must be reasons to it. It will not do to say the Chinese Communism is so Chinese as to have ceased to be Marxist. That will be self-delusion. Mao's writings would disprove it. Similarly, it would be idle to hold that the Russian economic and social structure has gone off the Marxian rails. That would mean that the cold war is a shadow fight. No, there are abiding elements in Marxism, elements which are strong enough to pass through the porous bodies of specific cultures and particular historical situations and remain effective. Which means that Marxism, as a theory, was never, and still is not, a dogma. Idealism, too, was not and is not. The only point about the former is its greater fit with the modern situation in which it is difficult to perceive the priority of ideas to life when life itself is being crushed, in which advance in

technology is incidental to profit and more profit, where the noblest of spiritual ideals are used as cover for exploitation, where the highly developed means of communication are used to take the mind of man away from reality and the free scrutiny of ideas. One would also like to think that the test of an 'ism' is its usefulness for the understanding of the social process. Who passes the test, Toynbee, Spengler, Schiwietzer, Sorokin, the phenomenologists, the existentialists, the neo-realists, the neo-Thomists, Gandhiji, or Marx and Engels? Toynbee and Spengler offer no hope at all; Schiwietzer and Sorokin do not seem to offer any clue to the past that is in the present and moulds it for the next phase; and the other recent philosophical systems of the West are not interested in changing the shape of the world.

GANDHIJI'S CHANGE OF HEART—NO THEORY OF SOCIAL PROCESS

Gandhiji alone was interested in changing the shape of the world, but the world he wanted to change was the immediate world of political subjection and the economic miseries of the poor. And of course, one knows his vision of India. But his principle of change was psychological, viz, change of heart. Its operation would, in his view, do the needful for an ethical order which he could identify as socialism. But if one believes that human nature does not change except under the heavy pressure of life's needs, then this change of heart does not add to our understanding of the social process beyond a certain point. That point is only known to Grace. But there is a whole way to go beyond that theometrical point. And if one has to travel some distance in that way, change of heart is only a name for the fact that for some reason or other somebody's heart has changed. This is not much of a theory of social process. It is good for explaining individual conduct, but inadequate for the aggregate historical behaviour. Gandhism is non-historical in this sense; perhaps it is too eternal to be historical. On the other hand, Marxism is definitely historical. It is the only clue to an historical understanding of the way the world has been going in these few centuries, at least.

A WORLD OF GOOD

One could take the calculated risk of stating further that a bit of Marxism would do us a world of good. A

Marxist approach could tell us a lot about the nature of the State, about the processes of knowledge formation, ie, what is known as sociology of knowledge, about the nature of economic crisis—that blind alley of modern economics, about a good deal of the transition from feudalism to commerce and industrial capitalism and of its protean protective colourisations, about the recent happenings in the world, and particularly in India. If our experiments in planning were a little more Marxist than what is permitted by the non-Marxian doctrines of Welfare State and mixed economy, our failures would have been less and our successes greater. At any rate, the tempo would have been definitely faster. This is not a matter of faith but of reasoning. One need not have the faith of the Indian communist to be a Marxist. It is enough to know Marx and argue from his theoretical premises. The danger of being superficially modern in declaring everything which is not up to the minute as out of date looms over every drawing room of Bombay, Calcutta and Delhi. Let it not cast its shadow over the counsels of a party or a government that is officially pledged to Socialism. And Socialism without the Marxist core is jelly-fish.

A COAL-BASED THEORY IN ATOMIC AGE

There is probably a larger, a very much larger sense, in which Marxism may not be quite up to the minute. The economic theory of Marxism is based on the energetics of coal and iron. Lenin extended it to electricity. Now atomic energy is coming. Will Marxism be thrown out? When atomic energy will be available to everybody in some shape or the other, then Marxism like other 'isms', except anarcho-humanism, will die of disuse. But there is plenty of scope for Marxism in understanding the transformation of coal, iron, petroleum, interests into socialised interests served by atomic energy. And this process has been described by many scientists. Paradoxically enough, it has been pointed out only by those scientists who do not consider Marxism to be an ancient superstition, who are not ashamed of being called back-dartish for their Marxism. So in many ways and from many an historical angle there is still plenty of life in Marxism pace Panditji. In any case, our atomic energy, it must be admitted, has not yet been socialised.

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The Third Alternative

Balraj Puri

The assumption behind the controversy public sector vs private sector that capitalist undertakings and State undertakings are the only and exclusive alternatives, is unreal and false. There is a third alternative. No tear need be shed if capitalists, monopolists and exploiters are eliminated.

Let us not put exclusive reliance on bureaucrats as their substitutes. Let the capitalist system be replaced by a decentralised and cooperative economy which would assure the common man not only more bread but also greater freedom.

THE respective roles of public and private sectors in India's economy were discussed in the last week of 1954 by three leading economists of the country at what was supposed to be an academic level. Dr V K R V Rao, Prof C N Vakil, and Prof D R Gadgil, participating in the 37th conference of the Indian Economic Association at Agra, selected, probably coincidentally, identical themes for their public lectures. Notwithstanding some unavoidable repetition, however, the three lectures were, on the whole, complementary to one another. This discussion at Agra deserved better notice by the Press as it would have helped the public to understand the key question of India's future set-up and also to realise some of the gaps in this discussion as also in similar other discussions on the subject.

SOCIALISM INCONSISTENT WITH PRESENT CONSTITUTION

Initiating the discussion, Dr Rao dwelt at length on the probable trends in India's economy. Piling up evidence after evidence and quoting profusely from the utterance of the men in authority he drew the conclusion, which was rather obvious, that the public sector would go on expanding and the private sector would be accorded a subordinate role in the national economy which will have to function under the control and guidance of the State. Dr Rao then pointed out the incompatibility between the socialistic professions of the Indian leaders and the provisions of the Constitution. Even a mixed economy, he suggested, cannot function under the existing Constitution. For a mixed economy presumes the reservation of certain fields for the public sector which means that private enterprise is not to be allowed to function in those fields. But the Constitution not only grants the right to acquire, hold and dispose of property without any qualification but also guarantees the right to adopt any profession or business to all citizens.

Thus no area of economic activity can be declared, constitutionally speaking, to be out of bounds for private enterprise; but this is contrary to the conception of mixed economy.

Dr Rao thus implied that in order to make planning effective, the State would have to be armed with more drastic powers and some of the fundamental rights granted by the Constitution would have to be withdrawn. He also implied that the relations between the States and the Centre would have to be revised so as to make the grip of the latter over the former somewhat stronger. Co-ordination, guidance and control by the Centre are, according to him, necessary for the effective implementation of the Plan. Present provisions of the Constitution, he felt, do not give sufficient powers to the Centre. Due to a single party being in power in almost all the States at present, there is a singleness of objective that should make co-ordination and central control much easier. But in the event of different parties coming into power in different parts of India, which is not unlikely, the Centre might become ineffective and planned development of the country would be seriously handicapped.

MISBEHAVIOUR OF PUBLIC ENTERPRISE

Prof C N Vakil picking up the thread, dealt with another aspect of the question. If private enterprise is misbehaving, he pointed out, public enterprise is capable of worse misbehaviour. He quoted many instances of errors of judgment and miscalculations on the part of government leaders. He also recalled the contention of the Finance Minister that there was no incompatibility between the private and public sectors and asserted that the talk of co-existence between the two was only diplomatic in character as the former had already been served with a quit notice and at the most, it can only mark time. Prof Vakil,

however, refused to be called a champion of private enterprise either. Whose champion, then, was he? If private and public sectors are both evils and cannot co-exist, what is the way out?

Dr Rao, too, left some of the implications of his analysis hanging loose. Arming the Government with absolute powers and making the Centre stronger certainly have some totalitarian implications. The concentration of economic power in the hands of a handful of capitalists is bad; it is against the social interests and also that of the economic growth of the country. But even the concentration of the same power along with absolute political power in the hands of a group of politicians has some dangerous potentialities. A strong Centre might enable economic planning to be more effective, administratively. But initiative from the bottom would disappear and by shifting the responsibility from local to central level, people's co-operation, even to the extent it is available at present, would not be forthcoming except through methods of coercion. Even from the point of view of economic development, a regimented set-up, might not prove to be more effective, apart from the cultural and political stagnation that it would generate. The fate of totalitarian experiments in economic development is too well known by now and there should not be much temptation to adopt that very procedure in this country.

Prof D R Gadgil, in his speech at Agra, he defined the role of an economist as a detached expert who would simply prescribe certain courses to be followed in order to achieve

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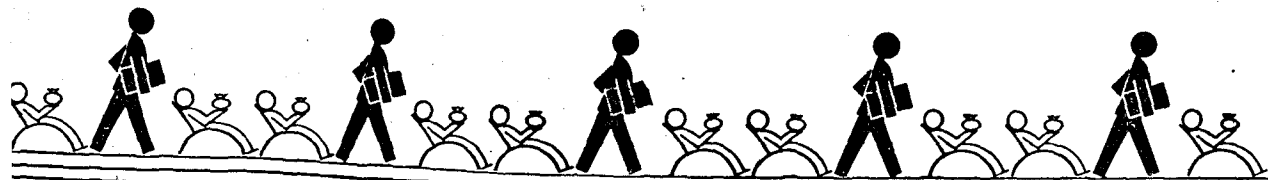
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certain social objectives set by the statesmen. India has accepted a socialistic pattern of society as its goal. Prof Gadgil would not discuss the merits and demerits of this objective as he considered that this was outside the scope of his subject. He did, however, criticise the Government for not pursuing certain courses without which socialism could not be built. Social ownership of the means of production and better distribution are the *sine quo non* of Socialism and the Indian Government by not adopting these policies was not being true to its professions.

This delimitation of the field of economics by Prof Gadgil has, no doubt, certain virtues. In developing his theoretical equipment an economist can usefully take an objective view of things. "Economics is neutral between ends," said Prof Robbins. But the same economist also suggested, "An economist is a poor economist if he is simply an economist and nothing else." When an economist suggests measures of practical policy, he must needs be a bit of a statesman, a sociologist, a constitutional expert and many other things. All that is required of him is to be conscious of his other capacities. In the same way a statesman should also be a bit of an economist. For there cannot be any policy which is purely political or purely economic. Every public policy must be an integral whole having many aspects—economic, political, cultural, etc.

AD HOC MEASURES

What we lack today is an integrated policy—an integration of economic plans, social objectives and political aspirations. Something might be said in favour of an empirical approach not based on any 'ism'. "We face the problems," said Pandit Nehru, "as they come." But this approach of *ad hoc* economic measures and *ad hoc* socio-political experiments without any idea of the ultimate picture cannot carry us far. The discussion about an industrial system for India—Public vs Private Enterprise—should take place against some perspective, for like any discussion of practical policy, it involves explicitly or implicitly value judgments.

We do want a rapid rate of economic growth, but not at the cost of the people, i.e., by further tightening their belts and prolonging the period of suffering. In

other words, we want simultaneously a rise in living standards and a better distribution of the increased production. The period of initial capital expansion always entails sacrifices which Soviet Russia extracts from her people through a totalitarian and ruthless State machinery and which *laissez faire* England forced her working people to undergo, shifting part of the burden to her colonies. Since a totalitarian set-up and an imperialist policy are both ruled out, the economic growth of this country should have a new pattern. Let the economists and the statesmen of this country—whether as economists or statesmen or both—keep these objectives and given conditions in view in formulating a theory of development and suggesting an industrial system for India.

DIFFUSION OF ECONOMIC POWER

The capitalist system, characterized by concentration of wealth and means of production in a few hands, stands in the way of achievement of our objectives in two ways. Economic activity being primarily determined by the profit considerations of the few, need not necessarily be in the best interests of the nation and the utilisation of resources may not take place in a desirable and planned manner. The second disadvantage of the concentration of wealth is from the point of view of distribution which incidentally also affects the tempo of economic activity. If we do not want the few to exploit and dominate the rest, we should devise a system in which economic and political power is shared by the maximum number of people. The transfer of the concentrated wealth and ownership from some capitalists to some 'representatives' of the people alone would not enable the common man to share the economic and political power which would still be exercised by others and not by him with the difference that it would now be done on his behalf. But democracy would remain incomplete till it is not only for him but also by him.

This can only be done by maximum diffusion of economic and political power and making the unit of economic and political activity as small as possible so that an individual behaves at a level at which he can have a significant say in the matter. Let every member of the big community of 360 million Indians behave as a distinct entity and as an end in himself and not as an

insignificant part of the mass, just one more in a crowd, just an instrument in the service of the mythical interests of the nation or the class.

THE CRUCIAL ISSUE

If we have this objective in mind, the controversy of public vs private sectors seems less important than that of bigness and smallness of industries and of an appropriate political framework. There has been no lack of tall talk in this country about cottage and small-scale industries. But probably in no other case the gap between the professions and the policies of the Government is so wide. It is not a question of encouraging or protecting this industry or that, it is a question of organising our entire industrial system on a big or small level. Apart from the confession of the Finance Minister that his Government might be blamed for the neglect of cottage industries, some commonplace facts speak louder. If we had even a small preference for a smaller size of industries, could we not import small machinery worth a few crores from Japan or some other country or set up a small machinery producing factory ourselves, instead of or in addition to the one producing machine tools for big industry at Bangalore? The net result of our seven-year industrial policy is that not even a single additional industry has been organised on small scale.

The net result of our scientific policy is that no new invention or technical improvement has been made in the organisation of any small industry. The direction of our financial policy too is not different. The Government has no doubt provided assistance of a few crores of rupees to small enterprises for their subsistence. But does that stand any comparison with the hundreds and thousands of crores given to encourage and help big industrialists who have also the advantage of raising credit in the market and get accommodation from the banks and insurance companies? The small producer in India hardly gets any credit from non-official organised financial institutions, whereas in Sweden, we are told, loans granted to small enterprises constitute 35 per cent of the loans from commercial banks to industries and service trades. A radically different approach is thus called for on the part of the economists, Government policy-makers, scientists and financial concerns to make industrial units smaller.

THE NEGLECTED SECTOR

True, some industries cannot be of small size, till technology develops in that direction. In such cases, steps should be taken to reduce the unit of ownership. More and more of our economy is coming under the domination of a few business houses. What we need, from the point of view of both development as well as distribution, is an arrangement to enable small investors to pool their resources and set up big undertakings. The industrial policy statement of 1948, did accept industrial co-operatives as one of the major objectives of the Government. The record of the first four years of the Five-Year Plan is very discouraging as far as this objective is concerned. In the two pages devoted to the co-operative movement in the bulky Progress Report of the Plan, industrial co-operatives are not mentioned at all.

It is the Shroff Committee, however, which gives us some figures of industrial co-operatives. There are only 1,652 societies, it tells us, with a working capital of Rs 8.65 crores. Out of this capital, more than two-thirds is concerned with handlooms, most of which was in existence before the Plan started. A paltry sum of Rs 10 lakhs provided in the Plan for training of personnel in all types of co-operatives still remains unutilized. If we view co-operation as a form of economic system—as an alternative to capitalism and communism—we cannot help the feeling of despair at so indifferent an attitude towards it on the part of our planners. The industrial policy of our Government, on the whole, makes it abundantly clear that whatever be its objective, it certainly does not aim at establishing the economic system on the basis of small industrial and ownership units. Yet, some bold steps in this direction alone can secure maximum employment, equality and freedom. What other ingredients of socialism are more important than these?

This could be a partial answer to the controversy about public versus private enterprise. Partial, as it has not dealt with many aspects of the controversy.

CO-ORDINATION, NOT CONTROL

The discussion of capitalist undertakings and State undertakings as the only and exclusive alternatives is unreal and a society could be gradually built on what might be called a third alternative. No fear need be shed of capitalists, monopolists, exploiters

ters is eliminated. But let us not put an exclusive reliance on bureaucrats and Government leaders as their substitutes. Let the capitalist system be replaced by a decentralised and co-operative economy which would assure the common man not only more bread but also greater freedom.

The activities of petty producers, co-operative undertakings and State enterprises would need co-ordination. An effective system of co-ordination between these sectors, as also between States and Centre, can do away with the necessity of rigid controls and centralised power. This can best be attained by taking the economic activities of the State out of the orbit of party politicians, as far as practicable. An all-India economic service or a managerial cadre could be trained to undertake the responsibility of economic development so that whichever political group comes into power the co-

ordination already achieved is not much disturbed. This would also help in running the State undertakings on business lines and raising their efficiency.

A new sense of responsibility is also needed on the part of political parties and some very radical reforms are called for in the political and administrative system. Here we are confronted with some undefined regions between the borders of economics and politics where specialists of both fields feel shy of intrusion. But an integrated philosophy of development cannot overlook these gaps and we certainly need an integration and synthesis of the philosophies of economic security and political freedom. The lessons of the political thoughts of last one hundred years and of the political experiments in various countries in the last forty years clearly indicate that freedom and bread are, in fact, not separable.

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Pakistan—A Bi-zonal State.

Hashoo Kewal Ramani

Basically, the merger plan is a desperate measure to preserve West Pakistan's strategic hold, military no less than political. The plan was brewing in the secret counsels of the top men long before it was made public. Its other purpose is to bring the strategic but backward parts of West Pakistan under unified administration for a more effective and speedy utilisation of their rich mineral and agricultural resources.

The fact that West Punjab has received two million more refugees than the number of evacuees, and the continuing influx of refugees from India by the Khokropar route at the rate of about 6,000 per month indicate the direction in which further resettlement of population may be expected.

The test of its success will be the scope that the merger can give to the democratic forces to remove the wide disparities in the land tenure system.

SEVEN years of continuing crisis shadowing Pakistan since its birth, arising from the incongruity of its ethnographic composition and socio-economic pattern, have now led to certain desperate measures for saving the State itself. Stemming from an "act of State" that dissolved the progenitor of the State, viz, the Constituent Assembly, the new phase has brought with it its own complexities. Under this state of emergency, a new scheme has been formulated to reconstitute Pakistan as a bi-zonal State which would be neither unitary, nor confederal, but will maintain a delicately balanced "partnership of equality" between the two wings of Pakistan.

The integration of various provinces, princely states and tribal territories of West Pakistan into one administrative and political unit is the corner-stone of the new scheme. Indeed, it was its refusal to accept the merger plan sponsored by the Punjabi group that really sealed the fate of the Constituent Assembly, just when it had finalised the draft Constitution. On all other aspects of this "Islamic" Constitution, there was refreshing unanimity among the rival groups. What the Punjabi group resented most was the perpetual threat of an encirclement from an alliance between the representatives of East Bengal and the non-Punjabi elements in West Pakistan. The dominance of Punjab in the Army, police, civil services and other walks of life, even outside West Punjab, being an unchallengeable fact, the Punjabi reaction set the tune for what followed.

FORCES BEHIND MERGER PLAN

This genesis of the move for unification of West Pakistan is bound to colour whatever positive results are expected from the merger as a device to abolish provincialism by

abolishing provinces. The methods adopted to push through the plan in West Pakistan have been, to say the least, extremely unorthodox. In Sind particularly, where the ailment has been the same as in East Bengal, the reaction is articulate and sharp, and to that extent, the suppression of the opponents to the merger has been ruthless and high-handed. No less disturbing is the language of provincialism used by the pro-merger advocates themselves, as if they conceive the West Pakistan single legislature as the cockpit where the same clash of regional claims and counter-claims will be enacted again, with even greater vehemence.

While the acceptance by West Punjab of 40 per cent representation instead of 56 per cent to which it is entitled according to its population is a concession to win over the non-Punjabi population, the idea of weightage has itself a "provincial" bias. Further, the decision to continue the present system of provincial quotas and reservation in central government services and trade licences emphasises the perpetuation of the same bias. Even on the issue of the choice of a new capital for West Pakistan, or the appointment of the first Governor or Chief Minister of the new unified province, similar controversy animates the pro-merger elements. The failure to weld the two wings of Pakistan into a unitary system has aroused the fear that even if the provinces cease to exist, the politics of provincialism will not be exorcised.

CHANGING THE PSYCHOLOGICAL CLIMATE

However, the desperate nature of Pakistan's internal crisis has made the optimists hope that the merger plan may, in the long run, change this psychological climate and facilitate the formation of political par-

ties based on some programme and ideology cutting across these provincial loyalties. Such a hope can be fulfilled only if democratic forces are strengthened and given a free play, not by curbing these forces and putting them into the strait-jacket of a pre-conceived plan. The malaise of provincialism has its roots deep in the historic and socio-economic developments; the post-partition shifts in the population of West Pakistan, and the marked disparity in the social development of the different linguistic groups have intensified it. The parochial elements, not all of whom are evil or reactionary, have been egged on to revolt, as in East Bengal, by the arbitrary and biased policies followed by the Centre so far.

Much will, therefore, depend on the quality of leadership that comes to the top as a result of the merger. If the present ruling League leadership continues to remain in power in West Pakistan, the expected move for national solidarity can come only from the Oppositionist parties. Most of these parties, however, have either opposed the plan, or condemned its enforcement without securing the popular verdict.

THE ECONOMICS OF UNIFIED ADMINISTRATION

Basically, therefore, the merger plan is a desperate measure to preserve West Pakistan's strategic hold, military no less than political. The plan was brewing in the secret counsels of the top men long before it was made public. Its other purpose is to bring the strategic but backward parts of West Pakistan under unified administration, for a more effective and speedy utilisation of their rich mineral and agricultural resources. Such a development programme in the underpopulated but potentially rich areas

Model-Making and the Second Plan

K N Raj

The rate of saving particularly at the margin is one of those institutionally conditioned responses which cannot be changed at will without certain operational levers in hand. If a socialist pattern of society is the objective, it is a matter of basic importance who does the investment, to whom accrues the income, who is called upon to save, and how all the loose ends are tied up.

Deficit financing is of course possible but only upto a point and, in a completely decontrolled economy, only under circumstances which can change at any time and cause sudden dislocation.

If model building is regarded as some kind of a wondrous technique which will somehow help us to move on without having to face the political and, to a smaller extent, the administrative problems which have all along been shirked, much time will have been lost in arriving at decisions which, in other progressive countries, have preceded model making.

PUBLIC interest in the second Five-Year Plan has been stimulated in the last few months by a succession of high-level policy statements. The first of these came from the Minister for Industries and Commerce when he announced his 'six million tons' target for steel; it was only logical to conclude that, if steel production was going to be stepped up by more than 200 per cent, the Government must have in view also a supporting programme of industrialisation which could absorb the steel. The Finance Minister followed up soon after with his employment target of 24 million additional jobs in ten years. And to top it all, the Prime Minister came out with his declaration that the objective was a socialist pattern of society.

An obvious question to ask, however, is how these are to be achieved. A complete answer cannot of course be expected at this stage, since the targets must be broken down, linked with each other, worked out in terms of resources required and available, and pieced together again before all the implications are clear. This is the job of model-makers, and it would be grossly under-estimating the technical complexities of their work to presume that what they themselves can arrive at only through multiple correlations and elaborate regression equations can be foreseen by others who do not, in the first instance, have the required statistical and technical data and who, even if they had, would not know what to do with so many little rats running in so many directions.

INVESTMENT AND SAVING

But even if input-output matrices and linear programming are outside the normal beat of the economist, and he cannot pretend to be

able to prejudge issues which have yet to be thrown up, there are certain relationships which he understands. One of these relationships is that industrialisation, even of the not so capital-intensive kind, requires a larger amount of capital per unit of employed labour than normally exists in a pre-industrial society; if then more manpower is to be absorbed than ever before alongside a programme of industrialisation, the rate of investment must also be substantially higher. Secondly, a higher rate of investment, even if it may not require a reduction in the absolute levels of consumption, must be matched by a higher rate of saving out of the increased incomes, but the rate of saving (particularly at the margin) is one of those institutionally-conditioned responses which cannot be changed at will without certain operational levers in hand. And last but not least, if a socialist pattern of society is the objective, it is a matter of basic importance who does the investment, to whom accrues the income, who is called upon to save, and how all the loose ends are tied up. (Talking about loose ends, we must remember that it is often the tail that wags the dog!)

These are almost platitudes, and yet one has only to examine the experience of the last few years to see how much of the administrative and political implications of planning still remain to be understood and accepted before any models of the kind that are being attempted now can be the basis of action and achievement. To illustrate the point, it is sufficient to touch upon a few of the more prominent facts which are open to verification.

In the first place, it is clear that in this period the only increases in

investment activity, of a kind that can be regarded as promoting economic development, are those which have been undertaken under the auspices of the Government, either directly or indirectly, and for which the financial resources were therefore found by the Government (foreign private investment is in one sense an exception, to which we shall come shortly). The other increases, so far as one can judge from available data, have been almost entirely on account of building activity on an expanded scale, which, however much it may help to alleviate middle-class discomforts, cannot be regarded as directly assisting economic development.

WHERE ARE THE FUNDS TO COME FROM?

Other things remaining the same, we must expect therefore that the rate at which 'productive' investment can be increased in the future will depend upon two factors: the rate at which Government can organise investment of this kind, and secondly, the extent to which Government can finance such investment. Both of them are almost equally important. In fact one has only to see the immense shortfalls in planned Government expenditure (incidentally, the shortfall in 1954-55 is likely to prove an all-time record) to realise how serious the organisational problems can be. But we must proceed on the assumption that these organisational difficulties will be progressively overcome; the choice of projects which involve bulk spending, as in heavy industries, power generation, railway transport, and irrigation, may itself be of help in this regard, and if the required funds are available it is always possible to expand the system of Government lending money for approved investment schemes in the private sector.

of Sind and Baluchistan, where oil concessions have already been granted, would necessitate free and unhampered shift of population on a progressively large scale. The fact that West Punjab has received two million more refugees than the number of evacuees, and the continuing influx of refugees from India by the Khokropar route at the rate of about 6,000 per month indicate the direction in which further resettlement of population may be expected.

The unification of West Pakistan should reduce the expenditure on administration, though the official figure of the net annual saving from it may be exaggerated. Khan Abdul Ghaffar Khan's alternative proposal of effecting slightly less saving by setting up two units (West Punjab and the rest) was turned down for obvious reasons. The princes may possibly receive a smaller privy purse and only for their life-time.

The over-all budgetary position may also improve as a result of the pooling of resources which would compel the surplus provinces to share the burden of the deficit provinces, until such times that development projects may mature and alter the situation. The annual subvention received by Baluchistan and NWF Province may continue after the merger. It is also clear that the problem of central allocation of revenues to various provinces, under the Raisman Award would be simplified as income-tax receipts will have to be shared between the two wings instead of being distributed among a number of claimants. East Bengal, however, is not likely to be happy at the revised decision to include in the western unit the city of Karachi (excluding the Federal Area), which contributes a major share of the income-tax revenue.

FREER TRADE AND BETTER PLANNING

The abolition of provincial barriers within West Pakistan would produce a "large and automatic" economy, enabling trade to flow in one single market throughout West Pakistan and eliminating price disparities, local inflation and artificial scarcities. Similarly, the establishment of a single authority for Power, Irrigation and Development projects would facilitate economic planning in this region. Hitherto, inter-provincial conflict of interests, such as the old Sind-Punjab dispute over the utilisation of the Indus river

water, has had a retarding effect on planning. The pooling of resources would result in savings and ensure more uniform and balanced development of the economy as a whole. Provinces like NWF Province with inelastic and inadequate sources of revenue would be benefited, as presently they cannot undertake even modest measures of development.

The merger will undoubtedly place the industrial and commercial sections in a position of greater advantage. These sections, however, consist almost exclusively of Punjabis and refugees from India. The reaction against them and against their kinsmen who invariably come in their wake as camp-followers, has already been formidable in the backward areas. Though these modernised classes, who have now taken the place of the displaced non-Muslims, are propped up as the heralds of civilization in these backward areas, playing their historic role of injecting a sense of nationhood into this heterogeneous mass of people, their activities during these seven years have produced a powerful parochial reaction against them. How this reaction expresses itself, under a centralised administration that orders the posting and promotion of particular civil and police officers in particular areas, will determine the pattern of future politics in this none-too-peaceful region.

BARGAIN WITH FEUDAL ELEMENTS

So far, the fact that the local feudal lord has been the pillar of local resistance has brought into play subtle processes of bargaining as a result of which the trading and industrialist classes could move in without disturbing the feudal interests. The merger plan has been advertised, rather furtively, as a step towards the liquidation of these feudal interests and the introduction of an expanding market for the commercial and industrial progress of the region. However, as in Sind, the alliance with a traditional custodian of feudalism like Mr Khuhro, who has gradually won over other Zamindari elements on his side, indicates the new process of bargaining that is taking place. It is the Sind Hari (Peasant) Committee leaders and progressive Opposition leaders like Mr G M Sayed who have opposed the merger plan at the risk of inviting savage repression against themselves. The demonstrations against the merger

plan by the students and Government servants in Sind also reveals another side of the story. What the Pathans and Baluchis, and even refugees in Karachi feel may not find expression in violent outbursts but it will also be a factor influencing the future pattern of politics.

As a *fait accompli*, even as Pakistan was seven years back though by very different methods, the merger plan will remain a challenge to its authors for producing some positive results. In the first place, it will be a challenge to produce, by whatever democratic means that may be feasible, a uniform pattern of agrarian reforms throughout West Pakistan. The present disparity in the land tenure system, from one province to another, is an anomaly that can no longer be tolerated by enlightened public opinion. So far, even the modest land reforms recommended by the Muslim League High Command in 1949 have not been put through in their entirety.

The disparity among these land tenure systems is enormous. In Bengal, it is Zamindari permanently settled; in West Punjab and NWF Province, Zamindari and village communities temporarily settled; in Sind, Ryotwari; and in the tribal areas, there is no tenancy law whatsoever, so that the tiller is entirely at the mercy of the tribal head. The disparity in land holdings is enormous in the backward areas and accounts for the backwardness of these areas. What scope government policy gives in the immediate future to the democratisation of this feudal order, or what compromise is struck with the feudal elements, will be, by and large, the decisive test of the success or failure of the merger plan. The ferment that has been created in East Bengal cannot be held back in West Pakistan for long. That is the solid reality facing Pakistan today!

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But this is precisely where the difficulty arises. Where are the funds to come from? Deficit financing is of course possible but only upto a point and, in a completely decontrolled economy, only under circumstances which can change at any time and cause sudden dislocation. Already there is some reason to suspect that the output of food-grains in the coming year may be somewhat lower than in the current year, and no one can say what will happen if the Finance Minister provides for a large deficit (on the basis of current price trends which are definitely downward), there is a failure of the monsoons, and the Government's spending machinery at the same time becomes suddenly efficient and incurs all the expenditure provided for in the budget. The point is that, even if all these terrible things do not happen next year, there is always the possibility of their happening, and rapid economic development over a period cannot be planned on that basis.

PROFITS OF STATE ENTERPRISE

In countries where public investment on a large and growing scale has been visualised, the governments concerned have also taken care to find and reserve for themselves fairly firm sources of revenue. 'Profits of state enterprises' is a familiar item in their budgets, and the enterprises which bring these profits to the exchequer are often largely in the sector of consumer goods industries. In this respect, the policy followed in India stands out in marked contrast; it has been one of virtuous self-denial, on the ground that the Government will concentrate all its attention on the basic industries (in which field, State enterprises cannot possibly earn large profits if the establishment of these industries is to serve its purpose), and that in any case it is no use frittering away the limited administrative and technical resources of the Government by either taking over "ramshackle" units already existing or trying to set up new units in this sector.

TAX COMMISSION NOT FREE

It has therefore been left to a Taxation Enquiry Commission, tied hand and foot by various institutional assumptions, to suggest possible sources of additional revenue for the Government. Taxation, by itself, has never helped any country to find resources of an order large enough to finance rapid economic

development (except perhaps in Japan under nineteenth century conditions, with a peasantry which could be exploited without any untoward political consequences), and there is no reason why it should in India. Borrowing from the public has been often talked about as a potential source which has not been tapped adequately, but it is difficult to understand how, without effective restraints on consumption and on alternative uses of private saving, this can bring in funds of any significant magnitude on a regular basis; the net yield from the last National Plan Loan, after making allowance for the conversions and the official window-dressing, should have dispelled any illusions on this point.

NO MIDDLE-OF-THE-ROAD

It is impossible to avoid the conclusion that, without a radical change in the attitude of the Government to the whole question of State enterprise, which of course might require looking in the face some of the vested interests in trade and industry for the first time, it cannot find the resources for maintaining a high rate of public investment. If, in addition, it does not also change its policy in regard to physical controls—and here it will not be enough merely to put house building on a strict licensing basis, because what is not allowed to be spent on houses can be spent on something equally or more 'unproductive'—even the possibilities of changing the pattern of investment to better advantage on a planned basis will be limited. In these matters, the trouble is that one cannot follow a middle-of-the-road policy without getting run over; one has to go the whole hog, or not at all, and it is a difficult position for liberal-minded economists and politicians to be in.

There is still another complication. If the Government, for one reason or another, is not in a position to follow up the logical implications of its professed objectives, and decides to function within the framework of a "mixed economy" (even if it is called hereafter "a socialist pattern"), it has to contend with the 'foreign' sector within the private sector of the economy. This sector has always been important, but its importance is now growing at a rate which, if allowed to continue, will make the objective of "social ownership of

the means of production" increasingly difficult.

THE FOREIGN SECTOR

The innocence of economists, no less than of politicians, about the facts of this 'foreign' sector is remarkable, considering the amount of published material on the subject. Merely by juxtaposing income-tax data about corporate profits, with the data on foreign investment in India published by the Reserve Bank, one can see that the profits per annum of foreign companies operating in India are nearly half of the total profits of all joint stock companies in the country. From the balance of payments figures, also published by the Reserve Bank, it can be inferred that about two-thirds of the profits of foreign companies are remitted abroad regularly, leaving one-third for ploughing back; this rate of plough-back is perhaps as high, if not higher than, than the plough-back in 'Indian' companies.

There are also fresh imports of capital being made, all of which do not have to go through the Capital Issues Control. Taking these fresh imports of capital, along with the amounts ploughed back, it is perhaps not unlikely that foreign private investment in India in the last five years has gone up by as much as Rs 125 to Rs 150 crores. It is not difficult to prophesy that, if the present policy in regard to foreign private investment continues, the rate of growth of this 'foreign' sector within the private sector of the economy will be faster than the rate of growth of the 'Indian' sector.

DECISIONS BEFORE MODEL MAKING

These are concrete issues which, whether looked at from the economic or the political point of view, cannot be brushed aside by a Government which aims at rapid economic development within a framework designed to be increasingly socialistic in form and content. If model building helps to throw them up more clearly, it will undoubtedly do a service, but if instead it is regarded as some kind of a wondrous technique which will somehow help us to move on without having to face the political and, to a smaller extent, the administrative problems which have all along been shirked, much time will have been lost in arriving at decisions which, in other progressive countries, have preceded model making.

A Dispersed Hamlet in the Panchmahals

A M Shah

The following is the result of a field study of Navi Padardi, a village in the Panchmahals, carried out during the years 1953 and 1954.

The author is indebted to the M S University of Baroda for providing him with funds to make this study possible.

MORE than two-thirds of the Panchmahals district of the State of Bombay forms part of the hilly and forested tracts bordering, in the north and east, the large plain of Gujarat. In most of the highland area there are dispersed villages in which each house, or a group of a few houses, stands isolated in its own farm, whereas in most of the plains area we find nucleated villages in which the houses form a compact group with the fields lying beyond.

The dispersed hamlet Navi Padardi is in the central part of the Panchmahals. The dispersed settlements in this part of the district are populated chiefly by the Kolis, the widespread peasant and labourer caste of Gujarat. Over a hundred years ago, they were a congeries of aboriginal tribes, but now-a-days they are regarded as castes within the Hindu caste system. The two most important signs of this change are that they now-a-days employ the Brahmins as priests and they want to be called Kshatriyas and not Kolis.

The farm in which a house is situated is called vado. Usually, in addition to his vado, a man possesses some land situated at some distance from it. The vado land receives much more attention than the land situated away from it. The vado gets the first preference in the matter of manure. The manure pits or heaps are, in fact, located in the vado. Every vado has a well providing water both for domestic purposes and for irrigation.

The house may be a small one, accommodating a small elementary or joint family, or it may be a big one accommodating more than one elementary or joint family; and not infrequently there may be a small cluster of small or big houses on a single site. Occasionally, houses are built on the edge of their respective farm-lands, in order to form a cluster in the middle. Both isolated as well as loosely clustered houses occur in this area, and often it is difficult to tell which group of houses belongs to which hamlet.

The smallest administrative unit

of the government is of course the village, but in this area the administrative village does not frequently have any basis either in geography or in social life. It is a village only for purposes of collection of tax on land, registration of births and deaths, etc. Its boundaries can be known only by consulting the survey maps. The clustering of houses does not correspond to the administrative divisions. Each administrative village has a headman (patel) with village servants (ravanias) under him to help him in the collection of tax and other matters. They are all given tax-free land as remuneration for the work they do.

Every administrative village is divided into a few muvadas, and a muvada may be called the de facto village. People use the general term gam (meaning village) for a muvada and not for the administrative village. The word muvada has two meanings: 'a small village' and 'a ward'. A muvada is a village when considered by itself, and it may be called a ward in relation to the administrative village. I use the term hamlet for it.

A HAMLET

A hamlet is composed almost entirely of persons belonging to either of the two sub-castes of Kolis, viz, Barias and Palias. Navi Padardi is a Palia hamlet in the administrative village of Padardi, the other two hamlets of which, Juni Padardi and Gorada, are both inhabited predominantly by Barias. Each hamlet is an exogamous unit while the sub-caste is an endogamous unit.

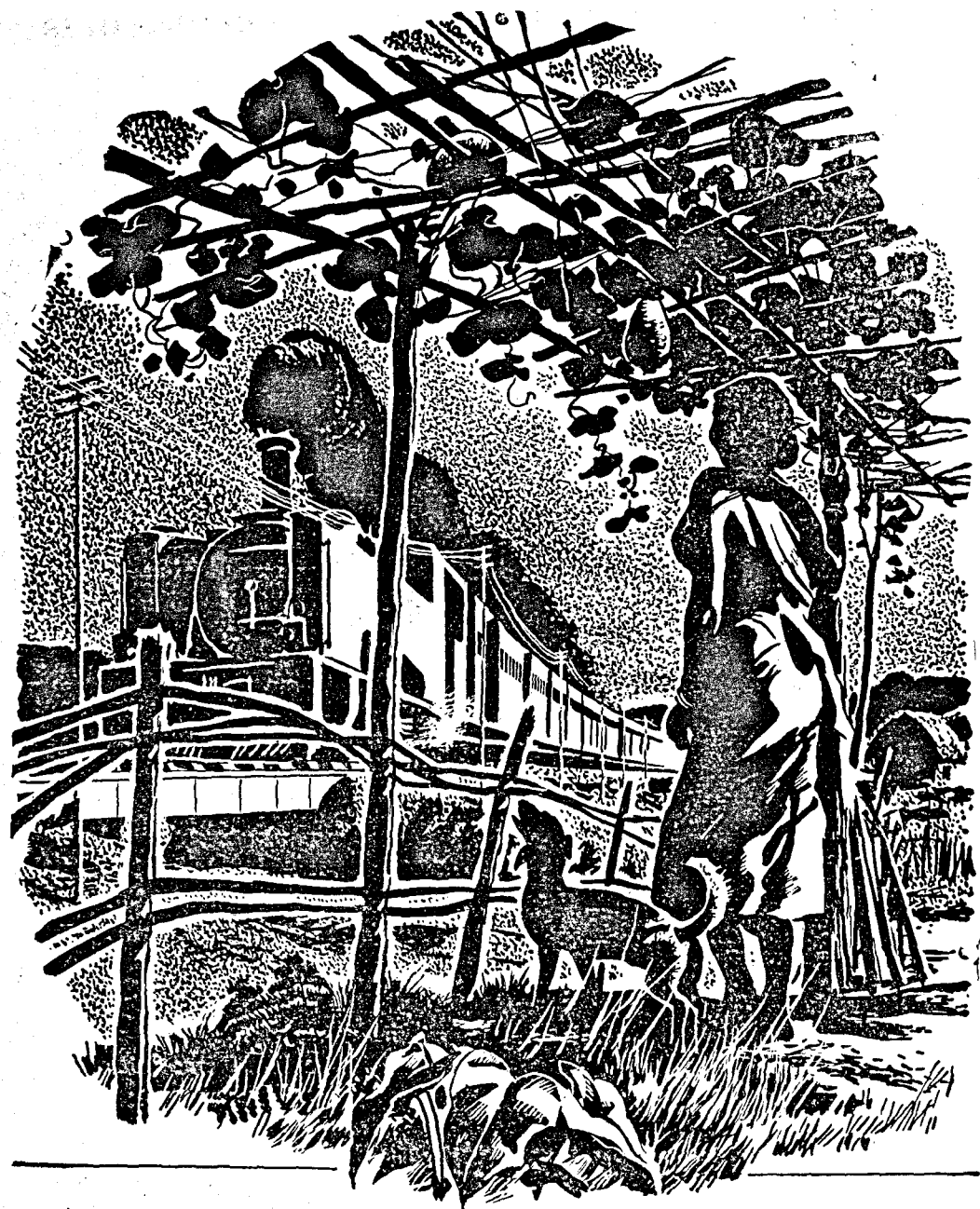
Even the hamlet is difficult to mark off as a distinct unit. There is no clear physical boundary between the hamlets, and the houses are not built in a single big cluster, but are spread over a wide area either singly or in small clusters. Though most of the houses in a hamlet occupy a continuous stretch of land in a part of the administrative village, some of its houses may be far away from the hamlet as in the case of Navi Padardi. (In the map 'NP' refers to these houses.) The houses of a hamlet, again, may be separated from those of another

hamlet on a side or two by a stretch of non-vado land or waste land, a stretch of forest, a bare patch of granite rock, or by a hillock, but there is no hamlet the houses of which are isolated on all sides as in a nucleated village. On one side at least, a few of its houses are found very near the houses of another hamlet, belonging to the same administrative village or another village altogether. Only a close inquiry reveals that they belong to two different hamlets. Furthermore, though all the houses of a hamlet are usually found in one administrative village, sometimes a few houses may be in the adjoining administrative village just near the border, which means the houses of that hamlet belong to two administrative villages. A hamlet is thus a very vague entity.

Nevertheless the continuous stretch of land occupied by the majority of the houses of a hamlet is considered the territory of its own, and this has a symbolic expression. On every New Year Day, as a part of the Diwali festival, a big festoon of a particular kind of grass is tied between two trees on either side of a cart track leading to the majority of houses of the hamlet. This is called gam no zampo or the entrance to the village. Some ritual is performed there, and cows with painted horns are run under the festoon. During the Holi festival the big bonfire is lit somewhere in the hamlet where most of the houses are situated.

EMIGRANT FAMILIES

Eleven families of Navi Padardi hold some land far away from the hamlet also. Some land was reclaimed about ten years ago from the forests fifteen miles in the north, and some was reclaimed from a jungle fifteen miles in the south. Nine out of the eleven families cultivate such land as an additional joint family property. Such land is reclaimed mostly by a large joint family, and usually one of its constituent elementary families establishes its household on the newly acquired land, with an agreement that this



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land will be given to it as its share at the division of the joint family. At present, however, all the property, including livestock and grains, is jointly owned, and the head of the joint family supervises the affairs of the family both in and outside the hamlet. Only two families hold the new land independently, and they have their permanent home on it. They, however, continue to hold some land in Navi Padardi also. All the emigrant families keep constant contact with their kinsmen in Navi Padardi. They come to Navi Padardi to celebrate weddings and funeral ceremonies and to attend such occasions in other families in the hamlet. Some of them come to take part in Holi and Diwali festivals also. Thus these emigrants are in many important ways members of the hamlet.

SALARIED EMPLOYMENT

Twenty-one men of the hamlet are employed in salaried jobs as school-teachers, policemen, peons, and village-level revenue officers such as the *talatis* (village accountants) and circle officers (in charge of a group of a few administrative villages). Even though they have to remain away from the hamlet for long periods of time, they are in all important respects members of the hamlet. When a man is posted far away from his hamlet he takes his wife and children with him, though not for a very long time. He sends them home periodically during his wife's confinement, for important festivals, and for harvest. Besides, all of them have to come home to celebrate weddings and funeral ceremonies in their family, and to attend such occasions in the families of other members of the hamlet. Most of these men devote vacations and periods of long leave to agricultural work. Many of them are able to get themselves posted near the hamlet. They then keep their wives and children at home, and come home every day if they have bicycles or only on holidays if they have to walk. They consider it a great honour to hold an official job in their own hamlet. They settle down in their hamlet after retirement, and some of them even resign their jobs in order to give their entire time and energy to their land.

The hamlet is thus composed of both those who live permanently within its territorial bounds and also of those who live outside it for a long time but have their moorings in it.

Navi Padardi, like many other

hamlets in this part of the district, came into existence not more than 150 years ago. Before that time this area was covered with dense jungle. It was reclaimed by immigrants from different parts of the district. The Palias came from the southern and eastern part which is known as Pal, as their name testifies. From the accounts given by old informants as well as from the genealogical charts, it is clear that the immigration was a gradual process taking place in a small but steady trickle. One family after another, each belonging to a separate agnatic lineage and a separate village in Pal, would come, clear a part of the forest for itself, build a hut and cultivate the land. Twelve such families had settled in Navi Padardi. Their descendants in the agnatic line, numbering about 477 today, constitute the hamlet. This includes those who permanently reside in the hamlet as well as those who have settled on newly reclaimed land and those who are employed in salaried jobs.

The agnatic descendants of each of the twelve families that first settled in the hamlet, constitute an exogamous group called *kutumb*. The number of families in a *kutumb* may vary from only one with five members to twenty-five with about one hundred and fifty members. Neither the term extended family nor lineage is therefore a proper translation of *kutumb*. I will not therefore translate it into English.

FIELDS OF A KUTUMB

The fields, especially the vado fields, of the members of a *kutumb*, are generally contiguous with each other. A family seems to have begun with one or more big plots of land, and in course of time this has been divided among a number of descendants, each generation witnessing a new sub-division of ancestral land among the agnatically descended male heirs. When the land of a joint family is divided and one of the new splinter families wants to build a house, it prefers usually to build the house in its share of vado land. But continued division of vado land results, at some stage, in its being divided into very tiny strips. New land is then converted into vado. In such a case the field near the vado of a member of the *kutumb* is selected.

The members of a *kutumb* have special rights and responsibilities towards one another, especially during marriage and funeral ceremonies, during feasts, and in emergen-

cies. A heirless man usually adopts a member of his *kutumb* rather than his son-in-law. Children without parents are reared by a family belonging to their *kutumb*, and their land and other property is managed by the same family. The members of a *kutumb* hold certain common beliefs. For instance, in a big *kutumb* it is believed that the entrance of a house belonging to any of its members should always be in the north, otherwise it brings ruin to its inmates. The members of this *kutumb* who have built houses outside the hamlet have also adhered to this rule. It is also believed that if a person has a bullock of any colour except white or black it brings ruin to his family.

For some time after immigration the twelve families had close relations with the members of their *kutumbs* left behind in Pal, and with those, if any, settled in neighbouring hamlets. These relations became gradually less intimate. Today only a few old men remember their old ties with their kinsmen in Pal. About five years ago an old man had been to his native village in Pal to meet the people of his *kutumb*. About ten years ago the news of an old man's death was sent to this *kutumb* people in Pal, and old men from there had come to Navi Padardi to attend the *termun*, an important ritual on the thirteenth day after death. The younger generation remembers only this much; the principle of *kutumb* exogamy applies to all wherever resident.

FACTIONS

The twelve *kutumbs* are divided into three factions or *tads*, which shall be called A, B and C. From the accounts of old informants it is clear that tensions existed between the three factions since the days when they migrated into this area. The factions, however, have taken their present form by a gradual process.

Before the factions took their present form all the members of the hamlet participated—at least it is the tradition that they participated—in every activity connected with marriage and funeral ceremonies in any member's house. They took part in each other's harvest ritual and feast. The whole hamlet together celebrated the Holi and Diwali festivals. During the Holi they collected cash contributions from each house for a fund to be spent in buying things for the common use of all the members of the hamlet. For example,

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Assets	...	" " 7 crores

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Interest earned during the years 1951-1953	...	4.03%

ECONOMICAL MANAGEMENT:

Provision of expenses in Valuation as at 31-12-1951	...	18.92%
Expenses (Renewal) during 1951-1953	...	14.67%

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that such a visit causes a diminution of the groom's wealth. The custom in question was originally common to both the factions, and faction B's non-observance is due to their desire for reform.

In spite of division into factions, the members of a hamlet do keep up speaking relationships with each other. If two persons of different factions met on the way they greet one another and exchange news. A sick person may go to a man of another faction what is reputed to have a knowledge of drugs. A cattle-doctor of another faction may be called to cure a sick ox, cow or buffalo. A cow may run away and it may be sheltered in the house of a member of another faction. Furthermore, even though there are no direct affinal relationships in the hamlet due to hamlet exogamy, two members of different factions may be related affinally in an indirect way. For example, a man's wife's sister may be married into another faction in the same hamlet. Similarly, a man and a woman, or two women, belonging to two different factions, may have common parents-in-law in another hamlet. Two persons of the hamlet related in this way keep a certain degree of cordiality with one another. Moreover, a man may be asked by his relations in another hamlet to go to the house of a member of another faction in the same hamlet to discuss a possible marriage between the two. Similarly, he may be asked to issue a wedding invitation on behalf of his relatives or send news of death to the people of other factions in his hamlet.

All these relations are, however, casual and at an individual level. The nexus of kinship relationships which link up the hamlet with the people of the same caste in other hamlets works as a restraint on inter-factional hostility. It indirectly ensures that factional hostility does not proceed far enough to create violent conflicts. It is, however, not as powerful as to weave the members of different factions into a unified social unit. People say: "In every hamlet there are such quarrels."

I am at the present moment unable to account for the existence of these factions. I would, however, point out two important factors that have contributed to the formation of factions.

Firstly, there are three big and powerful kutumbs in the hamlet, and each belongs to, and heads a

different faction. The other kutumbs in each faction are smaller and poorer. The ancestors of each of the three dominant kutumbs were the first to migrate into the hamlet. They came independently of each other though at the same time, and then each of them induced a few families to settle with it. Between each set of invitor and invitee families there usually existed affinal ties which involved special rights and duties towards one another. The former seems to have helped the latter in settling down in the hamlet. Today the descendants of the latter speak very gratefully about this help. The vado lands of the smaller kutumbs of a faction are usually contiguous with those of the dominant kutumb in it. And only about twenty years ago it was not common for each house to own a well, but each faction had a well, and the kutumbs comprising a faction drew water out of the same well. The faction thus seems to have been the unit of co-operation since the days of immigration.

THE LARGEST FACTION

Secondly, of the three dominant kutumbs, the one in faction A has been the most dominant. It has the backing of five other kutumbs in its faction and this makes it the largest faction. It owns the largest share of Navi Padardi land, and in addition, the largest number of families which have reclaimed land outside belong to it. It has the largest number of men drawing income from salaries. The ward-headmanship belongs to it. It has, thus, a sway over the hamlet, and it uses its power in the favour of its allied kutumbs. The two other dominant kutumbs and their allied kutumbs strongly resent this, which has led to the formation of factions.

The hamlet thus began as a group of twelve families, between some of which there existed affinal ties and between some others there were no such ties. As the twelve families shared a common territory they developed local ties among them in course of time. These ties got expressed in kinship idiom, which resulted in hamlet exogamy. People say: "There is no real ban on marriage between members of different kutumbs of the same hamlet. But it is not good to marry with people who constantly live with you and whom you call brother, sister, uncle, aunt, etc." Hamlet exogamy exists even today, but the hamlet is no longer a unifying bond of society. The faction, rather than the hamlet,

is the unit of all important social activities. The factions are also based on bonds of kinship and affinity. Though factional segmentation is expressed in territorial segmentation also, kinship and affinity, and not territory, is the essence of factional segmentation. Factional tensions do not result in violent fights due to the nexus of affinal relationships that link up the hamlet with other hamlets of the caste. It is, again, kinship that pulls the emigrants back to the hamlet.

So far I have confined myself to a single Palia hamlet and ignored the wider social framework of which it is a part. A few lines about the latter might help to place the hamlet in its proper perspective.

The Barias and Palias have each their own hamlets. Kutumbs and factions are found in Baria hamlets also. The two castes, however, differ from one another in several other respects—dress, speech, manners and customs. Each regards itself as superior to the other. Every administrative village contains both Palia and Baria hamlets, but the members of a caste have more intense relations among themselves even though they are dispersed in different administrative villages, than with members of another caste found in the same administrative village. The Palias of Navi Padardi, for instance, go to the Baria headman and Baria village servants, or the latter come to them, only on those infrequent occasions when there is some governmental work. And the whole of Juni Padardi and Gorada come to the blacksmith of Navi Padardi. Except for this, the contact between the Palias of Navi Padardi and the two Baria hamlets is of the most casual kind.

There is a substantial population of Naiks, a scheduled tribe, and Vanzaras, but it is very much less than that of either the Barias or Palias. While Naiks are found in almost all administrative villages. Vanzaras are found in only a few. Both of them are primarily peasants and labourers. Some Naiks are drummers and wood-cutters, while some Vanzaras are barbers. The houses of each are usually in a distinct part of the administrative village, separated from the houses of Barias and Palias. They have a social life of their own, and the group of houses in which they live might sometimes be as big as a hamlet. Except that they have some economic relations with Barias and Palias, they do not form part

of the social organization of any hamlet.

There are a few servicing castes: Brahmins (priests), Baniyas (shopkeepers), Kumbhars (potters), Ravaliyas (barbers), Dheds and Chamars (skinners of carcasses of cattle), Bhangis (basket-makers) and gypsy-like Vadis (sellers of stone-querns). There are Muslim shopkeepers also. Dheds, Chamars and Bhangis are untouchables. Brahmins, Baniyas and Kumbhars are natives of towns and nucleated villages of the Panchmahals and other parts of Gujarat. They have come to this area to earn money. When they are here they live detached not only from their caste fellows but from their families also. Most of them keep their wives and children in their native place and visit them periodically. Even if they keep them here they have to go to their native place to perform weddings and funerary ceremonies in their families and to attend such social occasions in their relatives' families.

A hamlet contains a few families of only one or two of these castes. No hamlet and even no administrative village contains members from all the servicing castes. For instance,

in Navi Padardi, there is a Brahmin family and two Dhed families, in Juni Padardi there is a Bhangi, and in Gorada there are Chamars and Ravaliyas. A member of a servicing caste has some permanent customers in his hamlet and a number of casual customers in surrounding hamlets. The latter may go to anyone they like to get the particular service. The Brahmin of Navi Padardi has a permanent service relationship only with faction A. Faction B is served by a Brahmin from a neighbouring administrative village, and Juni Padardi and Gorada are served by more than two Brahmins. The Dheds of Navi Padardi serve a part of Juni Padardi besides Navi Padardi, while the other part is served by the Chamars of Gorada. Navi Padardi is served by a Vanzara barber living about two and a half miles away, and not by the Ravaliya barbers of Gorada. The people of Navi Padardi, then, go to Muslim as well as Bania shopkeepers in the neighbouring administrative villages. The area of economic relationships of a person of a servicing caste is thus very nebulous. He has, moreover, no place in the festivals, the assembly of elders, lah, or such other public activities of a Baria or Palia

hamlet. On the whole he is very loosely attached to a hamlet. The servicing castes are peripheral groups of the society.

Among the four majority castes Barias, Paliyas, Naiks and Vanzaras the houses of each are to a great extent territorially separated from those of the other. This factor coincides with many other divisive features of caste such as endogamy, the ban on commensality, distinctive cultural traditions, machinery to settle disputes within the caste, and the concepts of pollution and purity. Such insulation of one caste from the other increases solidarity within each caste and at the same time prevents the four castes from developing into a unified social unit. The limited social relationships existing between different castes do not give a picture of a coherent multi-caste social group which would receive a loyalty overriding the castes composing it. The administrative village which is comprised of several castes remains a superficial entity.

It can be said in general that kinship and caste, and not village, are the forces of social cohesion in this part of the Panchmahals.

Financial Implementation of the Five-Year Plan

Panchanan Chakrabartty

The financial policy of the Government of India during 1951-54 has been governed more by considerations of stability than of the need for growth. It is contended here that this policy was carried rather too far, and that, but for the bounty of nature, it would have resulted in a gradual fall of per capita real income in the country.

A bolder policy would have involved more deficit financing than was either budgeted for, or actually undertaken (the actual deficits being smaller than those proposed in the budgets of the Union and of the States), and, instead of generating inflation, it would have led to higher money incomes as well as to higher real incomes, for this would have stimulated both the organized and unorganized sections of the private sector.

THE period covered by the First Five Year Plan* of the Government of India is nearing its end, and a Second Five-Year Plan, based on the achievements and experience of the First, is already in the blueprint stage. There is room for interpreting the experience of the years 1951-54 as either commendatory or critical, of the policies pursued by the Government in connection with the implementation of the Plan. On the one hand, spokesmen of the Government can point to the increased production, particularly in agriculture, and more especially in food, to the withdrawal of controls and the abolition of food rationing, to the success of the disinflationary policy as indicated by the fall in prices, to the relatively strong balance-of-payment position, and to the near accomplishment of some of the targets, and, in some cases, the actual surpassing of the targets even before the end of the Plan period, as evidence of success. All this, it may be claimed, has been achieved, in the face not only of a smaller amount of external assistance than was anticipated in the Plan, but even in the absence of surpluses in the State Budgets, and a smaller surplus in Railways than expected, and, with only a moderate amount of deficit financing up to 1954. Let it be remembered, besides, that special emergencies, like floods, or sudden spurges of refugees, which were unanticipated in the Plan, have interfered with the smooth working out of the projects.

On the other hand, critics may legitimately point out that the First Five-Year Plan was not originally adumbrated as the maximum which might be achieved in five years, but

rather as something which, in the absence of grave internal and external causes of dislocation, could be reasonably expected to be achieved. What measure of success has been achieved during these years, the critics may say, is to be found in a large number of other countries, in many of which, particularly in Europe, the success achieved is much greater on all counts. We have not only failed to march ahead with many other countries, which started with equally grave problems, but we have failed to tackle the problems of agricultural underemployment, industrial and middle-class unemployment, structural maladjustment in the economy, and the inequality of incomes. When it is remembered that three successive good monsoons have favoured the country, the over-all performance of the Government appears to be very meagre indeed, the rise in per capita incomes being ascribable almost entirely to nature, but for whose favours, per capita income would have most probably fallen to a figure lower than in 1951.

OBLIGATIONS ON THE TWO SECTORS

It cannot be gainsaid that there is strength in the critics' point of view. The Five-Year Plan laid obligations on the Government as well as on the private sector. On the Government, the Plan laid, in the first place, certain financial and production obligations, and in the second place, a number of other obligations concerning the basic re-orientation of the economy which, it was agreed, would take a relatively longer period to be implemented fully, but which could be started within the period of the Plan. On the private sector, the only obligations imposed were the curtailment of non-essential consumption, and the undertaking of productive investment. As regards productive investment, the main reliance was placed on organized

industry, which itself participated in the setting up of production targets. About the capacity or the willingness of either the Government or organized industry to act in the manner envisaged, the First Five-Year Plan entertained hardly any doubt. But as regards the unorganized sectors of industry and agriculture, the Plan had grave misgivings, and it addressed its chief attention to these. As things have turned out, it is the agricultural sector, though not the unorganized sector of industry, where the expectations of the Plan are nearest fulfilment, thanks to the bounty of nature, and, to a certain extent, to Government undertakings in connection with agriculture and irrigation. It is in the sector of organized industry, and in the public or Government sector, apart from undertakings connected with agriculture, that the achievements fall far short of expectations.

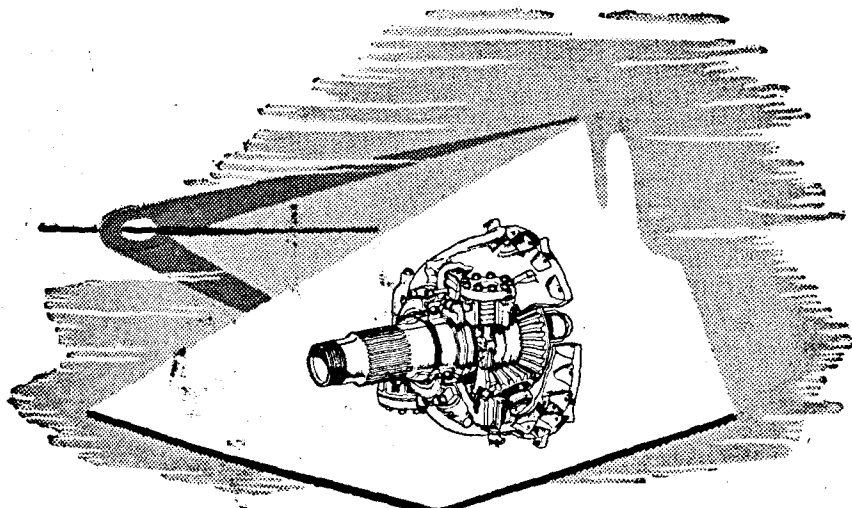
It might have been expected that, having set up certain output targets for the economy as a whole, the Government would not rest on the assumption that the private sector would carry out its obligations, and the Government's only problem was to carry out its own part of the programmes. Even if the only task that the Government set itself had been the maintenance of effective demand at a high level so as to minimize cyclical fluctuations, it would have been incumbent on the Government to make good the deficiency of aggregate demand by its own expenditure policies, when the approved incentives to private industry had failed to evoke the required response. This obligation could not be escaped by the plea of the tendency of an underdeveloped country with underemployed resources to start an inflationary spiral from increased Government expenditure, for that argument would apply equally to investment expenditures in the private

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under the Iron & Steel Control Order.

* From a paper prepared by the author while he was working on the Economic Development Programme, India Project, MIT, Cambridge, Mass (USA) as a visiting professor.



an aircraft is never old

Every component of an aircraft has a service life of its own, calculated at so many flying hours. Before one of them reaches the limit—that is, while it is functioning perfectly—it is replaced by an entirely new part. And after 12 months' flying an IAC aircraft is grounded for complete renovation, when it is taken apart section by section and reassembled with new components. With every part always as good as new, an aircraft is never old.



**INDIAN AIRLINES
CORPORATION**

ector when their fruits have a relatively long gestation period. (Besides, in a situation of increasing unemployment and falling costs of production as obtained in India since 1952, this argument has little validity in any case.) Nor would the argument that increased Government investment must await the generation and mobilization of genuine private savings, which is the standard argument nowadays for restricting the volume of Government investment, be applicable in a situation in which it has been recognized at the very inception of the Plan (i) that the low national income means a small volume of savings, and (ii) that the underdeveloped character of the economy makes very difficult the task of mobilizing what savings there are, so that, on both counts, aggregate investment has to be stepped up, which is, in fact, the rationale of the Plan itself. Since the Government aims at promoting growth, and not merely at ironing out industrial fluctuations, it was all the more incumbent on the part of the Government to increase the rate of its expenditure when the organized private sector lagged behind.

DEFICIT FINANCING

To this *prima facie* argument, there are apparently obvious answers, arising out of the facts of the situation in India between 1952 and 1954, and from *a priori* theoretical considerations relating to an underdeveloped economy, which wants to have a democratic plan with a well-recognized private sector. As regards the facts of the situation, it may be argued that the position as regards external assistance, Government revenues and the capital market being what they were, further Government expenditure beyond what was actually undertaken could only be done by deficit finance, *ie*, treasury bill issues and bank borrowing which would have nullified the good effects of the disinflationary policy of the Government, which had been reinforced in November 1951 by the raising of the bank rate and the refraining of the Reserve Bank from buying Government securities to facilitate the seasonal requirements of scheduled banks. Now, in considering this argument it has to be remembered that we are dealing specially with the years 1952 and 1953, and not with the situation in 1950 or 1951. By February 1952, the inflationary impetus of both devaluation and the post-Korean ex-

ternal demand had spent itself and been controlled by monetary policy, and measures had to be adopted to prevent "disinflation from developing into a dangerous recession". (*Reserve Bank Bulletin* August 1954, page 731.) These measures included a moderate amount of deficit financing, relaxation of controls, and reductions of export duties. But neither organized private industry, nor the Government itself increased their investment expenditures during 1952 and 1953 to the extent anticipated. As regards private industry, there was little investment in equipment, and the general complaint was about the lack of capital, which led to the appointment of the Committee on Finance for the Private Sector by the Reserve Bank and to discussions regarding the establishment of a private corporation with the assistance of the World Bank. It has to be remembered that during 1951, as the Reserve Bank's analysis of the use of company funds in that year shows, investment had taken principally the form of inventories. During that year, 757 joint stock companies, including most of the organized sector, had increased their total incomes by nearly one-third as compared with 1950 (from Rs 831 crores to Rs 1,076 crores), while their aggregate expenditures had risen from Rs 759 crores to Rs 996 crores, so that their surplus of income increased by Rs 9.08 crores, and this surplus, together with the excess of closing over opening stocks, gave an increase in gross profit of Rs 24.71 crores (from Rs 84.26 crores to Rs 108.97 crores). "The increase in the value of stocks has been due to an increase both in *cost* and *quantity*," as the Reserve Bank's analysis points out (page 770.) Though figures are not available on a comparable basis for 1952, it would not be grossly inaccurate to say that it was not the want of financial resources in that year which prevented investment in *fixed capital* on a desirable scale. In fact, as statement 38 on control of capital issues, in the Reserve Bank Report for 1952-53 shows there was very little desire for long-range schemes.

EXPANSION OF PRODUCTION

Yet, in spite of little new investment, production in industry has made considerable progress, the index of industrial production having risen from 117 in 1951 to 129 in 1952 and 135 in 1953, being as high as 144.7 in December 1953

(after which date there was a fall up to April 1954 in which month it rose to 145.1, May 140.8, June 146.2). Indeed, in some cases, in cotton textiles, sugar and cement, the targets set under the Plan have been practically reached or are near attainment, which only shows that the original targets were very modest. For, as the Shroff Committee pointed out, "Broadly, . . . the achievements for the past three years or so consist in greater utilization of installed capacity mainly in certain consumer goods industries. In terms of additions to the industrial potential of the country, the gains so far have been much less than are anticipated in the Plan" (page 10).

The reason for the short-fall in private investment in fixed capital has been examined by the Shroff Committee. Briefly, their finding emphasises three causes: (i) over-all shortage of capital, due to "redistribution of incomes in favour of those classes whose propensity to save is relatively small, and whose savings are difficult to tax by the existing agencies in the private sector", though the Committee admits that it is difficult to say whether or not aggregate savings have changed one way or the other. Besides, "the internal resources of enterprises that could be utilized for re-investment" have also been reduced by increased labour costs and restrictions on prices; (ii) Government borrowing from the capital markets because of which "the resources available for investment in industrial shares and debentures have been reduced", though the Committee recognizes that the public have shown a preference for Government paper due to fluctuations in industrial securities and to loss of confidence in industry, due to malpractices by some entrepreneurs; (iii) Government's general economic policy, including rumours of nationalization, procedural uncertainties under the Industries (Development and Regulation) Act and the control of capital issues, labour legislation and policy—the net effects of which have been the creation of an unfavourable climate for risk-taking and the increase of costs and uncertainties of production.

INVESTIBLE FUNDS

Apart from its implications regarding Government policy with respect to taxation, control of capital issues and labour legislation, this

TEA POWER for industry

'Time study' in the industrially advanced countries has proved that better results are achieved by the introduction of rest pauses during work; and rest intervals become more effective if refreshment is provided at time to workers. A cup of tea served after a long spell of work replenishes the energy that is lost. It is small wonder, therefore, that tea has come to be regarded by those privileged to fashion policies in industrial houses as a symbol of impetus to work, if not as an extra motive force in stepping up production.

The Tea Board maintains a specialised 'canteen service' to render practical assistance in this direction to employers of small and big labour force.

Many employers have made good use of this service, which is offered free of cost, to the benefit of the industry and labour. The trained Tea Board staff bring their technical knowledge and wide experience to the aid of employers interested in opening new or reorganising existing canteens. The Tea Board staff advise on planning, location, equipment and the estimated cost of canteens. They also supervise on the spot the working of the canteen in its initial stages, and train the staff necessary to take over the management of the canteen—industry's second power-house.

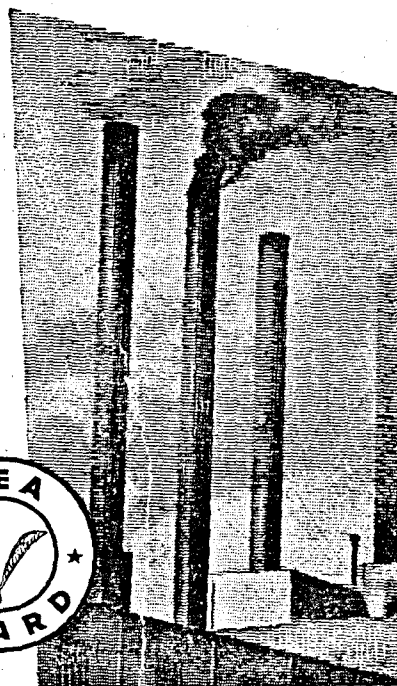
The Tea Board has so far opened and organised 2057 canteens all over India.

On an average, 14 million cups of tea are served annually in the canteens organised by the Tea Board.

TO KEEP UP PRODUCTION—KEEP UP STAMINA



TEA BOARD
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analysis implies that Government borrowing on a substantial scale would inhibit private investment in India. But is the analysis acceptable at its face value? If there is over-all shortage of investible funds in India, the main reason for it is not the "redistribution of incomes" in favour of non-investing classes. The rise in their incomes has not been at the cost of the incomes of the investing classes, but has come at best from their securing a relatively larger share from a slowly growing national income, the chief sufferers being the professions, the "middle class", and the unorganised sector of cottage industries. The trend of industrial profits has been rising during 1951-53, which in fact explains the increase in production by utilizing idle capacity. The chief reason for shortage of available funds is not so much the shortage of investible funds, but an increase in the reluctance of the holders of such funds to invest in private industry including ordinary members of the investing public as well. The Committee themselves have noted this reluctance.

The Committee have noted that many people are unwilling to keep

their savings in banks because of inquisitorial inquiries by the Income-tax and Sales-tax authorities. The Income-tax Investigation Commission have already revealed the existence of about Rs 300 crores of income which evaded taxation during the war and post-war years. This throws strong light on the shortage of available funds, though not of investible funds in the hands of the "investing classes".

INTERNAL RESOURCES

On the amount of "internal resources available for reinvestment", it is necessary to remember that Indian companies in recent years have not only distributed dividends on a liberal scale, but have also watered their capital by the issue of "bonus shares" in a large number of cases. It is difficult, on all these grounds, to accept the thesis that there is an over-all shortage of investible funds. The funds are there, but the desire to invest is lacking.

One reason for the shyness on the part of some investors must be the fear of divulging unreported income and evaded taxes. Another, and

much more serious reason, lies in the structure of Indian industry, particularly in the managing agency system as the US Department of Commerce publication *Investment in India*, notes:

The concentration of control prevailing in India's large-scale industry provides a means by which the efforts of outsiders to establish enterprises competitive with existing undertakings may be blocked. (p 26, col 2, last paragraph.)

From this brief consideration of investment in organised private industry, it may be concluded that Government investment during the Plan years need not have been kept down through fears of undesirable reactions on private investment, the short-fall in which had little to do with the probable magnitude of Government investment under the Plan.

GOVERNMENT PERFORMANCE

We may now consider the performance of the Government. This may be set out in the form of a table.

Financing of the Plan 1951-52 to 1954-55

	(Rupees crores)					
	Total (Centre and States)		Centre		States	
	1951-56 Revised Plan	1951-54 Total for 3 years	1951-56 Revised Plan	1951-54 Total for 3 years	1951-56 Revised Plan	1951-54 Total for 3 years
Outlay in the Plan	224.9	884.8	1330.7	444.9	918.2	439.9
(a) Revenue Account	—	253.8	—	32.6	—	221.2
(b) Capital Account	—	631.3	—	—	412.3	218.7
Budgetary Resources	1260.5	535.3	410.2	201.8	850.3	333.5
Savings of Public Authorities:	—	—	—	—	—	—
(a) from current revenues	572.7	321.2	160.0	161.1	412.7	160.1
(b) from railways	170.0	75.2	170.0	75.2	—	—
Private Savings absorbed through:	—	—	—	—	—	—
(a) loans from the public	115.0	34.6	36.0	—33.4	79.0	68.0
(b) small savings	270.0	150.9	270.0	150.9	—	—
(c) deposits, etc	132.8	—46.6	90.0	—29.7	42.8	—16.9
Central Assistance to States	—	—	—315.8	—122.3	315.8	122.3
Gap in Resources	988.4	349.5	920.5	243.1	67.9	106.4
External Assistance	—	131.4	—	131.4	—	—
Grants	—	34.8	—	34.8	—	—
Loans	—	96.6	—	96.6	—	—
Deficit	—	218.1	—	111.7	—	—
Covered by	—	—	—	—	—	—
(a) increase in floating debt	—	49.6	—	30.6	—	19.0
(b) sale of securities held in reserve	—	22.6	—	—29.8	67.9	52.4
(c) withdrawal from cash balances	—	145.7	—	110.9	67.9	34.8

Source: Reserve Bank of India Bulletin, October 1954, (pp 985-987). (The totals for the three years 1951-54 are on the basis of actuals for 1951-52 and 1952-53, and the revised budget estimates for 1953-54. The figures for the States include those for Jammu and Kashmir.)

In considering this table, it has to be remembered that during these 3 years the chief features of State financing, apart from increased transfers and grants by the Centre, have been a large volume of developmental expenditure outside the Plan, and the low yield of additional taxation. Even though expenditure under the Plan is so low, the necessity of having to incur other developmental expenditure points to a shortcoming of the original plan. That plan could not envisage some of the social expenditure, for example on refugee rehabilitation and famine relief, which became so important during these years. At the same time the additional taxation which it was possible to impose brought in very small amounts. As the *Planning Commission's Progress Report for 1953-54* points out, "The bulk of the increase in total tax revenues has been on account of the larger share of central taxes. The major increase in State tax receipts has taken place under land revenues consequent on the abolition of Zamindari and other intermediary tenures. Taxes on motor vehicles and motor spirit show increased yields, but these are partly neutralized by decreases under excise and agricultural income-tax."

This low yield of additional taxation by the States is a matter of serious concern. While all students of the Plan emphasize the need for securing additional revenues through increased taxation by the States, it is not clear how this can be done. As has been evident for a long time, the revenue resources of the States are inelastic, particularly since the introduction of prohibition. In fact, as the *Eastern Economist* put it (March 26, 1954, pp 523-24), "The States have mental reservations regarding the ability to repay their loans which the Centre is advancing out of the incomes which have been or will be created out of loan expenditure—a fear which has already been expressed by the Mysore Chief Minister, and which may in the future lead to an argument in favour of grants rather than loans by the Centre."

PLIGHT OF THE STATES

As it is, the plight of the States, due both to unanticipated expenditure and the low yield of taxation, has compelled them, in spite of increased central transfers, to borrow from the public on a relatively larger scale than contemplated in the Plan and also to increase their

floating debt and withdrawals from cash balances and the sales of securities held in reserve. As these cash balances are almost depleted, they would have to rely much more on loans from the public and transfers from the Centre in the coming years.

As for the Centre, apart from the complication caused by the plight of the States, which has caused it to come to their aid, there has been disappointment as regards practically every one of the expected resources. Only the savings from current revenues have apparently come up to expectations. The Plan envisaged Rs 160 crores on this account for the whole period, whereas they have amounted to Rs 161.1 crores for 1951-54. Of this, however, Rs 119.6 crores were realized in the year 1951-52 alone, while Rs 41.4 crores were realized in 1952-53, the realization in 1953-54 being only Rs 0.1 crore. Evidently, it was the post-Korean boom which was responsible for this happy result and though Rs 31.8 crores have been provided under this head in the 1954-55 budget, this is going to be a headache for the Finance Minister unless economic conditions in India and abroad improve considerably. The greatest disappointment has been the small contribution from railways. Among the budgetary resources the only encouraging item is small savings. As regards external assistance, the amount actually realized (Rs 131.4 crores) was much less than anticipated. Apparently, the only way in which the total outlay could be increased was by increased loans from the public. During these three years there was a net discharge of such loans by about Rs 33.4 crores, though the Plan had envisaged Central borrowing of Rs 36 crores during the Plan years. To some extent, increased borrowing by the States offset the repayment of loans by the Centre, but still there was apparently considerable scope for increased loans from the public.

THE HEART OF THE PROBLEM

This question of increased borrowing brings us to the heart of the problem of financing the Plan. It has to be noted that, like the States the Centre covered its deficit largely by withdrawals from cash balances, the increase in floating debt (Rs 30.6 crores) being practically offset by the sale of securities held in reserve (—29.8). There was thus hardly any interference with the volume of

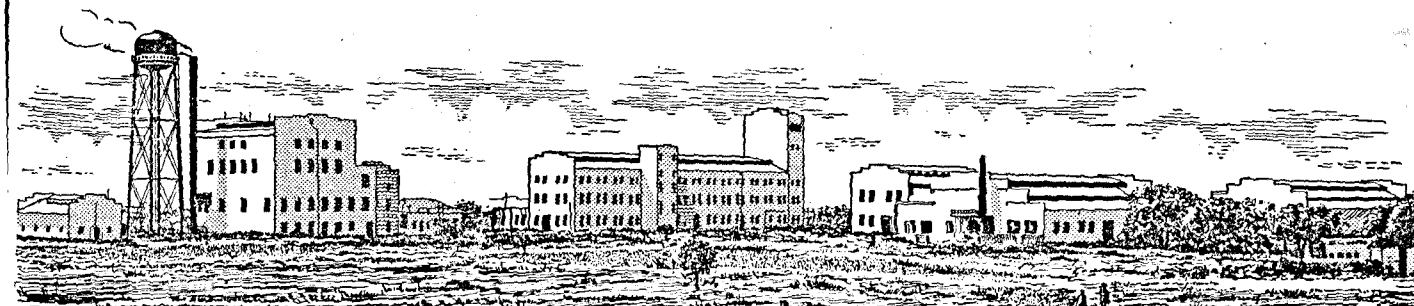
money in circulation by Central Government action during 1951-54. The state of the capital markets during these years may seem to have made it difficult to expect much from the floating of new long-term loans. In our discussion about the supply of investible funds in connection with the private sector, we suggested that there was not so much over-all shortage of funds as a reluctance to lend, particularly to private industry. Following the same train of argument, we may state that the outlook for Government loans was much better than has usually been supposed, which is borne out by the successful floatation of loans by some of the State Governments. It seems as if it was not so much the impossibility of securing funds through loans or by increasing the floating debt, which circumscribed the total outlay by the Centre during 1951-54, as the fear of the direct and indirect repercussions of an increase in total outlay brought about by these means. That this was the reason is indicated by the failure to spend appropriations made in the budgets in each of these years. Besides, not all the external assistance, including sterling releases and IBRD loans, have been utilized to the extent that one expects them to have been during these three years. We thus have an improving external balances position, a not inconsiderable amount of unutilized budget appropriations, a small amount of borrowing from the public, a small amount of deficit financing, and a large short-fall of outlay on the Plan by the Centre, co-existing during these three years.

UNUTILISED APPROPRIATIONS

As regards unutilized appropriations, Ministers in charge of Planning and Production have expressed the opinion that these are due to the stringent financial scrutiny exercised by the Finance Ministry, while the Finance Minister has declared that "it was not so much a question of financial scrutiny as the question of the thorough planning and formulation of schemes." (*Eastern Economist*, April 23, 1954.) But when we know the predilection of the Government of India for quick-yield projects during these years, while most of the plans have been rather long-period and slow-yield ones, it appears that the defence put forward by the Finance Minister cannot be taken at its face value. Since the Government of India is now known to be planning

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a higher rate of expenditure, it stands to reason that it has not suddenly lighted upon worthwhile projects, but has merely taken out of cold storage projects mooted during the past few years but shelved at the time because of their slow yield. There is no doubt some scope for increased expenditure through attempts to make up for the lagging under the existing projects like the DVC. But, for any substantial increase, new plans have to be set into operation, and these, it is submitted, are the ones brought out of cold storage. The Planning Commission has summarized the reasons for the lags in expenditure in the Progress Report for 1951-52 as follows: "These lags are attributable in part to the late finalization of the Plan, in part to the late commencement of some of the schemes, and in part to what might be called insufficient working out of schemes in advance. In some cases, the lack of availability of certain types of equipment, shortages of technical personnel and the time needed for setting up the necessary administrative machinery have prevented more rapid progress." While these reasons were no doubt operative to a certain extent, a real urge for getting on with the plans would not have allowed them to stand in the way—the sort of urge which surmounts difficulties when a country faces a war, and the plan is nothing but a war against poverty and low standards of living.

RELUCTANCE TO INVEST

In the case of the private sector, it has been hinted at above that the will to invest was lacking, rather than the means. Similarly, in the case of the public sector, there appears to be a similar reluctance to expand investment, even within the means available. This is in direct contradiction to the finding of the International Monetary Fund (Bernstein) Mission, in October 1953, who came to the following conclusion:

"The analysis above indicates that resources will not be available for carrying out the investment contemplated under the Five-Year Plan. Domestic savings, private and public, cannot be expected to reach the estimates. A large part of the foreign resources required for the Five-Year Plan is not assured. Active measures will have to be taken to increase the total resources available to carry out the Plan. In the absence of additional resources from do-

mestic and foreign sources, the planned level of investment will result in inflation." (Report, p 37.)

The position taken here rests on the possibility of undisclosed resources in the private sector, the activation of those resources through Government investment, and a more open mind regarding inflation than the Bernstein Mission. Even the Planning Commission's Progress Report now says that,

"It is clear that a rapid and substantial stepping up of expenditures, both at the Centre and in the States is called for from now on, and indeed, this must be regarded as a matter of top priority."

The only explanation of the low level of public expenditure is that, with the memory of the instability caused by inflation in the past, the Government was afraid that the stepping up of expenditure would undo the good effects of the disinflationary policy initiated by itself and by the Reserve Bank. It has already been noted above that, by the middle of 1953, this policy led to the emergence of recessionary conditions which the Government should have been able to anticipate at least a year ahead. However much we may harp on the difference between an underdeveloped economy like India's and that of a developed country like USA and the United Kingdom, and emphasize the inapplicability of Keynesian analysis to a country in which agriculture and the unorganized industrial sector, using relatively little money, form a preponderant part, it is still true that the concept of aggregate demand has a role to play in such an economy, unmeasurable though it may be in practice. In the economy of India, a decline in private investment expenditure and in the value of exports has bitter consequences which can only be offset by increased production in the unorganized sector of industry and agriculture, and by increased expenditure by the Government. Since there is no reason to assume an automatic offsetting from agriculture and unorganized industry, it is the clear duty of the Government to increase its rate of expenditure when there is a short-fall in investment in organized private industry, and a fall in exports.

INFLUENCE OF EXPORTS

As regards fall in exports, it has been pointed out by Mr Wallich,

in *Money, Trade, and Economic Growth*, that exports occupy a strategic position, more important than private investment, in an underdeveloped country, though he expects India, because it does not live predominantly by foreign trade. On the other hand, the *Economic Survey of Europe in 1953* points out that the Western European countries during 1951-53 were influenced more by changes in the export earnings than by any other constituent of the national incomes. Thus, some underdeveloped, as well as some developed, economies, at least since 1950, have found the key to fluctuations in the value of the exports. India is not so different from either of these groups of countries that export earnings would not be almost as important in her case as in theirs. In fact, after the First World War the relative importance of export earnings in India's economy has been emphasized again and again, during the depression of the thirties, during the war period, and again during the Korean episode. Though obviously the effects of changes in the balance of payments work themselves out in quite a different manner in India than in most developed countries, a change in this balance has been found to tip the scale for industrial employment and that part of the national income which is measured in money on every occasion. Hence, a fall in export incomes has to be offset for practically the same reasons as in many developed countries. It has been singularly unfortunate that the Government of India did not apparently think on these lines during the last three years.

Of course, it may be argued that expansion of Government expenditure would increase the demand for imports, both directly in connection with the purchase of capital goods from abroad and indirectly through increased demand for consumer goods imports due to increased incomes, and thus impair the favourable balance of payments position. But this depends on the way in which the increased expenditure is financed. To the extent that such increase can be financed from external resources, the pressure on the balance of payments will immediately be alleviated. Again, to the extent that such expenditure is devoted to schemes which require little of imports, the detrimental effects may be reduced. As in every other case of Government expenditure, it

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is not merely the volume, but the type of project and the kind of resources used, that would determine to what extent it would be inflationary. Only if prices and wages rose proportionately to the increased expenditure or more, would there be an adverse income and employment effect. With careful selection of the type of project and method of financing, there is no reason to fear an unhealthy inflationary development. On the other hand the failure to offset the diminution in export earnings would result, as it already has done in an aggravation of the unemployment situation and fears of a deflationary spiral which persisted for some time.

There is little reason for believing that increased Government expenditure in the face of a fall in export earnings would increase the export earnings themselves, and it may conceivably even diminish them, through a rise in export prices and the consequent fall in demand from abroad—though we do not think it would have been so in the case of India, during 1951-54, particularly if it had been accompanied by a more far-sighted export promotion programme. On the other hand, increased expenditure by the Government to offset the lack of private investment would very probably have acted as a fillip to the latter. Thus, there was a revival in the capital markets after increased Government expenditure programmes were announced in the budgets of 1953-54 and 1954-55. The lack of enthusiasm on the part of investors, bewailed by the Shroff Committee, could very well have been cured by a more liberal dose of public expenditure. Indeed, something like this seems already to have come about, though as yet on a modest scale.

LIMITS OF DEFICIT FINANCE

At this point it is desirable to look at the problem of financing the extra expenditure a little more closely. In the above pages, the source of finance contemplated is borrowing from the public by means of medium- or long-term loans which are supposed to come out of so-called "genuine" savings. It is to the inadequacy of such savings that the Shroff Committee and the Bernstein Mission refer when they talk of the necessary limitation on the scale of Government expenditure. Much of the extra expenditure contemplated in the last two budgets has, however, depended on deficit

financing, which we usually regarded as inflationary. The Bernstein Mission, however, has argued that, within certain limits, such deficit finance need not be inflationary, and to that extent may be resorted to. It seems then that the Government of India has been following the analysis and the advice of that Mission which sets a rather rigid limit to the amount of deficit finance.

Of course, both on *a priori* grounds, as well as from experience of the recent past, any method of finance which might appear to be inflationary would seem to be condemned in the case of India. Yet, fighting shy of the slightest trace of inflation is inconsistent with the adoption of a development programme. It would not be very much to the point to refer to the role played by "forced" savings—which is another name for inflation—in the earlier phase of capitalism. This is so not only because the social and economic conditions in India are so different and the period in view is so short, but chiefly because of another reason. In the case of the earlier phases of capitalism, the mechanism of credit creation and forced savings operated through the transfer of real resources to the growing class of entrepreneurs, and thus by swelling the profits, and encouraging the reinvestment of the same, fostered economic growth. This is not the process contemplated by and large in the Five-Year Plan of the Government of India, but though the processes have to be different, there is this to learn from the earlier history of capitalism—that credit creation may so activate the economy, if accompanied by proper institutional and fiscal changes, that new resources are created and released, and thus made available for transfer. It is to the Government sector, rather than to the private sector that the bulk of these resources would be channeled, though the private sector would not go without its share. The chief objections to such a point of view are two: (1) that in an underdeveloped country like India resources would not in fact be created so that there will be inflation and dislocation of economic life, and (2) that the processes would limit the scope of the entrepreneur, inhibit his activity, retard the development of the private sector and either bring stagnation to the economy or lead to the all-comprehensive socialistic state in the not very long run.

FISCAL MEASURES

As regards the second of these arguments, it depends very much on the extent of deficit financing and the fiscal measures adopted along with it. So long as a free rein is not given to inflationary forces, the Government should not be unduly afraid of moderate price increases. The very recognition of the private sector sets a limit to the fiscal measures that can be adopted by the Government to prevent too great a rise in profits. In a mixed economy, where the responsibility for economic development has been undertaken by the Government, organized private industry must accustom itself to an enlargement of the public sector. The Shroff Committee has urged as follows: "Indeed, the business community has to recognize the fact that planning in a mixed economy necessarily involves some control and regulation of the private sector." (p 52 of the Shroff Committee Report.)

As regards the first objection above, it depends basically upon the fact that on account of inelasticities in supply, "the normal state of the Indian economy can be assured to conform to the classical model of an economy on the verge of full employment," and therefore "in financing the investment of development expenditure, which is intended to raise the full employment ceiling on these lines, the classical prescription should be applicable". (The Theory of Indian Economic Development" in the *Economic Weekly*, August 15, 1954.) The specific discussion of the theory with reference to deficit financing by the Bernstein Mission on pages 41-45 of the Report is inspired by the assumption that the availability of resources is independent of deficit financing, that is to say, by the assumption of inelasticity of resources. Thus, the Report states:

"As deficit financing is undertaken without regard to its effect on the money supply and the availability of resources, it will inevitably lead to inflation and hamper the achievement of the Plan" (page 41).

Now, if the projects financed through deficits aim specifically at removing these inequalities, through education, propaganda, provision of opportunities for migration, etc, the argument loses much of its force. Besides, the change in relative incomes brought about in this way exercises some influence at least in

breaking down bottlenecks, as was experienced in India during the later years of World War II. As Professor Samuelson has pointed out,

"Especially for young developing countries, where investment opportunities always seem (at conventional interest rates) to be running beyond the full employment voluntary saving of the community, control over inflationary banking policies may slow down the rate of progress; and this possibility should be admitted. On the other hand, if over the years the public authorities find themselves pursuing expansionary monetary and fiscal policies in order to offset incipient stagnation, then savings which would have been abortive may be brought into effective being." *Income Stabilization for a Developing Democracy*, Edited by M F Millikan, page 570.

OPponents OF DEFICITS

It might not be amiss to refer in this connection to the theoretical predilections of opponents of deficit financing. In general, they are impressed by the effectiveness and the necessity of thrift as the precondition of the growth of capital,

and of economic development. Thrift, may, however, be regarded as an effect rather than as a cause. Thus, A K Cairncross writes "on the one hand, this (growth of capital) resulted from the prodigious thrift of the Victorians. In a deeper sense, however, the faith and outlook that express themselves in thrift were born of economic expansion and growth of capital, and the line of causation was from accumulation to thrift rather than the other way around." (*Home and Foreign Investment*, 1879-1913, chapter 1, page 3.) The possibility of savings being a residual, and of investment not having to wait on prior savings is ruled out in the minds of the opponents of deficit financing because of the applicability of the classical analysis to the case of underdeveloped countries. We are here trying to make out a case for deficit financing, even if it leads to some degree of inflation, partly on the ground that it will activate idle savings, partly that by increasing incomes it will make for more savings, and partly because it will break down rigidities and bottlenecks.

Enough has been said to demonstrate that the Government of India

need not be tied down to the rigid rules limiting the amount of deficit financing, laid down by the Bernstein Mission. There are sources enough which work to make it impossible for the Government to go on a spree with deficit financing. The need now is to advise boldness rather than caution. To the extent that agricultural production improves, whether due to the working out of the Plan, or any other cause, the dangers from deficit financing would be reduced, and indeed a stronger case would be made out for such financing, because it would otherwise lead to disastrous price falls. Again, to the extent that external resources become available, the need for deficit finance will be lessened. But, in working out the Plan, as has been proved during the last few years, much reliance cannot be placed either on external aids or on the private sector. The responsibility is the Government's and it must not fight shy of having to use one of its most potent weapons because of supposedly unfavourable effects, conjured up by people who are more interested in maintaining price stability, even if it leads to stagnation than in economic development proper.

Constitutional Amendments and Electric Supply Industry

R P Aiyer

The proposed Amendment to the Constitution now before Parliament has a sub-clause that strikes at the root of the principles under which Electricity Supply Companies have been operating in this country as well as elsewhere in the world.

The author who has been the secretary both of the Federation of Electricity Undertakings of India and of the Association of the Electricity Undertakings of Bombay State, right from the inception of these bodies, argues powerfully the case for the deletion of the reference to electricity licences from the proposed Amendment.

THE Constitution (Fourth Amendment) Bill introduced by the Prime Minister in the Lok Sabha in December 1954, proposes primarily to amend Articles 31 and 31A of the Constitution which deal with the citizen's fundamental right to property. Under the proposed amendment while compensation would be payable for a property compulsorily acquired, the quantum of compensation is a matter entirely within the discretion of the Legislature and no Court shall have any jurisdiction to go into the adequacy or reasonableness of the compensation; in short, the issue of compensation will become non-justiciable.

This new clause enunciates a principle quite foreign to, and at variance with, the hitherto accepted principles governing relations between licensees of electricity supply undertakings and the State—principles which have the sanction of statutes passed by the Central Government and which accord moreover with the customs and traditions of the industry elsewhere in the world.

REGULATIONS

A license for supply of electricity is a charter granted by the State to an entrepreneur to effect electric development in a given area. For this purpose the licensee, subject to the regulations laid down in the license, in the Indian Electricity Act, 1910, and in the more recently enacted Electricity (Supply) Act, 1948—which latter limits the return to the investor to a bare minimum of 5 per cent—is free to operate in his area and the license itself provides for the manner and method of taking over of the undertaking by Public Authority, the compensation payable for such acquisition being the fair market value—a term fair to all concerned.

If the proposed amendment to the Constitution is enacted, it would presumably be quite possible for State Governments to repeal the

very salutary provision in the Indian Electricity Act, 1910, mentioned above. Without protection of this nature, the prospects of licensees embarking on costly ventures such as the building of new power stations, or the expansion of existing ones, would be seriously imperilled.

It is appreciated that the intentions of the framers of Article 31A are laudable and it is agreed that some assistance is necessary to those engaged in improving agricultural land and removing slums, etc. The Electricity Supply Industry is alive to the needs of the hour with regard to such matters. It is however incomprehensible to it that organised industries and in particular one as important as the Electricity Supply Industry should be classed in the same category as the exploiters of slum property.

POWER TO CANCEL OR MODIFY

The Electricity Supply Industry is particularly concerned with sub-clause (i) of the proposed amendment which reads as follows:

- "(1) Notwithstanding anything contained in Article 13 no law providing for . . .
- (i) the extinguishment or modification of any rights accruing by virtue of any . . . License for the purpose of supplying power, light to the public, or the premature termination or cancellation of any such . . . License;

shall be deemed to be void on the ground that it is inconsistent with, or takes away or abridges any of the rights conferred by Article 14, Article 19 or Article 31:

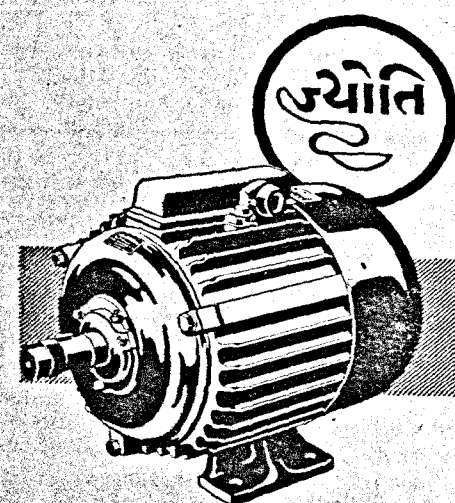
Provided that where such law is a law made by the Legislature of a State, the provisions of this Article shall not apply thereto unless such law, having been reserved for the consideration of the President, has received his assent."

This clause will give any Government, Central or State, (with the President's assent) the power to cancel or modify an electric license granted under the Indian Electricity Act whether such cancellation or modification is merited by the circumstances contemplated by the Act or not. The Bill in the Statement of Objects and Reasons puts forward the "interests of national economy" as the justification for making this innovation. For a reason so vague and insubstantial as to be virtually unintelligible one can only conclude that the Electricity Supply Industry has been included in the proposed Article 31A in complete ignorance of the surveillance that the State, fortified by two very comprehensive statutes, has always exercised over the industry.

ELECTRICITY ACTS 1910 AND 1948

Reference has already been made to the Indian Electricity Act, 1910. This Act which has been constantly amended to bring it into accord with changing conditions, and is even now receiving further amendment, and its complementary Act, the Electricity (Supply) Act, 1948, codify the law and practice governing the operation of the private sector of the Electricity Supply Industry and co-ordinate the working of the latter with public utility services run by the State, where these exist.

As mentioned above, the "license" referred to in the proposed Article 31A is a concession given by the State Government to the electric licensee on terms and conditions meticulously laid down in the Indian Electricity Act, 1910. In return for this so-called monopoly right to supply electricity in a given area, the licensee assumes long-term responsibilities, financial and technical, which no prudent man would accept if his tenure were to be insecure. The discharge of these responsibilities entails investment of capital in the installation of costly



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plant, machinery, cables, etc., the value of which would be reduced to little more than scrap if the licenses under which they operated were suddenly withdrawn. If this were to happen through the licensee's own misfeasance—the 1910 Act contains ample provisions to meet such cases both by way of amendment and revocation of the license—there would be no injustice. This is one thing but it is quite another for the Constitution to include a provision empowering the Government, on the nebulous and ill-defined grounds of national economy, unilaterally and without adequate compensation subject to judicial decision, to repudiate the contract that it has voluntarily, and with adequate safeguards, entered into with the private licensee.

PLANNING COMMISSION AND PRIVATE SUPPLIERS

Perhaps some confusion exists as a result of the employment of the word "license" but in the case of the Electricity Supply Industry, the license is merely an agreement, no more and no less. An agreement between private citizens is binding upon them and if one of the parties fails in carrying out his part of the agreement, the other has recourse to the Courts where he can obtain an order for specific performance or alternatively, obtain damages in lieu. Surely, the Licensee is entitled to these reasonable safeguards.

The Planning Commission has assigned an important role to the private sector in the development of the Electricity Supply Industry during the current and ensuing Five-Year Plans. This role will go largely unfulfilled, if the protection under which the industry has hitherto operated is thus suddenly to be withdrawn.

BROAD ASPECTS OF POWER SUPPLY

It may be appropriate here to make some observations on the broad aspects of electric power supply, both by public and private sectors. There is no public power supply in the sense of the supply being confined exclusively to public buildings, Government-owned factories, or public highway and conversely there is no private power supply exclusive for say a private building or a private estate. The business of electric supply, irrespective of who owns it, is a public utility and every electricity system is a public supply system in that the service is to be made available

according to law to the public within the area of the system. As between private ownership and Government ownership, however, there is one great difference. All privately owned public utility systems are subject to financial and technical control exercised by the Electricity (Supply) Act, 1948, and the Indian Electricity Act, 1910, whereas in the States where the Boards are not yet formed, Government systems are not so controlled. In other words, there is this paradox that the power industry in the private sector which is dedicated to public use is under strict regulation whereas State Electricity Departments in most cases are not subject to any comparable regulation.

PROFITS OF PUBLIC UTILITIES

That, they work for a profit motive is generally held against licensees' undertakings. There is no need, however, to apologise for or to defend the concept of profit. Even Government departments recognise the necessity for a positive balance between income and out-going as a measure of their ability to carry on operations economically and without danger of closure. In the case of public utilities, however, earning of profit becomes a matter of discredit, the assumption being that profit represents something abhorrent and exclusive, the participation of which is limited to a favoured few.

A scrutiny of any well-established public utility undertaking in the private sector will show how erroneous this assumption is. The bulk of the owners of such concerns are men of small means who have sunk their life's earnings in buying the equity of the undertaking.

Then, again, how 'private' profit can be when the participants of equity ownership are charitable institutions, insurance companies and other institutional investors? Overriding all these is the consideration that the rate of return to the undertakings in the private sector is limited to a bare minimum, which for the present is regarded as not even sufficient to raise finance necessary for the proper functioning of the undertaking, let alone expansion.

When an industry operates under such rigid restrictions, surely, the imposition of further shackles, the threat of which is held out in the Constitution (Fourth Amendment) Bill, would be disastrous to its future development.

In view of the fact that existing legislation contains ample safeguards against all possible exploitation of "the public economy" by private licensees, the overriding provision in the proposed amendment to the Constitution for the arbitrary cancellation of licenses is quite unnecessary and will only add to the uncertainties facing the industry which is already overburdened by control. There is no need whatever for bringing the Electric Supply Industry under the purview of the proposed Article 31A, and in the interests of the industry's development, it should be removed.

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Co-existence in Finance

(Contributed)

The emerging ideas on financial arrangements for the economy pose a question: if peaceful co-existence of different types of suppliers of credit in urban areas is considered possible, why not a similar approach to rural finance? Why try to bulldoze the unorganised lenders, especially when they are the main sources of rural finance instead of linking them up properly?

TWO clear facts emerge out of the recent reorientation of the Government's economic policy. Socialisation of the economy is the ultimate goal. Some time, some day, the policy relating to land may be projected to industry. But this is not the immediate policy of the Government. Industrial development is to be furthered through implementation of mixed economy. This involves co-existence of the private and the public sectors. But there will be more stress on the expansion of industry in the public sector in order to ensure purposive direction of industrial development in the private sector.

These are logical sequels to mixed economy. As in the general economy, or in industry, such a policy raises the problems of co-existence in finance. Co-existence in industry or in finance involves harmonious relations between the broad sectors, as well as between the various subdivisions within the broad sectors. It is a mistaken popular impression that a few, large-scale, organised industries exhaust the private sector. This sector includes various other forms of economic activity than those concerned with large-scale, organised industries. There is, for instance, the large unorganised sector of small industries, rural and urban.

In finance, as in industry or in the general economy, there are similar problems. Industrial development in the public sector needs finance. Much has been heard, since the publication of the report of the Shroff Committee, about the financial problems of the private organised sector of industry. Even the Shroff Committee concedes that the financial problems relating to expansion of small-scale industries will have to be solved satisfactorily. It is clear that the private, small-scale, unorganised sector of industry will receive top-most priority in the second Five-Year Plan as a corollary to the Government's emphasis on full employment. There is, besides, the problem of rural finance. For the first time, the Committee of Direction of the All-India Rural Credit Survey has stressed the need for simultaneous development of the rural and urban

sectors of the economy with its accompanying financial concomitants.

Finance has so far been treated as incidental to the various sectors and groups and sub-groups of the economy. Within finance itself, there is more than one sector. Both in rural and in urban sectors of the economy, there are organised and unorganised elements in the financial structure. New Delhi does not seem opposed to economic or industrial co-existence. In certain spheres, it concedes financial co-existence. But within finance itself, the authorities seem to have a pronounced bias against the unorganised, non-institutionalised sector of finance. This has implications which do not seem to have been widely realised.

Both the reports of the Shroff Committee and the Committee of Direction of the All-India Rural Credit Survey have been widely publicised. Each has had a good press. Both the investigations are comprehensive. Both the reports reflect intimate familiarity of the members concerned with the respective problems under investigation. Most of the recommendations of both the Committees are commendable. Here, however, the suggestions of both the Committees are discussed in relation to the problem of co-existence in finance.

THE COMMITTEES AND RURAL FINANCE

It is irrelevant to discuss whether or not the Committee of Direction of the Rural Credit Survey is in favour of co-existence between the rural and urban sectors of the economy. But the Committee is emphatic that over-aggrandisement of the urban sector of the economy is mainly responsible for the chronic anaemia in rural economy. All its major recommendations follow directly from this basic premise. There are reasons why commercial banks are not eager to open branches in rural areas. With the possible exception of the suggestion relating to mobile banks, the other recommendations of the Shroff Committee on this issue are, admittedly, controversial. To question the wisdom of some of the suggestions of the Shroff Committee for expansion of rural

branches by commercial banks, is not to accept without qualification the implications of the recommendations of the Committee of Direction.

It is clear that the Gorwala Committee is of the opinion that it would be harmful to encourage commercial banks to open branches, including mobile banks, in rural areas. There is repeated emphasis by the Committee that any such policy will lead to a diversion of rural funds for further aggrandisement of the urban sector of the economy. It has not recommended any direct ban on rural branches by commercial banks. But it suggests that such branches and mobile banks should give an undertaking that the rural deposits received by these institutions should be employed for the development of agriculture and allied rural industries.

Problems of agricultural finance are duly appreciated by the Committee. It is one of its virtues that it emphasises the 'altogetherness' of things. It is right in its emphasis on the development of warehousing, marketing and processing facilities. It is aware of the supreme need of expanding rural banking facilities. It has discovered a facile solution to this problem by recommending the creation of a State Bank through amalgamation of the Imperial Bank and the other State-associated banks. Its suggestion for the nationalisation of the Imperial Bank has been accepted by the Government. It is difficult to appreciate why this has created such a furore.

It is equally strange, that the other major recommendation of the Gorwala Committee has not attracted the attention it deserves. Non-institutional sources, like the private money-lender and the trader, now supply over ninety per cent of the financial requirements of the farmer. To the Committee, this is a challenge which must be met by excluding non-institutional sources altogether from the sphere of rural finance. Institutionalisation of sources of supply of finance, rural and urban, is desirable. This is the main justification of the Gorwala Committee's recommendations relating to the Imperial Bank. But it is a major flaw that the Committee has no practical recommenda-



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tion to associate the private money-lender with the recommended improvements in the organised structure of rural finance because it rejects him as a by-product of the colonial-cum-commercial-cum-urban domination of rural economy. It would seem that, even as Washington is reluctant to accept co-existence between Capitalist Powers and Communist States, the Gorwala Committee has not much faith in co-existence between the organised and unorganised sectors of rural finance.

Here, it may not be out of place to relate the Gorwala Committee's hostility to the money-lender to the Shroff Committee's recommendations relating to shroffs. Unlike the Gorwala Committee, the Shroff Committee is in favour of direct linking of the shroffs with the organised, urban banking structure. But the Reserve Bank, like the Gorwala Committee, seems to have developed a pronounced antipathy to the unorganised sector of urban finance. The Reserve Bank and the Gorwala Committee are agreed that the rural money-lender and the urban shroff must become co-operative societies or banks to enable their association with the respective organised financial structures in rural and urban areas.

Denial of co-existence between the organised and unorganised sectors of rural and of urban finance, is not as relevant or important as the lack of suggestions for utilising the services of the unorganised sectors in both the spheres. There are, however, not a few who feel that the encouragement of shroffs and hundis on the one hand, and direct or indirect participation of the private money-lender in the business of discounting warehouse receipts on the other, provide useful means of expanding and popularising the internal bill market. It is strange that this form of finance has not received the emphasis it deserves from the Reserve Bank and the expert committees. There is much to be said in favour of the English pattern of commercial banking. But, to emphasise one of the arguments against the Shroff Committee's major recommendation for creating a consortium, many would prefer a bank discounting even a pig on pork worth Rs 100 than investing even a single pie in "risk" capital. This problem is discussed later.

If the Reserve Bank and expert committees are opposed to co-existence of organised and unorganised sectors in rural or in urban finance, and are in favour of integration of the unorganised sector only through annihilation, the Committee of Direc-

tion seems also opposed to co-existence of private finance in the rural sector. Rural credits are to be supplied by the various national funds. Flow of rural credits is to be directed by the Agricultural Credit Department of the Reserve Bank, now a wing of the Finance Ministry. According to the Gorwala Committee, the State Bank and its various rural branches are to be the means through which rural credits are to be canalised. Both the Shroff Committee and the Gorwala Committee are agreed on the need for institutionalising credits. But, while the Shroff Committee accepts the importance of private credit institutions for urban industrial development, the Gorwala Committee rejects private initiative in rural finance. Both the Government, and the Reserve Bank accepts the Gorwala Committee's recommendation for State monopoly in rural finance, and, also perhaps, in rural economy.

THE URBAN POSITION

So much about the problems of co-existence in rural finance. In urban, industrial finance, co-existence between the State and private initiative is accepted. In its recommendation that banks should subscribe to a greater extent to the shares and bonds of the Industrial Finance Corporation and the State Financial Corporations, the Shroff Committee urges private initiative to collaborate with the State, even as the State accepts its responsibility for helping industrial development in the private sector by providing financial aid through IFC and the State Financial Corporations. Nor is the Shroff Committee opposed to co-existence of the organised and unorganised sectors of industry. It recommends a National Development Corporation for providing finance for the development of small-scale industries.

Even so, the Shroff Committee implies that private industry will have to depend mainly on private institutional sources like banks and insurance companies for financial aid. It is conceded by the Shroff Committee that the organised sector of industry does not suffer from short-term financial stringency. It has no problem relating to its working capital. But industry needs long-term finance. One of the major recommendations of the Shroff Committee is that banks should participate, indirectly and directly, in long-term industrial finance. For the main purpose and argument of this article, it would be unnecessary to discuss the arguments against even indirect participation of banks in long-term indus-

trial financing, or the permissible ways in which banks can, and should, participate indirectly in long-term industrial financing.

Far more intriguing is the Shroff Committee's recommendation that banks and insurance companies should directly participate in long-term industrial financing. It recommends that leading banks, in co-operation with insurance companies, should form a consortium or syndicate for underwriting or investing in new issues of shares and debentures of industrial companies. By investing five per cent of their deposits, banks could, the Committee estimates, make available a further sum of Rs 30 crores for the long-term finance of industries in the private sector without seriously jeopardising their liquidity. From the action subsequently taken by the Reserve Bank, it would seem that neither the Bank nor the Shroff Committee is aware of the vital distinction between "risk" capital and long-term capital. To damnify the Committee because of its recommendation for a consortium would now seem to be flogging a dead horse.

Even as the Shroff Committee's report was published, it became evident that the Committee was outdated in its major recommendation relating to the proposed consortium. Swiftly developing events since the publication of the report make it clear what the make-up of industrial finance is going to be. Some of the details will have yet to be settled. There are doubts whether IFC, with its small capital structure, should be allowed to continue to finance industry in both the private and the public sectors. If, and when, the Shroff Committee's suggestion for a Development Corporation for small industries is implemented, or, if, and when, this suggestion is dovetailed into the Gorwala Committee's suggestions for re-vitalising rural economy, the question will arise whether State Finance Corporations can be of any further use.

Apart from these details, the set-up of industrial finance in both the sectors is now clear. It will be the function of the State-owned National Industrial Development Corporation to finance industrial projects in the public sector. Even for this purpose, the capital structure of NIDC may seem inadequate; the more so, because of the recent proposals to expand industrial development in the public sector. On top of this, NIDC is supposed to finance rationalisation of the two major exporting industries such as cotton and

jute textile industries. Either the share capital of NIDC should be substantially raised, or this latter function should be delegated to the newly-formed Industrial Credit and Investment Corporation.

If the State-owned NIDC is to finance mainly industrial development in the public sector, ICIC, to be exclusively privately owned, will function exclusively for the promotion and development of new and existing industries in the private sector. Here, it is not the intention to discuss the interesting experiment of attracting domestic and foreign private capital through ICIC, or the attempts at indirect collaboration between private and State capital, both domestic and foreign. More rele-

vant is the emphasis on indirect participation of banks and insurance companies in ICIC. All those who are familiar with banks and banking will agree that this is a safer way of participation of banks and insurance companies in long-term industrial finance than the consortium proposed by the Shroff Committee. ICIC's capital structure is not inadequate. Its potential resources are quite ample. With ICIC, the problems of finance for industrial promotion and expansion in the private sector would seem to be nearer solution.

Certain conclusions emerge out of this discussion of the problems of financial co-existence. In the urban

sector, financial co-existence is conceded. Respective financial obligations of the State and of private institutional sources are also clearly demarcated. In the rural sector, co-existence would seem to be rejected. There is an undue emphasis on State monopoly of rural finance. In both rural and urban sectors, the unorganised financial sector is left to fend for itself. In the urban sphere, this sector is tolerated. But the Reserve Bank's endorsement of the principles behind the recommendations of the Committee of Direction would seem to indicate that the unorganised financial sector in the rural areas is not only not to be tolerated, but may be eliminated through combative discouragement.

In a South Indian Village Non-Economic Activities

IN my village very little time is spent on Puja. In fact, I was most surprised to find this. There is of course a division of labour between men, women and children. Now the men perform the majority of the operations involved in the cultivation process individually and not in a team. They work singly with their bullocks or buffaloes. This means that during most of their working time they are fairly isolated. To make up for this isolation, they sit together in groups in the evenings and talk gossip or discuss their work, and at least once a week, they walk five miles to the nearest market town and back to their village. In the market town—it is really a village where the weekly market is held—they sit around in cafes and talk. These trips mean a long walk and also quite an expense, as the men smoke a lot there and drink a lot of coffee.

To the outside observer the villagers appear lazy, spending so much time sitting around in groups in their own villages as well as in the market town. This is the picture a number of Western economists portray of villagers in "underdeveloped countries", but if you live here you learn better. During these long talks in their own villages and in the market town, the farmers do not only talk idle gossip, but they get to know about likely brides or bridegrooms for their children and they hear of likely buyers or sellers of cattle, jaggery, paddy, etc. Since most of the farmers are illiterate, their market would be strictly limited if they did not discuss avail-

ability of goods as well as prices with people from their own and other villages. These long talks help to widen the market and also make it more perfect. These casual meetings which look on the surface like a form of laziness do give the

farmer not only the companionship he needs, but also widen his social as well as economic horizon. In the West we have farmers' clubs corresponding to these casual meetings. The only difference is that here the meetings are not organised and take longer.

Men perform their daily activities, except at harvest or transplantation time, on their own or in groups of no more than three. Women always work in larger teams of about eight to twelve. Some teams are composed of particular age groups, others are made up of three generations in a kin group. The activity determines the composition of the group. Fetching water, washing, etc., is done in age groups; cooking combines the generations in a household. Whilst working, these women will gossip away and periodically they will take rest and just enjoy their time together.

Sickness combines an even bigger group. I suspect it combines women of one street, but am not quite sure on that yet. Practically every day there is bound to be at least one sick child in a street and so the women of the whole street will gather in the affected house and give advice and suggest remedies.

For women, their social life and economic activities are knitted into each other and it is difficult to disentangle them. I find it absolutely impossible to measure the daily working time of a woman. Her daily life is one pattern of work and pleasure woven into one unit.

S T



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Calculus of the Second Plan

Diversion of 10 to 12 per cent of the national income to investment is not an impossible task in itself. Other countries have attained higher ratios during periods of rapid development, but under quite different circumstances. Some did it during the hey-day of private enterprise, others did it through rigid controls and State direction.

In India, however, this increase has to be brought about in a climate which has the elements of both, but not the punch of either.

INDIA's first Five-Year Plan commenced officially from April 1, 1951. But on that date, few knew definitely what the size of the Plan was, or how the expenditure targets were to be shared by the public and private sectors. It was only a couple of months later that the Draft Outline of the Plan suggested the likely outlay over the five-year period. And it was towards the end of 1952 that the Plan was finalised.

In the circumstances in which the first Plan was evolved, this was perhaps inevitable. All aspects of planning had to be examined *ab novo*, and the programmes decided through the cumbrous mechanism of directives to States, scrutiny of State plans, discussions with them and so on. The machinery for mutual consultations had to be evolved, and the procedure for drawing up the Plan had to be democratic. The Plan, that is to say, had to be built up from States rather than handed down from the Centre. All this contributed to delay.

ADVANTAGEOUS START

To the extent that the planning machinery is already there, the second Five-Year Plan, which is to commence in 1956, starts with certain very definite advantages. The most important of these is the slow crystallisation of ideas regarding the theory and practice of planning in a mixed economy. This arises in part from an increased knowledge of the basic features of the Indian economy and in part from an awareness of the administrative difficulties inherent in a programme of democratic planning. More intangibly, the second Plan will also benefit from a widening of the mental horizon of the planners, administrators as well as of the general public. It is being accepted more and more widely that like peace, development is indivisible; and that, therefore, the unit to be considered is India rather than this State or that sector. This is all to the good; and together with the experience of planning gained during the first five years, it will help reduce delays and bottlenecks of various types in the

subsequent period. It will also reduce conflict between sectional interests.

DIRECTION AND MAGNITUDE

Given this change in the environment, it is natural that the Centre should start thinking and talking about the second Plan earlier and with greater freedom. In the past six months or so, there has been as much airing of views regarding the next plan as assessment of the progress of the present plan. Affirmation of the goal of a socialistic economy has come not too soon. And more remarkably, very definite suggestions have been made regarding the expenditure targets for the second Plan. Clearly, the object of the first of these tactical steps is to prepare the country for a more rapid transformation; and of the second, to gauge the reactions of the public to the proposed size of the second Plan.

Let us consider the latter first. The proposed outlay under the second Five-Year Plan is Rs 5,500 crores, of which Rs 2,500 crores are for the private sector. The corresponding total of planned outlay for the first Plan is Rs 3,500 crores—Rs 2,300 crores in the public sector and Rs 1,200 crores in the private sector. It should be borne in mind that the figures above relate to planned outlay in the first Plan, and should not be confused with actual expenditure between 1951-52 and 1955-56. This is a distinction of importance, as will be seen later.

GREATER EXPANSION OF PRIVATE SECTOR

Now, in terms of planned outlay, the second Plan will be about 57 per cent larger than the first Plan. This represents a very considerable expansion, though it might not satisfy those who are impatient of the rate of development at present and want a three-fold or four-fold increase. Even more striking is the suggested distribution of this outlay between the public and private sectors. While in the first Plan, the ratio between outlays envisaged in the public and private sectors was

two to one, that in the second Plan it is nearly half and half. Reckoned in absolute terms, the shift is even more impressive. Outlay in the public sector is to increase by about Rs 700 crores, whereas that in the private sector is to be larger by as much as Rs 1,300 crores. Looking at it in yet another way, the private sector has to more than double its five-year programme.

At first flush, this seems surprising in view of the pronouncements on socialisation of the economy. For, this objective is to be sought by increasing State participation in newly-developed fields, rather than by acquiring industries which are now in the private sector. That, at any rate, is what Government spokesmen are straining to clarify. But whichever way we look at it, the roles proposed for each of the two sectors in the second Plan seem somewhat out of line with the basic pattern envisaged. For, if the projected outlay is in fact achieved, the private sector will have grown faster than the public sector at the end of the second five-year period and the economy will, in terms of collective ownership, be less socialistic than at the beginning. If, on the other hand, the relative size of the public sector is increased through nationalisation, one of the two things is inevitable: either the planned outlays for the two sectors will have to be revised, or the rate of development in a truncated private sector will have to be something stupendous to reach the target of Rs 2,500 crores in five years. And if this miracle happened, the private sector would, despite its limited extent, be a powerful element in the economy, not only because of its achievement but also because of the impression such spectacular progress would have on society.

SIZE IS RELATIVE

All this is, in a sense, incidental. It could be argued that by the end of the second Plan, the Government will be so familiar with all the instruments of planning and control that the size of the private sector will not matter. One could take

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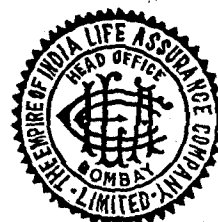
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that comforting stand and concentrate on the question of implementation of the Plan. That is to say, assuming an aggregate expenditure target of Rs 5,500 crores, what does it imply in terms of resources and efforts needed to achieve it?

Posed thus, the actuals of the first Five-Year Plan become more important than the planned targets in any scheme of reckoning. For, the starting point of the second Plan in 1956-57 is not where in 1951-52 we thought we would be, but where in fact we are. From all accounts, it would appear that the outlay in the period 1951-56 will be considerably smaller than the Rs 2,300 crores envisaged in the Plan. It is likely to be Rs 2,000 crores or even less, so that the attainment of the target of Rs 3,000 crores in the second five-year period would mean an increase of over Rs 1,000 crores in public expenditure. This is taking the commonsense view that the proposed outlay for the second Plan includes the short-fall in expenditure on schemes covered by the first Plan, and is not in addition to it. Even so, the mobilisation of resources both financial and physical needed to carry out the programme will have to be on a much bigger scale than has so far been done.

TASK FOR PRIVATE SECTOR MORE ONEROUS

When we turn to the private sector, the contrast between the actuals of the first Plan and the programme for the second becomes even more striking. It is at the moment not known exactly what fields of private investment are covered by the target of Rs 2,500 crores. Indeed, it is not even clear how the corresponding target of Rs 1,200 crores for the private sector has been arrived at. For the Planning Commission envisaged an outlay of only Rs 613 crores in the private sector for the period of 1951-56. This covered the larger industries, and it may be presumed that the target of Rs 1,200 crores for the first five years is inclusive of expected investment in small-scale industries, agriculture, etc, which are predominantly in the private sector. Even if we take this extended view of the private sector covered by the first Plan, there is little evidence to show that the actual investment outlay during 1951-56 will be anything like Rs 1,200 crores. From which it follows that the task set for the private sector in the second Plan is even more onerous than that set for the public

sector.

It is worthwhile pondering over this for a while. For the scope for overcoming the obstacles which prevented the achievement of the targets in the first Plan becomes a matter of primary importance in judging the prospects for the second. These obstacles may be psychological, physical or financial. Enough has been said already about the changing outlook in the country, so that as time passes, the psychological hindrances could possibly be overcome. On the physical side, the administrative resources may also be expected to improve with experience. It is the physical resources in the sense of productive factors that go to raise national output, and the financial resources that are necessary to shift factors of production and put them into use which need greater attention by the planners.

INTER-INDUSTRY RELATIONS

One might digress a bit here to take note of an important change in economic thinking that is taking place in the country today. With the coming into prominence of what is called input-output analysis, more and more attention is being paid to the inter-relations between industries of all types, and to the technical questions of physical inputs needed to obtain specified outputs of different commodities. This is coming to be recognised as basic to planning, as indeed it is. As a consequence, two things could emerge—one of which would be of immense advantage to policy, while the other could become a hazard. To take things in that order, the input-output analysis will help discover how much of each of the different inputs will be needed to obtain a given pattern and volume of outputs; and as a corollary, the precise points at which bottlenecks are likely to arise and have to be avoided. Given this information, it would be of assistance in drawing up the plans and the priorities. If it is the input of steel that is required in larger amounts, it is the programme for steel that should be taken on hand. And so on, down the labyrinths of the input-output matrix.

But in this process, there is danger of losing sight of the financial aspect of it all. This is the risk mentioned above, and has to be guarded against. If the tendency to view pre-occupation with financing the Plan as outmoded and conser-

vative becomes widespread, it could defeat the whole Plan, especially in an economy in which part of the shifting of resources is to be carried out through the price mechanism. Even as the financial problems inhibited thinking on the first Plan, deliberately ignoring the question of finance might throw the second Plan out of gear.

NATIONAL INCOME AND OUTLAY

To revert to the main theme. With little known about the likely pattern of outlay in the second Plan, it is hard to say in which of the sectors physical resources will be adequate or lacking. Broadly, it would appear that there will be a shift of emphasis as compared to the first Plan, inasmuch as industries will receive greater attention. This will mean that it is the physical resources needed for speeding up industrial investment and output that will occupy the centre—or nearly the centre—of the stage. One might think of the implications of this in regard to specific industries like steel, cement, fertilizers, heavy structural engineering and so on.

Much the same applies to the question of resources in the broad sense. But there is here some room for reasonable speculation. For one thing, the size of the outlay envisaged, viz, Rs 5,500 crores, may be viewed against other likely aggregates, to get a hang of the situation. It is not clear whether this outlay is to be viewed broadly as development outlay just as in the first Plan, in which case it is somewhat wider than the economists' definition of investment outlay. Also, it is not clear whether this includes all investment outlays or only those which are covered by the Plan. In other words, does the outlay of Rs 2,500 crores in the private sector include investment in housing, trade, etc, or does it not? This also is not clear, and it is, therefore, hazardous to relate the outlay to likely aggregate saving in the economy plus the likely import surplus. However, one might this with the figure to some extent, as long as one is aware of the limitations. We

A five-year outlayable opportunity means an access to better outlay of Rs 1,100 (the end, build up mental purposes, so the highest sary that the target employment, should be equal to act us briefly Staggering it evenly, tactical impli- be achieved with thesis.

Rs 900 crores in the first year, rising gradually to Rs 1,300 crores in the final year. If we assume, on the basis of present trends that national income in the first year of the Plan, viz, 1956-57, will be of the order of Rs 11,000 crores, development outlay in that year will absorb about 8 per cent of the national income. If this percentage is maintained year after year, to ensure an outlay of Rs 1,300 crores in the last year, national income will have to be around Rs 16,000 crores. In other words, the increase in national income during the quinquennium will have to be from 45 to 50 per cent. Such an increase will, incidentally, provide adequately for an increase in consumption expenditure *pari passu* with development outlay.

Considering the rate at which India's national income has increased in the past, this appears rather optimistic, if one is focussing attention on real income. It will be remembered that the Planning Commission assumed in the first Plan a capital-income ratio of 3:1 for India. This may or may not be a correct ratio. But even assuming a smaller capital-income ratio,

say 2:1, or even 1.6:1, it is obvious that to get a rise of Rs 5,000 crores in national income between 1956-57 and 1960-61, investment during the quinquennium will have to be much more than Rs 5,500 crores mentioned these days. Looking at it the other way round, national income will rise to a level considerably lower than Rs 16,000 crores as a result of the outlay envisaged in the second Plan. How much lower will depend on the precise relationship between investment and income-flow in the economy. Whatever that may be, it would imply that carrying out the Plan will require an increase in the proportion of national income diverted to development purposes. In the final year of the Plan, this proportion may have to be between 10 and 12 per cent.

This is manifestly not an impossible figure by itself. Higher ratios have been obtained by several countries during the periods in which they developed rapidly. But the circumstances in which they were achieved were different. Some of the countries engineered such a diversion through rigid controls and State direction. Others were able

to attain such high ratios during the hey-day of free enterprise. In India, however, this increase has to be brought about in a climate which has the elements of both but not the punch of either.

The magnitude of the problem will become clearer if it is realised that a substantial part of this additional outlay is to be in the private sector. Quite obviously, this sector will have to depend on the savings that become normally available to it, and cannot, like the Government, force savings through taxation or deficit financing. Alternately, the State has to obtain the resources and pass them on to the private sector in one way or another. Either way, there will have to be a drive to make the country conscious of the need to maintain austerity standards in consumption. Such restraint can come in only one of two ways—rigid control or voluntary sacrifice of present consumption deriving from a realisation of the desperate need for higher investment. Without these, achievement in the second five-year period will fall far short of expectations—even allowing for a reasonable amount of external aid.

Economics of Resource Development Some Fundamentals

Sudhir Sen

Even when our objective is to create jobs for the people, our planning should proceed from the resource-end.

We should plan for the best employment of our resources; only then we shall be able to plan for the best employment of the people.

THE second Five-Year Plan, as we are told, is going to be based on the physical needs of the people and will lay greater stress on the physical resources of the country. This is perhaps an indirect recognition of a major shortcoming from which the first Plan suffered. That Plan, as we all know, was the outcome, not of any incisive economic-scientific analysis, but primarily of an assembly operation, a mechanical juxtaposition of schemes; and, consequently, it remained weak in integration, and could not become what a Plan should be—a well-knit well-balanced entity. In fairness we must admit that the authors of the Plan did the best they could in the difficult conditions they had to face five years ago—the country was in the grip of a financial crisis, the worst since the early thirties, and of an acute food shortage with near-famine conditions in many areas. It was crystal-clear to all thoughtful people that things would have to be stopped from becoming worse before we could expect them to be better. The chief tasks before the Commission were to tackle the food problem, to cut down expenditure, to minimise fresh financial commitments, and to fix down-to-earth targets in different fields. Besides, priority had to be given to those projects which had already been under way, or for which irrevocable commitments had already been made. The Plan, in other words, was determined more by the force of circumstances than by conscious design. Judged against this background, the first Plan, in spite of all its weak spots, was a remarkable performance.

WELCOME EMPHASIS ON BASIC RESOURCES

Today things are different; the country has definitely come out of the woods, mainly as a result of the gigantic effort made under the first Plan; the nation as a whole has acquired valuable experience in development work. The second Plan will therefore be largely free from the compulsion of circumstances, and so it can be moulded with much greater

freedom. Its quality will depend, above all, on the objective thinking and scientific analysis that will be brought to bear on it in establishing priorities and fixing targets. The task will be simplified if we can bear in mind a few fundamentals to which a well-thought-out development plan should conform.

The greater emphasis proposed to be laid on physical resources is indeed most appropriate. It is a sign of growing realism in our economic planning. What, then, are these resources? The bewildering complexity of the modern world with the thousand-and-one articles that we use or encounter in everyday life, often makes it hard to see the inter-relationship of things in the right perspective. Yet the fact remains that our physical resources consist of half a dozen broad items—waters, soils, minerals, forests, sunlight and air. It is out of these that we must obtain all the wealth to meet all the requirements not only of our vast family of 360 million people, but also of the steady stream of newcomers that are being added to it at the rate of five millions a year. For this our industry and ingenuity must be harnessed as fully as possible to these resources. This is the biggest challenge that faces our generation.

NOT INEXHAUSTIBLE

The six resources mentioned above can be divided into two broad categories: sunlight and air, which are *inexhaustible*, and the other four which are not so, although the degree of exhaustibility varies in each case. Minerals are the most exhaustible of our resources—for example, coal or oil, once mined and used, are gone for good. Soils, on the face of it, may appear to be a durable asset; but it is the relatively thin layer of top-soil that concerns us most, for it is this top-soil that supports plant life; and, unless this layer is carefully protected, it may be washed down by water or blown away by wind. Besides, it may also die of exhaustion if its fertility is thoughtlessly

“mined” without attempt to replenish it. Forests, even when depleted, can no doubt be re-grown, but it takes a generation or two to raise a good forest. Besides, where the pressure of population has been steadily encroaching upon forest lands, we know very well that forests, once gone, seldom reappear. Nor is it easy to repair the damage that is often inflicted on old forests when the unbridled greed of exploitative businessmen is let loose upon them. With water the position is more reassuring. Although in the long run rainfall in a given area may to some extent be determined by how well or how badly forests are looked after, water remains a self-renewing asset. The problems it creates are mainly due to its maldistribution, both over space and time, and it is the business of the water planner to rectify them as far as possible.

LOGIC OF RESOURCE ECONOMICS

Our natural resources are no doubt vast, but so is our population; and if we consider the two in relation to each other, we shall certainly have no reason to look upon ourselves as the chosen people under the sun. The resource-population ratio is much smaller in India than in many other countries; and it is shrinking steadily with the increase in the denominator. To support this vast mass of people on such a resource-base at a reasonable level of material well-being will call for all our vision and imagination, all the modern science and technology, as well as the united effort of the whole nation. To achieve success in this unique enterprise we shall have to husband our resources with the strictest sense of economy. We must relentlessly search for and make use of every possible opportunity to put the resources to better use so that we may, in the end, build up on this resource-base the highest possible edifice of employment, wealth and income. Let us briefly look at some of the practical implications of this general thesis.

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Today we are out to control floods in North-West India through embankments, which, in the case of the Kosi, will be seventy miles long. Will these massive embankments be able to hold the flood, or will they give way? Even if they come up to our best expectations, the waters will continue to flow down to the Bay of Bengal, albeit without causing any damage, but also without rendering any service. And, as a result, millions of acres of land will continue to be deprived of the dry-weather irrigation so badly needed to grow food and other crops for tens of millions of people, and the billions of kilowatt-hours of energy will continue to run to waste without lighting a single house or turning a single wheel. It is odd that so many experts should plan so carefully to waste so much of our resources and potential wealth. This is an example of how not to plan.

From the angle of resource economics the logic of multi-purpose development of our rivers on a valley-wide basis is impregnable. For only then can we expect to extract all the benefits from our water resources—flood control, irrigation, power generation, navigation, supply of water

for industrial and domestic use, fish cultivation, recreation. This is the approach which we had adopted, only ten years ago, with a good deal of enthusiasm. There is no justification to beat a hasty retreat from it today.

PATTERN OF LAND-USE

Our pattern of land-use is the outcome of the pressure of population and other historical forces, not of any scientific thinking or planning. Consequently, it will need a good deal of readjustment in many directions before it can satisfy the tests of proper resource-use. Provision of irrigation wherever feasible, and control of erosion through soil conservation are of course two of our biggest problems. In addition, far greater attention will have to be paid to the problem of building and maintaining soil fertility at a high level. The broad requirements here have long been known: better seeds, more scientific crop rotation, mixed farming, greater use of farmyard manure, also of fertilizers, especially phosphate, potash and lime, to maintain proper mineral balance in the soil, greater emphasis on horticulture, poultry, dairy

farming and fish culture. Optimum use of our land resources, as we all know, is also impeded by the uneconomic size of our holdings. To this a more "equitable distribution" of land is obviously no answer, and, if anything, it will further accentuate the problem of fragmentation and subdivision. Nor is there any guarantee that change in the ownership of land will by itself make for a more rational pattern of land-use. The magic of property may not, after all, give us two blades of grass where we now grow only one, because our cultivators are, as a rule, too poor and too ignorant to adopt and apply modern agricultural know-how.

DISCOVERY OF UNDERGROUND INDIA

In the case of land resources, we more or less know the main facts, also what ills they now suffer from and how they could be best remedied. What we need in this field is, above all, to apply in practice what we already know. With our mineral resources the position is quite different. Our geological data are much too fragmentary, with yawning gaps in our information about

the mineral wealth that may lie buried in the ground, for over large parts of the country there has been no adequate geological survey. Here is a vital link still missing, and until this link is supplied, resource planning will, to a large extent, be a leap in the dark. One of the first tasks in our planning today is therefore to plan for the complete discovery of underground India; and for this we should create an army of geologists in the same way as Russia did in the twenties under her first Five-Year Plan.

To judge from the available geological data, our position is particularly weak in non-ferrous metals, especially in tin, zinc and lead; the deposits of copper, too, are far from adequate; the oil deposits are almost negligible—this deficiency is perhaps our worst single handicap; the only fuel, of which we have a reasonably abundant supply, is coal; but the bulk of it is low-grade with a high ash content, while the deposits of high-grade metallurgical coal is far too small. On the other hand, there is no dearth of bauxite while our iron ores are among the largest and richest in the world. As the modernisation of our agriculture gets into its stride, the need for phosphate and potash will be increasingly felt. So far no mentionable deposits have been located for either of them. Unless future geological investigations throw up some pleasant surprises, lack of these two minerals, and more particularly of phosphate, will remain a grave drawback for our agriculture.

In a well-planned programme of resource development the law of substitution must play a big role. This means that to meet a given social need or demand we must, as far as practicable, substitute an inexhaustible resource for an exhaustible one; and, similarly, a resource available in greater abundance should, wherever possible, be substituted for a resource of which the supply is more limited. Let us illustrate.

SUBSTITUTION BY LESS SCARCE

Coal as fuel is a single-use resource—once burnt it is gone for ever. In terms of resources thermal power is therefore far more costly for us than water power which can be tapped, year after year, from a self-regenerating resources. However, sometimes one has to go in for thermal power if only because there may not be enough scope for hydro-electric development. This

has been the case in the Damodar region where the DVC has set up a large thermal power station with an ultimate capacity of 200,000 KW. But in doing so the DVC deliberately decided to use low-grade high-ash coal, of which the supply is plentiful, even though this would give less BTU per ton of coal. The effect of this lower thermal value on the cost of generation has been made good by the economies in other directions—the location of the power station in the heart of the coalfields, an up-to-date efficient plant, the benefit of large-scale generation. The unit cost of power could have been kept lower if high-grade coal were used as fuel. This is what a privately managed commercial concern would do as a matter of course in order to widen its profit margin. But this is what we have to avoid in the interest of proper resource-use.

CASE FOR SYNTHETIC OIL

Since we are heavily dependent on foreign countries for petroleum and petroleum products, the case for a synthetic oil plant to produce oil from low-grade coal is obvious. It may be far more important for the USA to produce synthetic rubber than synthetic oil, because she has oil in plenty while for natural rubber she has to depend on others. The UK which still dominates the sea-lanes of the world may find it both expedient and cheaper to continue to depend on imported oil. Our position in this respect is more similar to that of Germany, and, like the latter, we should have given high priority to the production of synthetic oil even in our first Plan. This omission needs to be made good without further delay.

Meanwhile it is meet and proper that high priority has been given to atomic research and the development of atomic power. The fuel base of our economy is none too large; the need for a switch-over to atomic power will therefore be felt by us much earlier than in countries which have been blessed by Nature with very large deposits of coal, gas and oil.

There are of course numerous other examples where the principle of resource Ersatz can be fruitfully applied. We shall have to substitute aluminium for copper in many cases because of the relative scarcity of the latter. The need for developing our aluminium industry has hitherto received no more than fitful attention, yet in any rational scheme of pro-

rities it will rank very high indeed. In the production of steel we should try and replace coal, as far as possible, by electric power or oxygen. To meet the nitrogen requirement of the soil we may, to a large extent, tap the atmosphere by growing leguminous crops rather than depend on chemical fertilizers. Similarly, cow-dung, instead of being burnt as fuel, ought to be returned to the soil as manure; and to make this possible we should find some suitable substitute for it.

OPTIMUM UTILISATION

The economics of resource-use also involves what we may call the principle of optimum or maximum utilisation—a given resource should be made to go as far as possible in producing wealth. Its implications for our water resources, as already mentioned, are source-to-mouth treatment of each river system, storage reservoirs, multi-purpose dams. For lands and forests the first task is their rehabilitation, that is to say, to bring them to a high level of productivity so that they may yield optimum output, year after year, on a sustained basis. But even this is not enough. If the primary products obtained from lands, forests and mines are used up or exported as such, the volume of wealth, jobs and income derived from these resources will remain relatively small. On the other hand, these would multiply by leaps and bounds as soon as we begin to process the new material and to build up a whole range of manufacturing industries on their basis. Where a vast population is heavily pressing on a relatively narrow resource-base, a high degree of industrial development is essential in order to support it on a reasonable living level. This is as good as a truism, but it needs to be emphasised since so often it tends to be overlooked by us.

The biggest curse of colonialism is that a colony has to subsist mainly as the producer of primary commodities; it is deprived of the opportunity to develop processing and manufacturing industries; as a result there is a mounting pressure on resources, which in their turn tend to be depleted at a fast rate, while the population continues to languish at or near a subsistence level of income. Today India is free to mould her destiny as she chooses. She can, if she so wills, build up an imposing range of industries, relieve the pressure on resources, and raise the living standards of the people. And she will no doubt do so once she is

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able to approach the issues about our economic survival with an uninhibited mind and without those emotional blinkers that often tend to distort her vision.

NEED FOR RESEARCH

Take, for example, coal. We can burn it for heat, or we can use it as the foundation for a wide range of chemical and dye-stuff industries. Similarly, we can use our 50 to 60 per cent Fe content ores for developing a mighty steel industry, and go further and develop a number of steel-based industries, to meet our own requirements as well as to cater to the needs of South and South-East Asia. The same remark would apply substantially also to an aluminium industry. To take a somewhat different example, our manganese fields are now littered with what are classed as low-grade ores; yet if Mn and Fe contents of these ores could be separated through some suitable technical process, we would at once get a lot more high-grade manganese, which would be an important foreign exchange earner, in addition to a substantial quantity of iron. Technical research on problems of this nature holds out big

promises of better resource utilisation; and in the modern world such research usually produces the desired solutions in due course.

HUMAN RESOURCES

What about the human resources? We have in this country billions of idle man-hours; if we can mobilise and harness them to productive jobs, would it not be possible to step up the output of wealth? No one can deny that. But where and how can these billions of man-hours be best invested? This is really the point at issue, and we cannot answer it offhand. If we plan to develop, use and conserve our natural resources on the lines indicated above, we shall in the process also create endless avenues of employment where these man-hours can be best utilised. In other words, even when our objective is to create jobs for the people, our planning should proceed from the resource-end. To put it differently, we should plan for the best "employment" of our resources; only then we shall be able to plan for the best employment of the people.

The end of all resource-use is of course to meet the needs of the

people. Planning, it goes without saying, must be directed towards that end. We shall therefore have to keep our eyes continuously fixed on both—the natural resources of the country and the physical needs of the people, and their probable needs in future. If resource planning has to be geared to the needs of the people, their needs as well as their habits and outlook will at times have to be adjusted to the requirements of resource use and conservation. For example, we are a great cereal-eating nation; yet this method of obtaining our calories imposes a heavy burden on our land resources. Suitable changes in our dietetic habits could appreciably reduce that burden. If, for instance, the production of fish were stepped up in our Eastern States through an all-out effort, and if the per capita consumption of fish could be doubled and that of rice halved, people and land would both be much better off in this region. To a large extent we are also a nation of cow-worshippers. A high proportion of our cattle population today is unproductive, yet they live on the same resources and therefore compete with men. Our economy cannot indefinitely

carry this holy burden which has been acting as a drag on the living standard of the masses of people.

The task of the planning authority is, first and foremost, to establish the closest possible harmony between what the people will, or should, need and how the resources can be best mobilised to produce goods to meet those needs. Once this harmony has been established, the Plan will automatically become more balanced and integrated; and gaps and voids from which the first Plan suffered, eg in a 200-crore Plan there was practically no provision for steel and very little provision for communications, would tend to be automatically avoided.

PRIORITY AND SPEED

This is certainly no easy task. The needs when assembled will tend to be sky-high—they will need to be pruned and brought down to realistic limits. The projects competing for entry into the Plan will be countless—one will have to pick and choose to keep the programme within manageable dimensions. To fix the priorities and targets the planning authority will require a mass of data, a good deal of strictly scientific analysis, and high-grade economic statesmanship. Once the targets have been laid down, the merit of each project will have to be assessed, above all, with reference to three simple criteria: how much wealth is it going to produce, at what cost in terms of money as well as of resource, and in what time. The greater the wealth-creating potential, the lower the cost, and the shorter the time lag between the investment of capital and the realisation of the benefits, the higher will be the priority to be allotted to it.

In developing the resources of an underdeveloped country like India the economics of speed has a special significance. Starting late on the gigantic task of upbuilding a vast and backward economy, with generations of leeway to make up, and with a huge population still growing at a frightful rate, we shall have to move with the utmost possible speed in achieving economic progress in order to make an appreciable impact on the general living standard. In the expanding public sector optimum speed and economy in the execution of the projects can be maintained only if far-reaching adjustments are carried out in the existing administrative machinery. Our foremost requirement here is a much larger degree of decentralisation of responsibilities, which can be best

achieved through the wider adoption of the institution of public corporation. Only next in importance is the need for building up a vigorous heavy construction industry in the country. A very large part of the expenditure envisaged under the Plans will fall on heavy construction work of various types. Without an adequate construction industry the execution of the Plans will not attain a sufficiently high tempo. Lastly, to achieve simultaneous all-round progress, the private sector will have to be encouraged to make its utmost possible contribution. Given a favourable milieu, judicious encouragement and legitimate incentives, it can be turned into a first-rate vehicle of social and economic progress. Once its latent dynamism has been unfolded, the transition to the socialistic pattern of society will be greatly accelerated.

Even after all this has been achieved, there will still remain a big problem to grapple with, a problem that has long been casting its dark shadow over our economic future. Can we continue to accommodate five mil-

lion newcomers a year in our economy and yet crawl above the subsistence level of income? This fateful question looms more and more ominously on our horizon. In the forty-four years preceding the first World War when Germany made phenomenal progress, her industries could absorb 20 million people, or the net increase in her population during the same period; the rate of absorption was less than half a million per year. In Russia, even when her industries were forging ahead under the Five-Year Plans, they could absorb only one million a year. These are significant facts. Yet till now we have been amazingly self-complacent about the problem posed by our mounting population. The first Plan touched it much too delicately and tangentially. We can no longer afford to fight shy of this problem. A frontal attack on it has long been overdue. The more we put it off, the more we shall jeopardise the prospects of attaining freedom from want while the pattern of society will tend to become more ascetic than socialistic.

Input-Output Analysis as a Planning Technique

(Contributed)

In underdeveloped countries, the inter-industrial demand for goods and services cannot be determined without knowing the structural coefficients and the structural coefficients cannot be known without knowing this inter-industrial demand. This problem, therefore, is insoluble within the framework of the dynamic input-output model.

INPUT-OUTPUT approach has been developed by Prof Leontief to provide a framework for "an empirical study of interrelations among the different parts of a national economy". The advance of economics as an empirical science has been rather slow and uncertain, because of a lack of sustained contact between the wheels of theory and the hard facts of reality. Empirical implementation, Prof Leontief argues, should be considered as much a part of an economic argument as the consistent development of its logical consequences. It is to this task of widening radically and effectively the empirical basis of economic science that he addresses himself in his two major works, *The Structure of the American Economy 1919-1939* and the more recent *Studies in the Structure of the American Economy*. Prof Leontief developed a simplified version of the classical general equilibrium theory which constitutes the theoretical framework of his input-output analysis for the purposes of exploring and utilising available statistical data and for gathering further obtainable data. In this static model, the economy is divided into a number of sectors on the basis of the nature of the product turned out. Each sector is considered to buy its inputs from other sectors and to sell its output to other sectors. There is an autonomous sector comprising of households, government, etc, which has no output and which represents final demand, and is unexplained within the model. This model to be internally consistent must satisfy his conditions. Firstly, the aggregate output of each sector must be equal to the aggregate purchases by other sectors from that sector. Secondly, the purchases of each sector from others must be

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Economists, Political Economy and Government

(Contributed)

*"But I was thinking of a plan
To dye one's whiskers green,
And always use so large a fan
That they could not be seen."*

—Through the Looking Glass

AN important Minister was reported to have said that "hard working departmental people" had been far more useful than economists in preparing the First Five-Year Plan. It was also rumoured that the National Development Council had entrusted the preparation of the Second Five-Year Plan to a group of statisticians. The *amour propre* of the economists was naturally hurt when the role of economists in economic policy-making was not properly recognized by Government. An elderly Professor muttered something about Robbins and finally took shelter behind a quotation from Nassau Senior: "The conclusions (of the economist) whatever be their generality and their truth do not authorise him in adding a single syllable of advice." But the younger economists were not to be so easily put off. They had been brought up on Keynes and were concerned with the fruit-bearing no less than the light-giving aspects of their science. The interregnum of 'economics', they fondly believed, was over with the eclipse of *laissez faire* and that 'political economy' which even Adam Smith had once described as "a branch of the science of a statesman or legislator" had once again come into its own. These practitioners of "welfare economics", equipped with a full complement of modern tools, were only too ready to give their advice on all matters of economic policy. But what could they do if Government did not seek their advice and were content to leave economic policy-making to administrators and statisticians? It was unfair not to give them the chance for helping Government, and worse still, not even to make all relevant data available to them, and then to blame them for not helping!

The fact of the matter is that although everyone swears by economics these days, economists as a tribe are not very popular with the politicians. This is largely because economists are not always very con-

venient advisers. When the politician itches to do something, the economist has to ask him to weigh the cost against the expected benefit and also to remind him of the scarcity of resources as compared to the various things which the politician wants to be done. Like the physician or the accountant, it is often the duty of the economist to tell the unpleasant truth. Naturally, he cannot be very popular. If he is too rigid, he runs the risk of being ignored as a mere theoretician. If he is too pliable, he is likely to earn the contempt even of the politician as a mere provider of arguments for anything that political expediency may demand. Moreover, every politician in these days is his own economist. He may acknowledge the need for special study in the field of medicine or architecture or natural science, but when it comes to economics he does not think that specialisation is equally necessary in this field also. This is why the statistician is more popular in administrative circles compared to the economist. Not only do the rather unintelligible mathematical symbols used by the statistician have their value as a "mantram" with the lay public, the statistician is also only a useful subordinate. Not so the economist; he is a potential competitor in the field of policy-making, and no politician likes a competitor.

Besides, the economist himself also has his own short-comings. The economist who wants to leave his ivory tower to take part in economic policy-making has to possess a rare combination of qualities which Keynes envisages for the Master Economist:

"He must be mathematician, historian, statesman, philosopher in some degree. He must study the present in the light of the past for the purpose of the future. No part of man's nature or his institutions must lie entirely outside his regard. He must be purposeful and disinterested in a single mood; as aloof and incorrupt-

ible as an artist, yet sometimes as near the earth as a politician."

In fact, he has to be something like the Philosopher-Statesman of Plato's conception. It is unlikely that any common mortal will be found to fit this exalted role and even if one were found, he will be so uncommon that he will be promptly ostracised by his fellow-beings.

There is some wisdom, therefore, in the attitude taken by the elderly Professor but the difficulty is that the "Political Economists" as a class cannot do that and yet retain the respect of their fellow-men. They have also to prove their "utility" if they want to survive. But if it is not open for them to become Master Economists, they can do the next best thing and find a solution in division of labour. To quote old Adam Smith again,

"sub-division of employment in philosophy as well as any other business improves dexterity and saves time".

The members of the fraternity who want to function as "Political Economists" have, therefore, been obliged to divide themselves into two broad groups—The "Academics" or the specialists and the "Government Economists" or the family physicians. Academic economists have to specialise in particular fields and function only as consultants on particular aspects of economic policy when referred to by Government. It is not for them to go to the sick bed of the patient unless specially summoned and even when summoned their job is only to examine the specific organ in their special field of study—the throat or the nose—that they have been asked to examine, give the benefit of their specialist knowledge to the attending physician and depart without further concern. They should not complain nor should they criticise if they have not been entrusted with all aspects of economic policy-making or economic planning.

related to the level of output of that particular sector. In Leontief's model this relation is assumed to be such that the amount of each input required per unit of output by each industry is constant. He assumes constant input coefficients.

Given these invariant input coefficients and a known 'bill of final demand', output of each industry could be determined by solving a system of simultaneous linear equations. The 'final demand' constitutes the demand of the autonomous sector (Government and households). The structure of the economy is described by the invariant input coefficients, and structural change is therefore a change in these coefficients. Leontief applies this static input-output scheme to study and measure the changes in the structure of the American Economy between years 1919, 1929 and 1939.

DYNAMIC MODEL

The set of input coefficients used in the static model determines merely the flow of labour, all kinds of materials, fuels, replacement parts, etc, which each industry would have to absorb per unit of time in order to be able to maintain a certain rate of output. However, these input coefficients do not reflect the stock requirements of the economy. All investment demand for the product of each industry is not explained in that model; this is assumed to have been independently determined and is included in the 'final demand'.

The investment demand for the product of each industry cannot be explained unless together with the input coefficients, the capital coefficients are also included in the model. A set of capital coefficients for a given industry describes the stocks of various commodities required per unit of its output. With the introduction of these capital coefficients or the stock-flow relationships, the model assumes a dynamic character. This dynamic model has a predictive value, at least for the short run, which the static model does not possess.

Given the appropriate sets of input and capital coefficients, the time-shape of 'final demand' and the initial state of the economy in terms of the outputs of the various sectors of the economy, the output of each particular industry can be determined with the help of the dynamic model by solving a system

of linear non-homogeneous differential equations. Or alternatively, given the initial state of the economy at the time, *t*₀, the desired state of the economy at the time *t*₁, and the appropriate sets of input and capital coefficients, a quantitative description of all the paths which the final demand could take while leading the economy from its given original position to the prescribed final state can be obtained by solving the system of linear non-homogeneous differential equations.

DYNAMIC MODEL AS A PLANNING TECHNIQUE

This dynamic model can be utilised for the purposes of planning in quantitative terms, if the input and capital coefficients are given. In that case, if the time-shape of the final demand is to be taken as given, we can determine with the help of this model, the feasible rate of growth of output of the various sectors of the economy. With the help of the same model, we can also determine the way in which the final demand should be controlled,



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if we want to attain certain targets in terms of the outputs of various commodities.

In an underdeveloped economy, however, when new industries are to be started, it is not possible to obtain these coefficients from observed data regarding industries. It can be argued that with the help of engineering data and the relative prices, these coefficients could be determined. Even in that case, can we take these coefficients as fixed and invariant, as is required by the dynamic input-output model?

For an advanced economy, in which the marginal changes in the outputs of various industries are likely to be fairly small as compared to the total outputs, it is perhaps justifiable to take the observed coefficients as fixed and invariant for a short period of time. This assumption, however, would not be tenable even for an advanced economy, if the period taken is fairly long.

THE PECULIAR PROBLEM

For the underdeveloped economies, thus, there arises a peculiar problem. The countries which are underdeveloped want to plan for rapid economic development and the planned increases in outputs of various industries are quite significant. Now the coefficients for each level of output would be different. Therefore, unless we know the level of output of a given industry, we cannot determine the magnitude of these coefficients, and we cannot know the level of output of a particular industry, unless we know the levels of outputs of the other inter-related industries. Thus the inter-industrial demand for goods and services cannot be determined without knowing the structural coefficients and the structural coefficients cannot be known without knowing this inter-industrial demand. This problem therefore is insoluble within the framework of the dynamic input-output model.

Apart from this main difficulty in the use of the dynamic input-output model, there would also arise some other problems. Gestation periods of various industries, changes in coefficients as a result of changes in relative prices (these changes may be quite significant in a developing economy, even within the short period), inadequacy of data, etc—all these will have to be taken into account, before we can apply this dynamic model.

The present provisions relating to export subsidies, which provide merely for consultation with affected countries, are likely to be tightened up. Some attempt may be made to define these subsidies and to decide how far they should include indirect subsidies given through fiscal devices and incentive plans. Orderly disposal of agricultural surpluses may be allowed. The present US practice of applying quotas against the import of agricultural products in contravention of GATT will not be permitted.

ORGANISATIONAL OVERLAPPING

It is not yet clear whether the new GATT would include within its purview international commodity stabilisation schemes and international monopolistic practices, which were included in the Havana Charter. In the sphere of commodity problems, there is at present considerable duplication and overlapping of efforts. Under the Economic and Social Council, there is firstly the FAO, which studies agricultural commodities; secondly, there is what is called the ICCICA (Interim Co-ordinating Committee for Inter-Governmental Commodity Arrangement) which sponsors studies and agreements on individual commodities and prepares an annual re-

port; and thirdly, the ECOSOC has recently set up a permanent Advisory Commission on International Commodity Trade, with 18 members, including India, which is at present meeting in New York, for study and examination of general stabilisation measures affecting commodity trade, as recommended by the UN Experts in their report on Commodity Trade and Economic Development. The UK and the USA feel that this duplication should be avoided and commodity problems should be studied under the forum of GATT. Some under-developed countries, however feel that they have better chance of support for their purposes in the ECOSOC rather than in GATT.

Some one has said of the GATT that "it consists of half-a-dozen principles, half-a-dozen platitudes and half-a-hundred escape clauses." It remains to be seen whether the new GATT will be anything better. It is gratifying to note, however, that there is such a wide measure of support towards an agreement to promote international trade and regulate it according to a code of international commercial conduct, in contrast to the discredited policies and practices of the inter-war period.

Jute as Fabric of Commerce

THE importance of jute as a dollar-earner is stressed in a statement issued by the Indian Jute Mills Association's London office, which says that the export of Calcutta gunnies maintains jute's position as India's largest dollar-earner and its ranking among the biggest dollar-earners in the Commonwealth. Following the war, there were shortages in Britain, but recently Britain has absorbed more jute than in pre-war years.

"This progress," says the IJMA, "is not only remarkable but significant, for ever since the war ended many alternatives have been produced to take the place of jute—plastics, paper sacks, and other materials." Although the present stock and price position had, no doubt, helped much, another reason for the "comeback" was felt to be the propaganda work now being carried out on behalf of jute. The jute industry had made available to customers new research and packaging advisory facilities.

Specimens of the different forms of jute are a feature of the Packaging Exhibition now being held in London.

Nationalisation of the Imperial Bank

H T Parekh

How are the shareholders to be compensated when the Imperial Bank and the State banks merge in the proposed State Bank of India? It will be inconsistent to have two different principles of valuation—market price of the shares in one case and the value of the assets in the case of the others.

In the case of the Imperial Bank, the analogy of the Reserve Bank is quite untenable, and considering the special character of the share-holding, present investors should be entitled to a fair, if not liberal, treatment. It will also be much the better policy, since the proposed State Bank may have to raise fresh capital.

THE Government notification of December 20 announcing the decision to exercise effective control over the Imperial Bank of India was the first step taken for implementing the recommendations made by the Committee of Direction of the All-India Rural Credit Survey. But it is already becoming apparent that Government move may take a different shape from that suggested in the Survey, and effective control will mean nationalisation through the Government taking over the shares of the bank held by private shareholders. The implications of his move may well be examined from the point of view of the shareholder on the one hand and the present depositors and the clientele of the Imperial Bank on the other.

While the Survey suggested the conversion of the Imperial Bank into the new State Bank of India by retaining the present shareholders, presumably with the right to dividend distribution undisturbed but with additional share capital owned by Government as a major partner to the extent of 52 per cent, Government appears to be proceeding to an outright purchase. This in one sense is more practicable because the Survey proposition would have created Government and private parties as two classes of shareholders, the dividend payable to the former being limited to 5 per cent while the latter, by implication, would go on earning the present rate of 16 per cent. Sooner or later Government would view such a situation unfavourably and may lower the dividend distribution of the private shareholders from 16 per cent, thereby prejudicing their interests.

BASIS OF COMPENSATION

But in another respect, the Survey recommendation may be more consistent than what Government proposes, if the State Bank of India is formed by a merger of the ten banks named in the notification of December 20. The Survey contemplated no cash compensation to the shareholders of the Imperial Bank while

the basis of compensation for the shareholders of the other banks was to be determined "after taking into account all the relevant considerations, including in particular the value of their part of the assets". The Rural Credit Survey Report suggested no meticulous valuation but it clearly indicated that the value of assets to be taken over should be the basis of compensation, which is quite different from the concept of market value of shares.

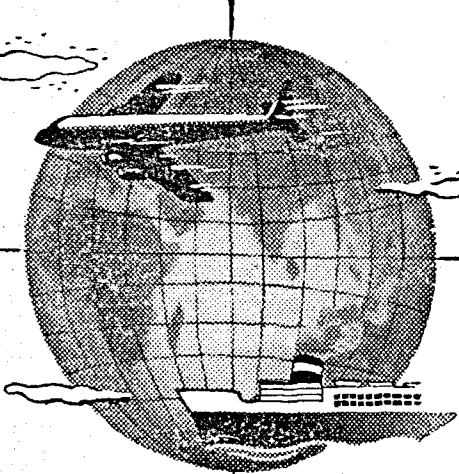
The Government proposal, however, starts with the market value of shares of the Imperial Bank as the basis for compensation. Should Government finally decide to the merger of other ten banks on the lines suggested in the Survey, then Government will be adopting two altogether different methods for determining the amount of compensation, viz, market price of shares for the Imperial Bank and net value of assets for the other banks. It is obvious that market price of shares cannot be adopted as the basis for other banks because some of these banks have no share capital with a market price, while the share of the others have an unduly low and misleading market price. It remains to be seen how Government proposes to overcome this hurdle while framing legislation for taking over these banks.

NO ANALOGY WITH RESERVE BANK

In fixing the amount of compensation for the shareholders of the Imperial Bank, it has been announced that, on the analogy of the Reserve Bank shares, market price of the share will be taken as the basis though how many years' average price will be considered for the purpose remains to be decided and is probably left to the Reserve Bank to recommend. The analogy of the Reserve Bank, however, must be regarded as inappropriate and unfair. Dividend on the Reserve Bank shares was limited to 4 per cent (taxable); shareholding in the Reserve Bank was restricted to 200 in one name; and all the surplus

profits of the Reserve Bank went to Government. In all these respects, the position of the Imperial Bank shares is entirely different. There is no limitation on dividend, nor on shareholding and its surplus profits have been freely ploughed back. Thus the Imperial Bank has operated as a commercial, private profit-making enterprise while the Reserve Bank always functioned as a State enterprise. That large secret reserves have been accumulated by the Imperial Bank over the years has been widely known; this has weighed heavily with the investor in Imperial Bank shares who has regarded them as near-gilt investment with an intrinsic value much higher than what the market price indicated. Moreover, charitable institutions, widows and other investors with whom these shares have been popular have counted on the income from their investment which has roughly been of the order of 6 per cent, after allowing for income-tax.

If compensation is paid to the shareholders of the Imperial Bank in Government bonds bearing 3½ per cent interest, a drop in income of nearly 50 per cent would result which would be most upsetting to this class of investors. In determining compensation, therefore, much avoidable hardship could be averted, if Government were to ensure that the fall in income to the investor is moderate and not excessive. This would be possible if the market price basis is somewhat liberally interpreted as an average of last 7 years price, ie, from February 1948 when the late Shanmugham Chetty announced in Parliament the Government decision to nationalise the Imperial Bank. This would give a somewhat higher average. Further, if an alternative is given to the shareholders to accept cash or a long-term Government loan of about 20 years maturity on the ruling yield basis of 4 per cent, Government will be doing much to regain investors' confidence.



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The case for a liberal rather than a harsh treatment to the investor has much to recommend it when it is realised that the declared object for nationalising the bank is to provide better remittance facilities and to establish a far more widespread network of banking in the interests of the cultivator. The Imperial Bank has always been regarded as a pillar of commercial banking, providing short-term credit to industry and trade and if, as a result of State policy, there is a major shift in its banking activity, the investor in the Imperial Bank shares should not, in fairness, be asked to pay for such reorientation. He is surely entitled to a fair deal. State action which seeks to retain the investor's faith and not to shatter it, is of much long-term value to Government. This is not tantamount to yielding to vested interests, at least in the case of shareholders of the Imperial Bank.

To strengthen the investor's confidence may also be useful in another way. The Survey has suggested increase in the share capital of the State Bank of India to a much larger figure. After the contemplated take-over of the Imperial Bank is completed and Government becomes the majority shareholder, the share capital of the bank could be increased in due course and public subscription invited with dividend limitation on lines suggested in the Survey in respect of Government capital. That would mean implementation of the Survey recommendations, though in a reverse order.

DEPOSITOR AND BORROWER

An impression is widely prevailing that the proposed change in its name will also imply change of function of the Imperial Bank, that it would in future provide credit mainly to agriculture instead of serving commerce and industry as it is doing at present. This view is unfair to the Survey which makes it clear at more than one place that provision of rural credit must remain the ultimate responsibility of the Reserve Bank and that the State Bank will facilitate remittances, set up more branches with that aim in view, thereby helping co-operative banking, but that the bank will continue to provide credit to trade and industry as at present on accepted banking principles.

The fear, however, that the bank may lose a large part of its deposits

after the change will not be shared by many; for a considerable part of its deposits is held by public and semi-public bodies and by leading commercial concerns. Such depositors are hardly likely to withdraw their accounts merely because the bank is reconstituted.

The average lending operations of the Imperial Bank are of the order of Rs 100 crores at present. This includes considerable credit to leading industries such as sugar, steel, etc. The large credit lines which

the Imperial Bank allows will be difficult to replace, for no other bank commands resources large enough for extending such facilities. No shift need, therefore, be expected unless of course under the new set up, the bank wants to modify its lending policy in a different direction and change its existing pattern of lending. All this will depend largely on the new board of directors, ie, on the extent to which Government will be interested in maintaining continuity while nominating the directors.

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Labour in the Plan

(From a Labour Correspondent)

Of late there has been a growing tendency on the part of the State to have more and more control over labour matters with less and less financial liabilities. Social security and welfare measures, financed out of contributions from employers and workers, are being administered mainly by Government representatives.

During the last three decades, there has been a definite swing from laissez faire to state control in labour matters. It has been a challenge to enlightened employers' and workers' organisations, who should bear in mind that the problems of industry and labour should be a bipartite affair, which could be settled without any intervention from the third party.

PLANNING is not new as far as labour is concerned. The Government of India formulated a Five-Year Plan for the amelioration of labour conditions as early as 1946. This was probably the first Five-Year Plan for the country; its contents can be looked up. A summary of this plan appeared in Indian Labour Gazette, March 1947, on pages 377-81. The necessity for labour and industrial planning was keenly felt in the post-war years, when the country was passing through acute industrial unrest. This plan for labour resulted in a plethora of labour legislation in 1946-1948 and the statute book has been crowded up by enactments relating to conditions of work in factories, fixation of minimum wages, social security and labour welfare schemes, prevention and settlement of industrial disputes and regulation of employment of dock labour. Inadequate enforcement, however, has made labour lose faith in this kind of legislation and the Planning Commission had to recommend that every effort must be made to complete the implementation of existing laws before new legislation is undertaken.

Labour has naturally a very important place in the Plan, as the main instrument in the fulfilment of its targets. On the co-operation of this uncertain human factor depends to a large degree the success or failure of the Plan. The perusal of the Plan, however, shows that whatever importance labour has got, is due to its value as one of the factors of production. The primary motive of the Plan is maximisation of production and the approach to labour, which has proved to be an uncertain factor, is from this angle alone. Maintenance of industrial peace, fixation of minimum wages, provisions of social security, betterment of working conditions, labour welfare, industrial housing, employment service and training organisations, productivity studies—all these have one aim, namely, maximum production. This tendency of judging human values

by productivity standards, without regulation of the goods produced, is naturally resented by labour. If men are treated merely as means of production, and are not convinced of their patriotic role, there would hardly be any difference between men and machines.

WORKERS' EDUCATION

It is commonly accepted, therefore, that to get the best out of labour, workers should be taken into confidence both by the Government and the employers, so that they may feel that they are just as important partners in industry as the others. This is, of course, the theory. The Planning Commission went further and suggested that workers should be given an increasing share in the working of the industry to enable them to have a sense of responsibility. The first step in this direction would be workers' education, but this is overlooked by the Planning Commission. Even now a large number of industrial workers are illiterate and before we entrust them with the responsibility of running an industry, they must first be taught the three R's. An organised drive for providing the industrial workers first with primary education (worker's education) and then with training in labour problems (labour education) may not, by itself, solve all of the problems at present facing Indian labour. But it will be an important step, perhaps the most important step that can be taken, towards better labour relations. Let us hope that second Five-Year Plan would attach some importance to this problem.

By way of new suggestions or ideas, the First-Year Plan has contributed practically nothing, presumably because a five-year labour programme had already been formulated. This programme, however, faced many difficulties, and except for enactment of labour laws, it could not be successfully implemented. The major portion of the "Labour"

chapter of the Five-Year Plan reiterates the recommendations already made earlier, which unfortunately have not met with any success so far.

INDUSTRIAL RELATIONS

In the field of industrial relations, the Plan makes reference to various methods of industrial peace, such as legislation, tripartite committees, works committees, and healthy trade unionism. Legislation in labour matters is in excess of requirements and suffers from non-implementation. Indian trade unionism is still weak, qualitatively speaking. Consequently free collective bargaining is still not possible and this gives an opportunity for State intervention and consequent control over labour matters. Works committees, on the success of which the Plan hoped to build a superstructure of industrial peace, have been on the whole a failure; hence the base of harmonious industrial relations remains to be laid. Tripartite committee on higher levels have helped, but they are generally dominated by Government officials and outsiders in the Indian labour movements.

In the matter of a proper wage policy, we are still toying with the concepts of "minimum wage", "living wage", and "fair wage". The inordinate delay in the implementation of the Minimum Wages Act and the fate of the Fair Wages Bill raise doubts about the intentions of the State. The Plan unfortunately has no new suggestions for a wage policy.

SOCIAL SECURITY

Social security for Indian workers is restricted to the Employers' State Insurance Scheme and the Coal Mines Provident Fund and Bonus Schemes. All the three are narrow in scope. The State Insurance Scheme applies only to factory industries and covers the risks of sickness, maternity and employment injury. So far it covers only about 6 lakhs out of an insurable population of 25 lakhs of industrial workers

in the country. Lately the scheme has been extended to Greater Bombay and has evoked innumerable complaints from insured persons and panel doctors alike. The Provident Funds Scheme applies to six selected factory industries and the factories covered are those employing 50 or more persons. In case of both these schemes, the only suggestion the Plan could make was that they should be extended to new centres or new industries.

WORKING CONDITIONS

Working conditions of Indian labour are admittedly satisfactory and the Government of India has been trying to improve the situation through legislation, which lays down statutory obligations on the employers in factories, mines and plantations to ensure safety, health and welfare of the workers engaged by them. The provisions of labour laws, however, are not adequately enforced and the Plan recommended their proper implementation, especially of the provisions relating to medical and occupational health. It also emphasised that inspection services in factories and mines should be strengthened. This much about factory labour, labour in mines and plantations. About agricultural labour, nothing has been done so far except collection of data about wages and conditions of work through the Agricultural Labour Enquiry conducted in 812 sample villages.

Labour welfare is another field, which has been slowly but gradually brought under statutory control. The provision of amenities like canteens, crèches and medical aid and appointment of labour welfare officers were voluntary some years back; they now form a part of statutory obligations. The Factories Act, the Mines Act and the Plantation Labour Act lay down welfare measures to be followed by the employers. Besides, the Coal Mines Labour Welfare Fund Act and the Mica Mines Labour Welfare Fund Act are concerned exclusively with labour welfare of these workers. Some of the State Governments have also started welfare work for industrial workers.

HOUSING FOR LABOUR

Progress in industrial housing has been very disappointing, in spite of attractive subsidy from the Central Government. Under the Subsidised Industrial Housing Scheme, which came into force in September 1952, the State Governments get a subsidy to the extent of 50 per cent of the

approved cost of houses to be built by them for labour housing and the balance is given as a loan, i.e., the entire cost is initially borne by the Central Government. Employers and workers' co-operatives get 25 per cent of the approved cost of building houses as a subsidy. Besides, employers get an additional 37½ per cent of the cost as a loan, while workers' co-operatives get an additional 50 per cent for the same purpose. The response, however, has been poor as can be seen from the table below.

EMPLOYMENT AND PRODUCTIVITY

The employment service organisation (Directorate-General of Resettlement and Employment) has some work to its credit in the field securing employment and training, though at an out of proportion cost. The spectre of unemployment which caught the Planning Commission napping, has not been exorcised; the number of the unemployed is still on the increase. The second Five-Year Plan, it has been announced, will concentrate its efforts on fighting unemployment. What role employment exchanges will play in this all out effort, however, cannot be visualised at this stage.

Perhaps the only new suggestion the Plan has made is about organising productivity studies. Unfortunately, too much reliance for this work is being placed on foreign experts who are reported to have completed a few pilot experiments. Rationalisation has evoked fierce controversy and much discussion; but its introduction is held back for fear of displacement of labour. The case for the employers has been put forward very neatly by the Millowners Association. The trade unions have also given their views. The Planning Commission, however, is still sitting on the fence. It should vigorously pursue the matter, because rationalisation without displacement of labour can make a big contribution to production and prosperity.

This brief review will show that

the Plan has practically nothing new to say on labour problems. In contrast to other aspects of Indian economy, such as industrial policy, power, irrigation, rural development and transport, labour appears to have been completely neglected by the Planning Commission. Whatever attention it has received is due to its utility in increasing production. Unfortunately, this motive has been so much emphasised that one wonders whether labour has any other role except that of a factor of production. Even the few welfare measures that have been introduced appear like crumbs thrown to labour to get loyal, machine like service from it. The fact that the workers form a distinct class of citizens as such, have certain rights and privileges is overlooked and labour, in turn, has ignored with impunity its responsibilities. It is not difficult to find out why Indian labour has remained indifferent to the implementation of the Plan.

Of late there has been a growing tendency on the part of the State to have more and more control over labour matters with less and less financial liabilities. Social security and welfare measures, financed out of contributions from employers and workers, are being administered mainly by Government representatives.

Compulsory conciliation and arbitration, enforcement of labour laws, tripartite committees and conferences, employment service and training organisation and even fact-finding committees and research institutes set up by the State—all these have directly or indirectly been responsible for strengthening the position of the Government.

During the last three decades, there has been a definite swing from *laissez-faire* to state control in labour matters. It has been a challenge to enlightened employers' and workers' organizations, who should bear in mind that the problems of industry and labour should be a bipartite affair, which could be settled without any intervention from the third party.

Assistance for Industrial Housing Sanctioned up to March 31, 1954

Agency	Assistance sanctioned (Rs lakhs)		Tenements (number)	
	Loan	Subsidy	Sanctioned	Completed
1. State Governments	366.4	379.4	26,409	10,357
2. Employers	40.3	30.6	5,020	1,901
3. Co-operatives	5.6	3.4	551	nil
4. All agencies	412.3	413.4	31,980	12,258

Jungle Clearance in Pepsu

On vast stretches of land in Pepsu, a reclamation drive is making rapid headway as a result of a fine organisation laid down by the firm of E M Allcock & Mohatta Ltd, of Calcutta and Delhi, who are reclaiming 50,000 acres of land on contract with the Government of Pepsu.

With a fleet of about twenty Hanomag tractors, many of them fitted with Root Rakers and Bulldozers, the unit is clearing 150 acres of jungle and bushes per day. The rates charged are considerably lower than those offered by the CTO.

IN the Statesman dated November 10 last, an article on "Work on Community Projects not going to schedule" was published and it was stated that a serious view of the situation was being taken.

In that same article, however, appeared one small paragraph which stated, "Progress in land reclamation, as stated earlier, has been markedly slow. Only in one project, in PEPSU, is reclamation by tractors and ploughs proceeding rapidly."

PEPSU is quite enlightened and progressive in agricultural operations and this small State has now got over 1,000 tractors in operation and there is a definite trend towards mechanised farming.

There has been an overall increase of food production in PEPSU as a

result of intensive and extensive field operations. In some cases the target of additional production of 1.75 lakh tons of food grains, 80,000 bales of cotton and 7,000 tons of raw sugar earmarked in the Five-Year Plan has been accomplished in advance.

Out of PEPSU's total area of 6,400,000 acres only 4,900,000 acres are under plough. To step up production a survey was conducted sometime ago and it was estimated that 8,27,000 acres are culturable wasteland.

The PEPSU Government has enforced (1) The Pepsu Land Reclamation Act and (2) The Pepsu Land Utilisation Act for maximum utilisation of land. Under the Land Reclamation Act, the Government is to

provide a sum of Rs one crore out of which Rs 75 lakhs is to be utilised for land reclamation and the balance for the installation of tube-wells.

On vast stretches of jungle land in PEPSU, a reclamation drive is making rapid headway as a result of a fine organisation laid down by the firm of E M Allcock & Mohatta Ltd, of Calcutta, and Delhi, who are reclaiming 50,000 acres of land on contract with the Government of Pepsu.

With a fleet of approximately twenty Hanomag tractors, many of them fitted with Root Rakers and Bulldozers, the unit is clearing 150 acres of jungle and bushes per day. These operations are carried out to a depth of 36 inches to extricate stumps and roots, and a further



A 'Hanomag' K.90 equipped with root-raker ripping up jungle.

number of tractors are expected in the course of the next few weeks, which will increase the output considerably.

Visiting the Allcock & Mohatta camp, one is given the impression of a minor industrial township, with its own electric lighting system, mobile workshops, fuel tankers, etc. All accommodation is tented. The camp site also provides a field hospital, recreation rooms for the staff, play-grounds, and the company also runs its own canteen to provide food to the workers. The quality of the food is excellent and the men are given to eat as much as they require.

The Camp Carpentry Section turns out all furniture, timber from the packing cases in which machinery is received being used for this purpose. The camp is, in short, a self-contained unit, dependent entirely on itself—and in spite of this, is completely mobile. The camp shifting from one spot to another can be done within twenty-four hours. The service station, mobile workshops, spare parts van—are all mobile.

There are several operations for reclaiming land. The first operation being reaping out jungle and shrub with the help of two K 90 Hanomag tractors each with a 4-ton anchor chain. The second operation is root raking and stacking all timber and shrub in long wind rows, which is followed by ploughing to a depth of 10 inches with Eberhardt Disc Ploughs—again followed by harrowing and planking.

Work in the field is highly organised and it moves without a mishap. Field supervisors and guide operators co-ordinate their movements. All areas to be worked are flagged and there is no time lost in the course of operations. Operations are done by two shifts—the first working from 4 am to 12 noon and the second from 1 pm to 8 in the night. Shifts are changed in the field where mid-day maintenance is done by a maintenance squad from the camp site. The working of the maintenance squad is remarkable. At the mid-day halt for change of shifts, to the field comes a tractor-trailer with the workers for the second shift—followed by the maintenance squad, which is followed by mobile fuel tankers. Before the second shift takes over, the maintenance squad goes to every tractor and does daily maintenance and re-fuelling. When this is complete, the first shift returns to the camp. The maintenance squad then takes

on the work of weekly maintenance for such tractors as are due for it on that date. If there is any breakdown in the field, word is sent back to the camp site, from where in a matter of minutes the maintenance and repair squads are immediately sent to the field with required tools and spare parts.

The most remarkable aspect of the organisation is its efficient fuel handling and re-fuelling. Supplies are drawn from the Standard Vacuum Oil Company's depot in Patiala in a 1500 gallon, tractor-drawn fuel tanker. This is fitted with filters, dispensing pump and flow-meter. Fuel is pumped direct from the tanker to the tractor tanks. This method has completely eliminated wastage and the possibility of dirt and dust entering the fuel. As a result from the date of commencement of operations till date, the unit has not had a single fuel stoppage on any tractor. Where re-fuelling is to be done in the field, that is done by smaller 300-gallon fuel tankers, where again the fuel is dispensed direct from this tank to tractor tanks through a hose.

The workshop unit, which is mobile, is under the charge of Mr Bredow, a Hanomag Factory Engineer. He teaches his men with the greatest of care. The field work and overall control is in the charge of Mr Kneer, the Chief Engineer, who is also German. Mr Kneer has had

considerable experience in reclamation work having been attached to the Kaki Reclamation Project in Assam, where the company gained considerable experience in this type of work.

The whole unit is definitely working in a most organised manner. Every member of the personnel whether fitter, operator or mate, camp cook or chowkidar—each goes about his work with an air of confidence and this continues for eighteen hours a day.

Due to this high standard of organisation and also because of the welfare of the personnel, the unit can achieve its present output at the extremely low cost quoted to the Government of Rs 75 which is made up as follows:

	Rs per acre
(1) Clearance of jungle trees and bushes, etc. to a depth of 1½ ft below the ground level ...	34
(2) Reclamation ploughing up to the depth of 10 inches ...	26
(3) Discing up to the depth of 6 inches ...	10
(4) Heavy planking (Sohaga) ...	5

These rates are considerably lower than that offered by the CTO.



Dr. P. N. Thapar—Chairman of the Planning Commission, Pepsu Government Officials and E. M. Allcock & Mohatta Staff visiting the mobile spare parts van.

The Poor Half of the Western Hemisphere

R K Hazari

The problems of development are not the same in every underdeveloped economy. They are very much complicated for Latin America, by its extreme vulnerability to external influences, especially those originating from the US.

The basis of its development will have to be sought for within the countries themselves since foreign capital hardly makes any net contribution to their foreign exchange receipts nor can they produce for the domestic markets because of the small size of most of them.

Then there are the usual penalties for rapid but unsteady growth in countries which suffer, above all things, from organisational deficiencies.

This study is based on the Economic Survey of Latin America for 1951-52, and 1953. United Nations. Department of Economic Affairs. Price \$2.50 each.

FOR the economy of Latin America, the period from 1945 to 1952 was a long honeymoon. During this period, output expanded at an annual rate of 4.3 per cent, but owing to favourable terms of trade, the gross product expanded at an even higher rate of 5.6 per cent. The improvement in terms of trade was equivalent to \$21 billion or 8.3 per cent, of the aggregate gross product. This favourable development raised the proportion of investment to gross product to an all-time peak of 16 per cent, which surpassed for the first time the previous record of 13.2 per cent in 1925-29. Capital stock expanded at an annual rate of 5.6 per cent as against 3.1 per cent during 1940-45—a rate higher than that of output, causing a decline in the output-capital ratio from the high level it had attained during the war.

In spite of this decline in the output-capital ratio, output per employed person rose at an annual rate of 2.4 per cent, while capital stock per worker was increasing by 3.3 per cent. Goods and services available *per capita* however, increased at a higher rate than output *per capita*, viz, at 4.6 per cent, owing to favourable terms of trade, which despite a 3 per cent decline between 1951 and 1952, were 31 per cent higher in 1952 over the previous peak attained in 1925-29. The performance appears even better if Argentina, which accounts for 22.3 per cent of Latin American gross product, is excluded because of its slower rate of growth and the drought which swallowed up its agricultural surplus for two consecutive years. The rate of growth of investment was all the more remarkable, coinciding as it did with a 3.4 per cent annual increase in *per capita* consumption.

The honeymoon ended in 1953

when there was a pause in the rate of growth. The investment coefficient declined to 14.3 per cent from the level of 18 per cent attained in the previous year, while gross product *per capita* increased by 1 per cent only, compared to 4.2 per cent in the preceding year. The terms of trade were sustained only by the high relative prices of coffee and cocoa, while mineral and sugar exporting countries suffered a severe set-back. There was a further decline in the output-capital ratio owing to a slump in foreign demand and contraction of domestic markets which, with the exception of three countries, were already quite small. An increase in the proportion of consumption to gross product was noticeable while the latter was increasing at a lower rate.

CRISIS OF GROWTH

The determinants of this "crisis of growth" were the same as those which accounted for the phenomenal prosperity of 1945-52. The international reserves accumulated during the war helped the region to import beyond current capacity during these years; fiscal deficits and private investment—much of which was under the circumstances naturally speculative—were liberally financed from bank credit; industrialization was pushed ahead at a pace which demanded considerable imports of capital goods, raw materials and fuel, without a corresponding increase either in export capacity or internal supplies. Agriculture was comparatively neglected, and its export surplus was actually reduced by higher domestic consumption. Prices and wages chased each other around through every sector of the economy.

Only the serious depletion of reserves and a persistent increase in the cost of living ultimately brought

the realization that inflation was undermining development. Restrictive economic policies followed, the main features of which were lower fiscal expenditure, reduction of imports, credit restriction and price and wage stabilisation. These policies have met with varying degrees of success in different countries. In Chile and Paraguay, they unintentionally added more fuel to the fire; in others, they succeeded in deflating the economy in a rather rough-handed manner. The one fundamental fact that stands out from Latin American economic policies that *fiscal policy has accentuated, rather than compensated, movements outside the public sector*, highlights the complete failure of the Governments of the Latin American countries to discharge their responsibilities in the matter of the development of a mixed economy.

In the field of industry, Latin America made considerable progress in these years in substituting imports by domestic production, a basic feature of growth in many of the underdeveloped countries today. Argentina, Brazil and Mexico, the only countries with large domestic markets, have been able to reduce the imports of machinery, motors and railway rolling stock. Vehicle assembling is making good progress in Brazil. Significant increases have taken place in the production of cement and basic chemicals. Steel production, largely in Brazil, Chile and Mexico, has reached 1,500,000 tons—a 100 per cent increase in five years. Textile output has risen as a result of the use of artificial fibres.

SHORTAGES AND RESTRICTIONS

This rate of progress, however, could not be maintained. Severe power shortage and transport bottle-

necks reduced the annual rate of increase of industrial production from 7.7 per cent in 1949-50 to 4.1 per cent in 1952; restrictive economic policies pushed down the rate further to 1.3 per cent in 1953. Foreign competition, especially from European goods, has been a contributory factor in the decline, in spite of protective tariffs and import restrictions. This competition was the severest in Venezuela, which owing to its petroleum industry has the highest labour costs in the region; its abundant derricks are therefore becoming effectual barriers to industrialization, though they have prodigiously increased the country's capacity for external payments. The production of petroleum, too, has been diminishing lately owing to competition from Middle East oil.

The Survey ascribes power shortage to the insufficient utilisation of capacity in some cases and to insufficiency of resource in others. The extreme poverty of energy resources of Latin America is, of course, well-known. According to Prof Usher's estimates, the region's resources expressed in terms of bitu-

minous coal are as follows:

	(in million tons)
Coal	3,000
Oil	7,000
Water power	158,000
Total	168,000

The small resources of coal in the region are concentrated in Chile and Peru, while more than half the oil is found in Venezuela. While some attempt has been made to utilise coal resources in recent years, oil is the main energy producer; and most Latin America countries have to import it, thus straining their import capacity. A fuller development of water power resources is as yet a rather remote possibility and would, in the short run, create more problems than it could solve. The inadequacy of coal, according to current indications, may still remain a difficult handicap for industrial development in the long run—the immediate problem is inadequacy of capital for development of electric power, to keep pace with urban growth and industrial development.

MINING FOR EXPORT ONLY

Except for Chilean copper, there is scarcely any intra-regional (or for that matter, internal) market in minerals; mining activities are almost exclusively directed towards exports. The dependence on the US market, capricious and tariff-conscious as it is, is very great. In recent years, power shortage and inadequate and expensive transport have together prevented further mining development. More alarming, however, is the fact that in respect of practically all the four important minerals, namely, copper, tin, lead and zinc, high grade ores have been almost exhausted. An increasing amount of sulphide is now being found in copper mines, demanding a change in refining methods. The peak years of copper output were 1946 in Bolivia, 1944 in Chile, 1945 in Ecuador, the twenties in Mexico and 1938 in Peru. The 1953 Survey explains: "In general, the reduction is due to the fact that some mines have gradually been worked out without being replaced by new enterprises or by extensions to the remainder." New mines are not being opened because of lack of reserves. Further,

the world production of copper is fast running ahead of consumption and is actually expected to be double the latter by 1958. The Korean boom may perhaps be the last for Latin American copper, unless a war breaks out.

Tin, which comes from Bolivia to the extent of 97 per cent of the Latin American total, is in an even worse predicament. The average tin content of ore produced declined from 3.94 per cent in 1929 to 2.18 per cent in 1950 and is known to have declined further since then. Bolivian tin mines are located at an altitude of 10,000 to 12,000 ft; their location is widely dispersed and labour productivity is low, while operational and transport costs are high. Moreover, there appears to be a long-term decline in the world consumption of tin, caused principally by greater use of scrap. USA meets one-third of its tin requirements from scrap.

Lead and zinc are usually found mixed with other minerals, and their exploitation depends mainly on price and ore grade. Technological progress has been reducing the consumption of these metals in recent years and the process is likely to be accelerated in future. Competition from other sources has also been increasing.

In sulphur, too, lower grades of ore have been reached and though new processes of recovery and increase in world demand are likely to render large reserves of sulphur capable of exploitation, they are also likely to create difficulties for existing high cost producers.

Mining in Latin America is almost entirely in foreign hands; the only three large copper mines in Chile, producing 93 per cent of its copper, are owned by US companies, while 400 Chilean firms, helped by some French capital, produce the remaining 7 per cent.

LITTLE IMPETUS FOR AGRICULTURE

Coming to agriculture, one has the feeling that Latin American Governments consider this activity rather drab and lowly and prefer to dabble in more respectable activities like industry—and multiple exchange rates. Agriculture has been largely treated as a source of private and public revenue and not as the occupation of the greater part of the population. Little genuine impetus has been given to agricultural development. Domestic crops

have generally increased much more rapidly than export crops, thereby impairing the capacity to export. There has actually been a substantial decline in export volume, which in 1951 was 26 per cent lower than the 1937 level and 12 per cent below that of 1948. The production in 1952-53 of export crops was 6.4 per cent and 8 per cent above those of 1937-38 and 1947-48 respectively. The production of domestic crops in that year was 60 per cent above prewar and 17 per cent higher than in 1947-48. The agricultural economy is, therefore, less vulnerable than before, but the capacity to import has been correspondingly reduced. On the other hand, increase in agricultural production has failed to keep pace with the growth of numbers. Chile, Guatemala, Paraguay and Bolivia show a decrease in agricultural production *per capita*. The Surveys deplore the failure to open new areas, of which there are plenty, and at the same time laments the traditional method of clearing new land, namely, by burning. Since this tradition is not likely to change in the near future, it is perhaps just as well that natural resources are not being depleted too fast and that Governments are largely concentrating on the intensification of cultivation.

LAND UTILISATION POOR

The inefficiency of agricultural production is well illustrated by the fact that to produce beef in Argentina, one animal is raised on an area that would feed six elsewhere. Progress in pastureage methods has been negligible so far. There are, in the main, four adverse factors operating in agriculture, viz, lack of reinvestment, a long period of waiting in crops like coffee, difficulties in the purchase of machinery, and internal inflation. Encouraging factors are the increase in mechanisation in Argentina and Cuba—in the former it became necessary owing to the diversion of rural labour to industry—and a 80 per cent increase in fertilizer consumption between 1938 and 1952, though the production of fertiliser increased only by 45 per cent. The only major lasting development also thus appears to have originated at the wrong end. Two crops, showing significant expansion, are rice, mainly in Cuba, which has quadrupled its output in ten years by increasing yields, and coffee. Hardly any country has diversified its agri-

cultural production; on the other hand, in some there has been an increase in dependence on one or two crops, especially coffee, the price of which has continued to be favourable.

WORLD'S LARGEST FORESTS

Latin America has the largest forest resources in the world. Thirty-nine per cent of its land area is under forest, giving a *per capita* figure of 4.9 hectares (about 12 acres), against the average of the rest of the world of 1.7 hectares. As much as 75 per cent of the land area of Costa Rica and Panama is under forest, while Brazil accounts for about a half of the South American total. Bolivia and Paraguay have the largest area under forest *per capita*, 16.7 and 14.9 hectares respectively, followed by Brazil (7.4) and Panama and Venezuela (7.2 each). The *per capita* area is, however, insufficient in Cuba, El Salvador, Haiti and Uruguay, where it is about half a hectare.

The large size of these resources is unfortunately offset by their poor quality and inaccessibility. Only 2 per cent of the forests are coniferous, half of them being located in southern Brazil. Only 10 per cent of the cutting yields industrial wood, the rest being fuel wood. The percentage of the latter elsewhere is as follows: North America 17, Europe 39, Asia 63, Oceania 45, and world average 46. Even with the adoption of better methods, the Latin American proportion is not likely to be reduced beyond 80 or 70 per cent. Forests are being depleted rapidly by illegal felling, shifting cultivation and fire. In Chile, it has been estimated that fires take a toll of trees six times the recorded wood felling, while unrecorded felling is as great as the latter. Moreover, 40 per cent of the felling is from coniferous forests which, as stated before, are only 1 per cent of the total.

Practically no attention has been paid to the utilisation of forest resources. How grievous is the neglect will be apparent from the fact that Latin America imports \$330 million and exports only \$60 million worth of forest products.

BALANCE OF PAYMENTS

Each country in Latin America has unique features in its balance of payments according to its stage of development, nature of primary

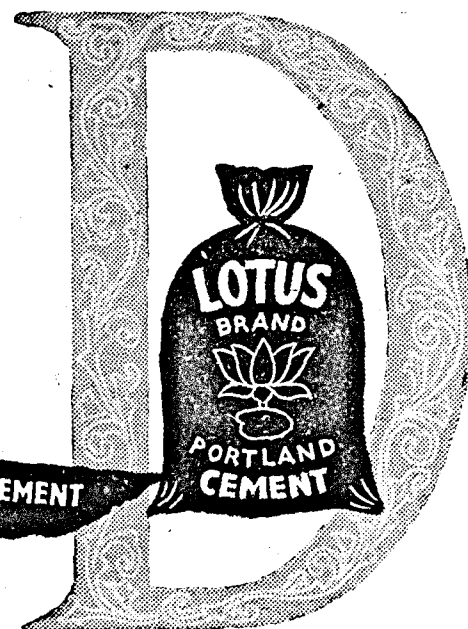
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output and internal policy. The problem of balancing payments is more acute for the non-dollar zone, consisting of Argentina, Brazil, Chile, Paraguay, Peru and Uruguay, because of their vulnerability, bilateral trade agreements, drain of reserves and the strain on import capacity caused by increase of gross product. Lately, they have also been unable to have a third area surplus to pay for their dollar deficit. Brazil's problem was the most serious and had to be met by short-term official and private credit. Argentina attempted to solve the problem by deflating her bloated economy, while Chile's attempts in the same direction have been frustrated by inflation.

DOLLAR ZONE COUNTRIES

The countries of the dollar zone have not been free from trouble either; but they managed to maintain their reserves at an adequate level. The capacity for external payments as percentage of gross product has, however, been declining for the region as a whole since 1950, when it reached the peak of 24 per cent. It was 23 per cent

in 1951 and 15 per cent in 1952, and moved up to 18 per cent in 1953, largely owing to severe import restrictions and simplifications of exchange rates which amounted to heavy devaluations.

Imports reached a record quantum in 1951, and all types of goods showed an increase, including capital goods from the USA, in spite of rearmament pressure. Germany nearly doubled her exports to the region by extending credits. The current account dollar deficit in that year was \$1 billion, interest and dividend remittances accounting for \$731 million. While Venezuela, with 40 per cent of the total dollar liability, had little difficulty in remitting funds on this account, Brazil, Chile and Peru found their capacity considerably strained, consequently endangering their prospects for getting dollar credit in future. The *Survey* concludes very rightly that private external capital does not contribute to Latin America's net foreign exchange receipts.

There was a record payments deficit in 1952 owing to a reduction in exports caused by the Argentina drought and a fall in Cuban

sugar and Brazilian cotton and cocoa exports. While the 1952 deficit was more than double that of 1951, the loss of reserves was only one-third of that in the previous year, owing to the extension of short-term credit, the largest share of which went to Brazil.

CONCENTRATION OF EXPORTS

In 1953, there was a 14 per cent increase in exports as a result of Argentine recovery and sale of accumulated surpluses. The increase in exports coincided with an increase in competition, while their prices, except those of coffee and petroleum, reached the lowest level in six years, largely owing to the stoppage of strategic purchases by the US. The period 1947-53 has seen a further concentration, instead of diversification, of exports. Petroleum, coffee, sugar and wheat, which formed 45 per cent of exports in 1947, increased their share to 57 per cent in 1953. Petroleum improved its share from 17 per cent to 25 per cent. By value, coffee and petroleum accounted for 50 per cent of exports in 1953, compared to 26 per cent in 1947.

The excessive dependence of Latin American countries on one or two commodities is shown by the following figures: Bolivia, tin, 73 per cent of export volume (64 in 1952); Chile, copper and nitrates, 66 per cent (exports of industrial goods were one-half of those in 1951); Colombia, coffee, 73 per cent (65 in 1951); Peru, cotton, sugar, lead and zinc, 70 per cent (severe decline in prices of all of them); Uruguay, wool, 33 per cent; Venezuela, petroleum, 98 per cent.

Prospects for the future are not at all bright, with the accumulation of large cereal stocks in Argentina and of copper in Chile. Attempted valorization schemes have all failed so far. After the economic recovery of Europe, Latin America has become somewhat less dependent on US imports. The proportion of imports from US to total imports declined from 69 per cent in 1947 to 52 per cent in 1952, while the net balance available for import from US rose from 41 per cent to 54 per cent during the same period. Two other developments in the balance of payments were: (1) from 1951 to mid-1953, there was a severe shortage of sterling; (2) non-dollar earnings declined from an annual average of \$500 million before 1952 to \$175 million in that year and went down further during 1953.

The fundamental problem of balance of payments in Latin America is a stationary (and in some cases, declining) capacity to export, while the possibilities of import substitution appear to have reached their limit for the present, especially since the effects of recent import restrictions and curtailment of credit and public investment have fallen more heavily on the import of capital goods and raw materials.

FOREIGN CAPITAL MOVEMENTS

Foreign capital movements have, broadly speaking, taken place in three stages:

(1) From 1946 to 1949, the US invested quite heavily, particularly in Venezuela, but the purchase of European-owned assets practically offset this movement. 1950 was a transition period in which US investment declined to bottom level.

(2) From 1951 to 1952, the US interest revived and dollars flowed into manufacturing and mining. There were net capital receipts

from Europe as well as receipts from IBRD and the Export-Import Bank. The greatest amount of investment took place during this period.

(3) 1953 saw a sharp contraction in US investment owing to remittance difficulties; there was also a decline in receipts from IBRD and the Export-Import Bank. The petroleum industry experienced some disinvestment during 1950-52, while manufacturing, mining and smelting, which were receiving \$50 million annually before 1950, attracted \$150 million annually in 1950-52. Three-fourths of the US net direct investment in manufacturing is concentrated in Brazil and Mexico, which have large domestic markets. Investment in mining and smelting has been mainly in Chile and Peru and since 1952 in Venezuela. The average rate of return on US direct investment was 11 to 12 per cent. Venezuela accounts for 40 per cent of the total profits remitted. Capital inflow into Central American and Caribbean Republics has been negligible, but servicing charges have mounted to well over \$100 million annually. More than one-half of US investment since the war has come from old firms, indicating lack of interest on the part of new investors.

INFLATION

1953 saw an improvement in international reserves, but internal inflation continued. The causes of inflation in South America, country-wise, were as follows: Brazil, investment financed from bank credit; Bolivia, Chile and Paraguay, deficit budgets and wage inflation; Argentina, wage increases and industrialisation financed from liberal credit, depletion of monetary reserves and crop failures; Mexico, favourable external balance, high investment especially in public sector, a larger increase in money supplies than in available goods and services, and devaluation.

Some indication of the results of inflation can be had from the following indices for the last quarter of 1953 (1948=100):

	Money supply	Cost of living	Nominal wages	Real wages
Argentina	239	318	244	76
Paraguay	890	1200	n.a.	n.a.

In Central America, on the other hand, there was no inflation, nor, however, was there any development. The *Survey* discounts the

opinion that in Latin America, inflation *per se* has brought about development, which it ascribes to improvement in the terms of trade, higher export values, foreign investment in certain basic sectors and official action to promote industrialisation. It describes the events in 1953 as a healthy reaction.

Fiscal and monetary policies suffer from severe limitations in Latin America owing to the familiar facts of underdevelopment. The fiscal structure is generally regressive. Taxes have little anti-inflationary effect because a large portion of them is paid by foreign companies. But since the crisis of 1952, there has been greater co-ordination between fiscal, monetary and wage policies, which, though not very successful in most countries, has at any rate been attempted.

DANGERS OF GROWTH WITHOUT ORGANISATION

Latin American experience points to the dangers of rapid, but unsteady, growth in countries which suffer, above all things, from organisational deficiencies. The other basic difficulty in Latin America is its extreme vulnerability to external influences, especially those originating from the US. The terms of trade in their very nature cannot be a perpetual aid to industrialisation, when export volume is stagnant. The basis of Latin American development would have to be sought for within the countries of this region, particularly since it has been demonstrated that foreign capital hardly makes any net contribution to their foreign exchange receipts, nor can these countries produce for the domestic markets because of the small size of most of them.

The excellent quality of the two surveys is a tribute to the Executive Secretary of the Economic Commission for Latin America, Mr Roul Prebish, who has brought to bear upon these surveys his remarkable powers of penetrating analysis and lucid exposition. Indeed Mr Prebish may be regarded as one of the outstanding workers in this field of study of underdevelopment; every year the survey widens its scope of exploration and though people of Latin America may gain nothing from it, for the periphery of the industrial West does not expand, students of the subject elsewhere get both stimulus and new light from it.

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A Year of Shattered Hopes

Nineteen fifty-four was a year of hopes and fears. It experienced all the symptoms of a developing stock market boom only to close on a note of uncertainty. A year ago, investors were optimistic. Today, as the country celebrates the fifth anniversary of the Republic, there is gloom in stock markets.

Booms and slumps alternate. This is deplored as one of capitalism's flaws. But there are, perhaps, not many instances when the stock market sentiment has changed for the worse, as it is doing now, without any confirmatory economic evidence.

EIGHTEEN months ago, the Calcutta Stock Exchange started the upward journey. It is customary to trace the spurt in equities on Clive Street to the reduction in the jute export duty in September 1953. That might have been the psychological stimulus for which Clive Street was waiting. But before stock market operators realised that a boom was in the offing, investors and industrialists had sensed it. By the second quarter of 1953, industry had started broadening its capital base through issues of bonus shares.

BROADENING CAPITAL BASE

Here, one must digress from purely stock market factors to an appreciation of the influences which helped to broaden the capital base. After remaining poised on a precarious balance, the payments balance had begun to improve. Industrial production had begun to improve. Although taxation continued to be at a high level, inflation had been checked. Savings began to be generated as inflation was being curbed. Lower food prices not only cheapened production costs, but helped to create an atmosphere in which savings were encouraged. Declining prices for industrial raw materials not only cheapened production costs further, but tended to stimulate corporate savings through accumulation of reserves.

Effects of the world-wide recession in prices after the end of the Korean war boom were being felt belatedly. With a temporary break, industrial production had always been moving up. Good monsoons helped to improve agricultural production. By the end of 1953, it became apparent that there was not enough employment or money incomes to absorb the improving industrial and agricultural production. That was what was worrying investors and stock market operators then. It soon transpired that the Government had decided to step-up deficit financing. This was a signal which investors and stock market operators understood.

Although stock markets had started moving up since the middle of 1953, equities continued to be irregularly higher until the first quarter of 1954. This was the period when the stock markets were speculating about the coming recession in America. That recession did not come. It took stock markets some time to realise that it would not come. By then the stock markets had received the stimulus of considerable deficit financing in the 1954-55 budget. As time passed, the apprehended American recession was ignored as stock markets came to accept the sophisticated verdict that the only explanation why the American recession did not occur was that it did not occur.

Equities reached a peak level dur-

ing August-September 1954. But the foundations for this rise were laid in the previous six months. As, one after another, industrial companies started issuing bonus shares, equities continued to move up. As companies of various groups of industries began issuing bonus shares, the sentiment improved. Talk of an extension in the forward list on the Calcutta Stock Exchange revived memories of the war boom. Stock market activity flourished as realisation grew that increased public expenditure would help employment and money incomes. Consequently, fears of mounting unsold stocks subsided. Expectations of better industrial earnings and profits gained strength.

If the improvement in Jute shares

initiated the boom on the Calcutta Stock Exchange, steady and continuous improvement in Tea shares sustained Clive Street throughout 1954. By the third quarter of 1953, it became evident that the tea industry had overcome the crisis. Tea auctions and prices since the beginning of 1954 left no room for doubt that the industry was doing better. Satisfactory working results of tea companies confirmed market expectations. Tea shares were bid up and up. As Tea shares continued to improve, Clive Street as a whole steadied-up.

Before the first half of 1954 was over, it became clear that the jute industry was faring well. Increase in working hours from 42½ to 45 per week was celebrated by the Calcutta Stock Exchange by pushing Jute shares up. Throughout the first half of last year, simultaneous business in raw jute and jute goods was profitable. As the spinner's margin improved, speculative operators continued to accumulate lines in Jute shares. Hopes were reviving that Jute shares might still continue to dominate Clive Street.

COAL NEGLECTED, PAPER COMES UP

From the beginning of the stock market boom to date, Coal shares have remained neglected. But, in 1954, Clive Street discovered the prospects of certain other industries. Despite occasional strikes, the paper industry has made progress in the last two years. So, Paper shares have been moving up. There is growing realisation that the demand for paper will expand as population and literacy increase. To stress this is not to suggest that Paper shares can take the place of Coal or Jute shares on the Calcutta Stock Exchange. But there are other industries which have potentialities.

From the beginning to the third quarter of 1954, there was active demand for Engineering and Miscellaneous shares on the Calcutta Stock Exchange. Improvement in these groups was significant as the reasons for the growing demand for these shares were vital to the stock market boom. These shares were moving up on the growing belief that, as the first Five-Year Plan broadened the capital base, industry will begin to diversify. It was argued that, as industrial progress was being speeded-up, engineering and miscellaneous industries will begin to expand and flourish.

New Delhi encouraged this stock

market expectation. There was repeated affirmation by official spokesmen that industrial development would receive topmost priority in the second Five-Year Plan. These statements led stock markets to believe that the Government will encourage the private sector of industry to expand and to develop in a congenial atmosphere. Shri T T Krishnamachari succeeded in creating confidence in industry by his targets for steel production and for the total outlay during the second Five-Year Plan.

These were the influences which pushed equity prices to peak levels by August-September 1954. Since then, the Calcutta Stock Exchange, in common with the other stock markets, has developed a drooping trend. Despite higher dividend payments for the half-year to September last, Jute shares are stagnant. In sympathy with the quiet undertone in Indian Iron, all the forward shares have developed an irregularly lower tendency. Paper shares are well below the peak levels. Miscellaneous shares have turned inactive. With few exceptions, Engineering shares are marking time. Tea shares alone remain comparatively steady.

STAGNATION IN JUTE

There are reasons why Jute shares are stagnant. In October last, the working hours were extended further to 48 per week. Although data relating to exports and stocks are not unencouraging, the possibility that the industry may have to revert to shorter working hours is having a psychologically "bearish" effect on Jute shares. In any such event, labour trouble is likely to grow. But Clive Street is wondering whether there are talks of curtailing working hours because of difficulties relating to sales and exports.

In the main, however, Jute shares remain idle because investors apprehend that the spinner's margin may continue to be unfavourable. In the last few weeks, raw jute prices have been consistently moving up. Jute goods have also improved simultaneously. But the relative increase in the prices of raw jute tends to make the spinner's margin more and more unfavourable. Both the supply position and the export restrictions imposed in Eastern Pakistan indicate that raw jute prices will remain steady to firm. There is, besides, the fear that even at current jute goods prices, the foreign demand may fall. Jute shares are quiet on apprehensions that the current half-year's dividend

payments may not be encouraging.

Tea shares remain quietly steady because of the prevailing adverse sentiment on stock markets. Recent developments, however, indicate that there are other reasons why Tea shares are not higher still. Although the first export auction immediately after the recent further increase in the export duty indicated that the home producer might have to bear the additional burden, the latest auction results would seem to indicate that he might succeed in passing a part of the extra burden on to the foreign importer. Interim dividend payments for 1954 are also satisfactory. Prospects for Tea shares may be moderately "bullish". But these shares, naturally, will behave in the immediate future according to the general stock market pattern.

FUTURE OUTLOOK

So much about the technical factors shaping developments in some groups of shares. What of the future? For a proper appreciation of the future behaviour of equities, it is necessary to realise the sequence of events since September last. Equities began to sag since the last quarter of 1954 for a variety of reasons. Fears about the possible recommendations of the Taxation Inquiry Commission started the ball rolling. At about the same time, the stock markets were disturbed by the possible implications of the Government's intention to amend Article 31 of the Constitution.

This was not the end of the story. Before the stock markets could recover from these shocks, apprehensions cropped up about the Government's proposals relating to the managing agency system. On top of this, stock markets were perturbed over the Government's haste in introducing the Bill relating to regulation of future trading. As a result of all these unfavourable developments, equities developed a sagging tendency.

As the stock markets started declining, fears about the Government's determination to implement a more forward economic policy demoralised stock markets. As official spokesmen began to admit that the Government was contemplating a shift in emphasis in its economic policy, the downward movement in equities gathered momentum. This and the Government's changed attitude to the managing agency system are the major influences responsible for the transformation of sentiment on stock markets.

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TAX FEARS EXAGGERATED

By now, the stock markets have come to realise that fears about the possible recommendations of the Taxation Inquiry Commission are exaggerated, if not unjustified. It is true that the Government's resources will have to be mobilised further in order to finance the expanded second Five-Year Plan. There are possibilities of readjustments in direct taxation. But, on current indications, it does not seem likely that the level of direct taxation will be raised further.

Effects of the Government's proposal to amend Article 31 of the Constitution cannot be ignored; nor can the possible repercussions of the Government's intention to introduce legislation relating to regulation of futures trading. But neither the drop in equity values nor the current lack of activity in the new issue market is due to these influences. Equities are falling because of fears that the private, organised sector of industry may not be allowed freedom to expand during the second Five-Year Plan. For a correct assessment of the future outlook, it is necessary to discuss these factors in all their aspects.

SHIFT IN EMPHASIS

By now, the outlines of the second Five-Year Plan are clearly visible. It is clear that the public sector will be expanded further in the second Plan period. It is also clear that this expansion will take place not through irrigation and power projects, but through extension of major industries in the public sector. In the six key industries, the future development will be in the public sector, although private enterprise will be allowed to play the role of a junior partner in any such future progress.

No amount of reassuring statements by Government spokesmen can obscure the hard fact that the shift in emphasis in the Government's economic policy is a depressing development for private enterprise. Admittedly, there will still be scope for development in the private organised sector of industry. But it is clear that major industries will be developed henceforward through the public sector. It is equally clear that small-scale industries will receive preference, as these industries offer more immediate scope for employment. It is not, therefore, surprising that industry and stock markets are pessimistic.

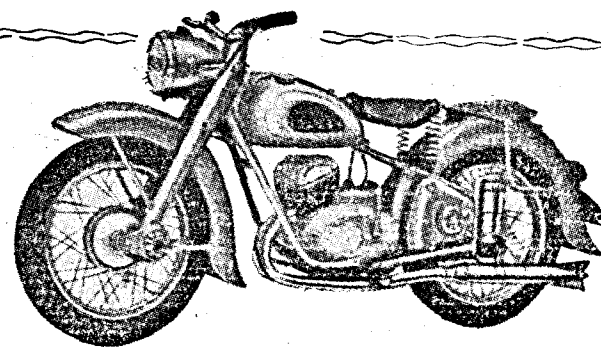
Equally significant is the Govern-

ment's attitude to the managing agency system. This is the predominant form of private economic activity in Calcutta. It is, therefore, understandable why the Government's reported hardening of attitude to the managing agency system has had a pronounced depressing effect on the Calcutta Stock Exchange. This was the main point raised by the outgoing President of the Associated Chambers. Industry and the stock markets were eagerly awaiting the Finance Minister's elucidation of the Government's attitude to the managing agency system. His observations while he was in Calcutta recently

failed to lift the stock market gloom.

These are without doubt, depressing developments. Even so, it would be unwise to emphasise the "bearish" repercussions of recent developments. An outlay of Rs 1,000 to Rs 1,200 crores per year, as envisaged in the second Five-Year Plan, must have a salutary effect on the economy. Such an annual expenditure should have a sustaining effect on the economy and, hence, on stock markets. Latest stock market movements indicate that investors are not unwilling to accept this assessment of the outlook for equities.

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From the Chair

The Associated Cement Companies Limited

Speech of the Chairman, Shri Dharamsey M Khatau

THE Eighteenth Annual General Meeting of the Associated Cement Cos Ltd, was held in Bombay on 21st January, 1955. The Chairman, Shri Dharamsey M Khatau, referring to the recent debate in the Lok Sabha and the policy statement made by the Prime Minister on the industrial pattern in the country, and on the declared national objective of a socialist society through democratic means, said: "As to whether the creation of increased national wealth and, through its equitable distribution, the raising of the standard of life of the people of India, will be more effectively realised through a socialist rather than a free enterprise approach is a point which can be debated. The phenomenal resurgence of Western Germany and the truly remarkable progress which has taken place in the United Kingdom since the release of the energy of industry by freeing it from bureaucratic controls and political uncertainties, are both examples which have proved the efficacy of what might be termed the Voluntary Approach."

While admitting that industrial problems in India were very different from those of industrialised Western countries, the Chairman was of opinion that in the context of our under-development, the method of economic development now approved by Parliament may prove to be more effective.

The Pattern of Industrial Development

Speaking on the respective roles of the public and private sectors, the Chairman observed that in a mixed economy the two sectors were complementary to each other and that there could be no fixed and unalterable dividing line between them. "The guiding principle as to what industrial development should be undertaken under the auspices of State control and what should be left to Free Endeavour must be what serves the national interest best in the particular context of the development required." The Chairman cautioned against a doctrinaire approach to the question as it would result in "by-passing of reality and in an endless ebb and flow of theoretical discussions."

"The time has come," the Chair-

man continued, "to abandon theoretical and academic discussions on the merits of the State-sponsored as opposed to the Voluntary Approach. The Lok Sabha has now laid down what the country's policy is to be. There is still so much lee-way to make up in production and employment, so as to maintain even existing standards of living in the face of our growing population, that there is ample scope for every kind of endeavour without any rigid definition of boundaries. It is to be hoped that an enlightened public opinion will be increasingly brought to bear on these matters and will result in course of time in the adoption of a more flexible approach to economic policy. Meanwhile, at least let us who are men of action and who believe in constructive effort, be done with further talk."

So far as free enterprise was concerned, the Chairman added that the right way in which it could justify its right to exist in the country and strengthen public opinion was by producing actual results. "If we are able to fulfil the targets now laid down for us, and can convince the work people, our consumers and shareholders, that by pinning their faith on Free Enterprise they ensure their own security, progress and well-being, then it may well be that in due course the national emphasis will be laid on individual initiative rather than, as is the case at present, on State enterprise." To create this awareness and to educate public opinion about the achievements of Indian Industry, Mr Khatau advocated the creation of a suitable and vigorous machinery.

Referring to the aspirations of the Private Sector within the framework of national economy, the Chairman observed: "Now that the function of the Private Sector has been accepted as being essential for the development of the country, Joint Stock Companies and other forms of Private Enterprise have a right to expect that the integrity of this sector will be respected and that no further attempts will be made to encroach upon it. In the same way as we are bound to accept the scheme for development of the Public Sector and the overall strategic control by the State of the Private Sector, so we can legitimately expect

that there will be an end to the multitude of contradictory and conflicting statements which have served in the past to undermine the confidence of Free Enterprise. We must be allowed to work unhindered, and, indeed, we hope that we shall be provided with every encouragement to assist us in bringing to fruition the ambitious targets of production which the Second Five-Year Plan holds in store."

The Profit Motive

Deploping the current fashion of denouncing the profit motive in industry, Mr Khatau pointed out the all-important role of the profit-making capacity of industry in economic development: how it helped the creation of employment and formed the very basis of our credit structure; how it enabled the repayment of loan capital and how it made possible auto-financing for rapid industrialisation; how it provided increasing revenues to Government and how it speeded plant rehabilitation by enabling management to plough back profits into industry. "In these circumstances, one cannot over-emphasise the fact that risk capital, the life-blood of industrialisation through free endeavour, is based on faith in success of the endeavour and on the incentive of profit. The profit when it materialises is the result of diligence, foresight, hard work and determination—the attributes on which great nations are built. The development of your own company, the ACC, stands as testimony to the inherent rightness of the profit motive honestly applied."

Unemployment

Speaking of the increasing unemployment in the country and the Government intention to attain full employment within 10 years through creation of 24 million additional jobs, the Chairman expressed his satisfaction that the attention of Government was being directed towards this problem. On the question of rationalisation in industry, as it affects employment, the Chairman urged that any substantial and beneficial increase in the volume of gainful employment could only come through an expanding economy based on efficiency of operation.

"It would be at the peril of industry and indeed of the nation if it were sought to reduce the degree of unemployment by insisting upon major industries maintaining redundant and unnecessary employees at the expense of mechanisation, efficiency and progress."

The Chairman, however, expressed his anxiety about the gravity of the problem and made certain valuable suggestions towards its early solution: (i) He advocated the clear definition of targets, both in the private and public sectors, as to the number of jobs which they were expected to create in the context of the Second Five-Year Plan. This was to be arrived at separately for each industry in the private sector after discussion between the industries and the Planning Commission. (ii) The Chairman suggested active collaboration between large-scale industrial units in both sectors with the proposed All-India Board for the development of Cottage and Small-scale Industries so as to explore all new avenues of employment and to actively assist the development of small-scale industrial units, the major factories playing the role of a 'big brother'. The Chairman said, however, that the private sector by itself may not be able to provide all the employment that was required.

Turning to the Cement Industry, vis-a-vis the Second Five-Year Plan, Mr Khatau observed that it was a matter of pride that the industry had been able to achieve the target set for it in the First Plan. Pointing out the magnitude of the task before the industry in achieving the target of 10 million tons of cement by 1962, the Chairman mentioned the ACC's determination to achieve the production expected of the company. He, however, sounded a note of caution, since limestone, the basic raw material in cement manufacture, was not available in unlimited quantities in India. He suggested investigations into the sources of other usable materials such as slag and calcium carbonate sludge and the utilisation of these by-products of industry, in cement manufacture. He emphasised the need for consultation in this connection between representatives of the cement industry and Government prior to the establishment of steel plants and fertiliser factories.

Excise Duty

Referring to the Central Excise Duty of Rs 5 for each ton of cement, Mr Khatau said that it was most unfortunate that this basic building material should have been selected

for the imposition of excise duty. He hoped that this further tax on cement would be removed by Government at the earliest opportunity.

Production and Offtake

The Chairman reported yet another successful year of working of ACC. Both production and sales of cement were satisfactory. These results were due to the ACC's policy of plant modernisation and rehabilitation along with constant expansion and to the excellent work done at all levels by its employees.

Plant Rehabilitation and Expansion

The Chairman stated that the ACC's post-war expansion schemes so far completed have increased its annual capacity by 11.75 lakh tons. Satisfactory progress was maintained during the year in the modernisation and extension of the factories at Shahabad, Kistna, Bhupendra and Kymore. The new refractory plant at Katni was expected to go into production by the end of 1955. Mr Khatau said that the ACC was investigating the details of a very large expansion programme in the context of the ten-million ton target set for the cement industry in the Second Five-Year Plan.

Coming to the field of new operations, the Chairman announced that the first unit of the Sindri plant with an annual capacity of one lakh tons would come into production by the third quarter of 1955, and a second unit of similar capacity a few months later. The ACC has also negotiated with the Hyderabad State for establishing a factory at Mancherla. The bulk of the machinery for these projects was manufactured in the ACC's major workshops at Lakheri, Shahabad and Madukkarai which were now under centralised control. The Chairman hoped that they would soon be capable of producing all the machinery used for cement manufacture. He also stated that a flotation plant had been installed at Khalari Works and it was now possible there to utilize the low grade limestone available.

Bulk Cement

Referring to the lead the ACC has given in the matter of supply of unpacked cement to the consumers, Mr Khatau stated that the first Bulk Cement Depot in India (under construction at Delhi) was expected to be ready by July 1955. "The intention is to supply initially to the large scale, and ultimately to the small scale consumer, unpacked cement at the actual site of work, in

such a way as to enable them to make immediate and easy use of it without the burden of additional cost, and by doing away with the problems of packing, storage, and handling, with which they are now faced. Depending on the experience which we gain from this experiment it is our intention to increase this system of supplying bulk cement wherever it can be usefully and profitably employed."

Pakistan

The Chairman stated that the ACC's Pakistan factories were working efficiently, and that the Company continued to pay careful attention to their development and working. The negotiations with the Pakistan Industrial Corporation for the formation of a new company in that country, had however been abandoned.

Labour-Management Relations

Coming to labour-management relations, the Chairman observed: "The past year has been one of distinct improvement in so far as the relationship between management and labour is concerned. Apart from one instance of stoppage of work at the Kistna factory, which was due to political rather than economic considerations, and another short-lived dispute at Chaibasa, there has been no strike or lock-out during the year. On this I would like to congratulate my labour friends and the officials of the trades unions at the various factories. I would also claim that the enlightened and progressive policy which your Company has always followed with regard to the welfare and well-being of its workmen has played its part in achieving this happy state of affairs. Increasingly, I believe, our workers are realising that it is only through industrial peace and by increased output due to hard work that greater wealth can be created for equitable and fair distribution."

Mr Khatau continued: "Of particular significance was the meeting called at Hyderabad in March of last year by the Government of India to study certain problems within the cement industry. At this conference important and far reaching agreements were come to by members of trades unions and managements representing the entire industry. I must record our appreciation of the part played by the Labour Ministry of the Government of India in bringing this about. Ensuing from this meeting it has been decided to hold a further conference

Bombay Co-operators Protest

THE failure of the co-operative movement is pin-pointed in the finding of the All-India Rural Credit Survey that, taking the country as a whole, agriculturists got no more than 3.1 per cent of their loans from co-operative banks and co-operative credit and other societies in the year 1950-51 in which the survey was carried out. This is, indeed, a terrible indictment and as applied to the all-India co-operative movement, it is also amply justified. Statistical aggregates or averages, however, completely blot out the differences of achievement as between one State and another. For example, the same Survey mentions that in 1950-51, the year of the survey, co-operative societies in the Bombay State supplied 16.2 per cent of the total loans obtained by the farmers from all sources. This is in regard to all forms of credit, short-term, medium as well as long-term. But if only short-term credit is considered, the borrowings of the farmers from co-operative societies would account for no less than 42.1 per cent of the total. Thus, the contribution of the co-operatives in the matter of providing current finance for agriculture has surely not been negligible.

If only the very small contribution made by the co-operative movement in India to the supply of agricultural credit hit the headlines and the far from modest achievements of the movement in the Bombay State fail to get due recognition, there is serious risk of misdirection of effort and resources in the future. While every effort should surely be made to improve the supply of credit to agriculturists and to expand it manifold, it would be wasteful in the extreme to throw away valuable experience and start *de novo* when solid foundations have already been laid which can provide a sound basis for future development. The publicity given to the failure of the co-operative movement also obscures the fact that movement, as it has developed in Bombay, has furnished both the basic data for the recommendations of the Rural Credit Survey as well as the framework of the model which is now proposed to be set up for future development.

Bonus to Staff, etc

The Chairman then announced that the Board had recommended this year the payment of a bonus equivalent to three months' basic earnings to the employees at the Head Office, the works and other places and concluded by recording the Company's appreciation of the excellent work and the fullest co-operation of the staff and operatives.

The Report and the Audited Statement of Accounts for the year ended 31st July, 1954, were then adopted.



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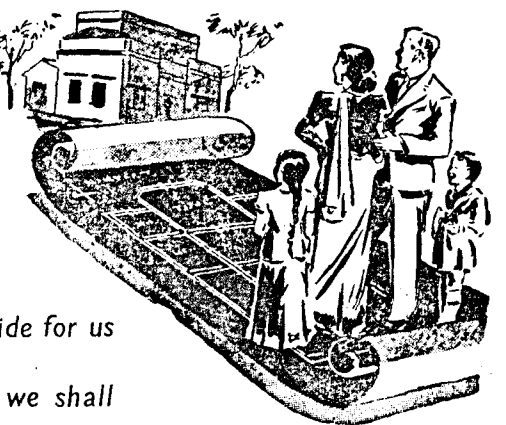
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The Population of India

A Statistical Analysis

M N Jai

ONE man out of every seven is an Indian. Against an estimated world population of over 2,300 millions, the population of India, according to the 1951 Census, is 356.89 millions, larger than that of any country in the world excepting only China.

Table I depicts the growth of population since 1872 when the first Census was taken.

Table II shows the Birth, Death and Infant Mortality Rates since 1931. During this period of twenty years, there has been a noticeable drop in the birth-rate, and the death-rate too is on the decline. The State does everything possible to fight disease and insanitation, to check the death-rate, but the problem of birth-rate is more intractable, as it has to be tackled by methods of persuasion rather than compulsion. A climate of opinion is slowly being created in the country both by private and governmental agencies in favour of restricting the size of the family. Still, too many are born and too many die than is desirable or necessary according to modern standards. In parti-

cular, the mortality among infants is distressingly high, and this is a big factor in lowering the average expectancy of life at birth. The 1951 Census estimates the life expectancy at 32 years and 5 months. In 1931 this figure was put at 26 years and 11 months.

In Table III is shown the classification of the population by languages, on the basis of their mother-tongue. Infants and the dumb too are accounted for; on the other hand no account is taken of persons who speak more than one language. Speaking a language is different from the ability to read and write; there is no reference here to the latter which is the test of literacy.

Table IV depicts the age and sex composition and civil condition of the population. Taking age 15 to 54 as the economically productive years, the working population forms 52.3 per cent of the total. At all ages, the number of males exceed females, in the aggregate there being 947 females per 1,000 males. This is unlike the situation in Western Europe where, statistically speaking, females predominate over males.

Table III
Languages People Speak *

Language	Number of Persons ('000s)
Punjabi	...
Hindustani	...
Urdu	...
Hindi	...
Telugu	33,000
Marathi	27,050
Tamil	26,547
Bengali	25,122
Gujarati	16,311
Kannada	14,472
Malayalam	13,380
Oriya	13,154
Assamese	4,988
Kashmiri†	5
Sanskrit	1
Total of 14 principal languages specified in the Indian Constitution	323,975
Other Indian languages and dialects (744)	20,559
Tribal languages (23)	11,532
Non-Indian languages (63)	226
Unclassified	590
Grand Total	356,870

* The classification is based on the returns of mother-tongue.

† Shows the number of persons speaking Kashmiri in India, excluding Jammu and Kashmir.

Table I—The Growth of Population

Year	1872	1881	1891	1901	1911	1921	1931	1941	1947*	1951
Undivided India	20.62	25.39	28.73	29.43	31.52	31.89	35.29	38.98	(41.17)	43.27
Indian Union	—	—	23.59	23.55	24.90	24.81	27.55	31.28	(33.87)	35.69
Increase (+) or Decrease (—)	—	—	—	-.04	+1.35	-.09	+2.74	+3.73		+4.41

*Estimated.

Table II—Vital Statistics

Year	1931	1933	1935	1937	1939	1941	1943	1945	1947	1949	1950
Birth rate	35	34	35	35	34	32.1	26.1	28.0	26.6	26.7	24.8
Death rate	25	23	24	22	24	21.9	23.9	22.1	19.7	16.0	16.0
Infant mortality rate	179	171	164	152	156	157	165	151	146	123	127

Table IV—Age, Sex and Civil Condition of the People

('000s omitted)

Age Group	Males			Total	Females			Total	Total* Population
	Unmarried	Married	Widowed or Divorced		Unmarried	Married	Widowed or Divorced		
Below 1 year	5,821	—	—	5,821	5,668	—	—	5,668	11,489
1—4 years	17,939	—	—	17,939	17,908	—	—	17,908	35,847
5—14 "	41,804	2,833	66	44,703	35,737	6,118	134	41,989	86,692
15—24 "	16,628	13,660	384	30,672	5,184	24,041	827	30,052	60,724
25—34 "	3,701	23,122	1,052	27,875	773	23,731	2,129	26,633	54,508
35—44 "	1,150	19,323	1,559	22,032	304	15,346	3,879	19,529	41,560
45—54 "	604	13,077	2,038	15,719	173	8,313	5,412	13,898	29,617
55—64 "	299	6,777	1,989	9,064	89	3,334	5,201	8,624	17,689
65—74 "	104	2,533	1,230	3,867	37	1,092	2,847	3,976	7,843
Over 75 years	46	883	701	1,630	18	371	1,367	1,756	3,386
Age not stated	52	46	14	112	60	42	15	117	229
All ages	88,147	82,253	9,034	179,434	65,951	82,388	21,811	170,150	349,584

* Excluding displaced persons..

DIAGRAM SHOWING AGE COMPOSITION OF THE POPULATION

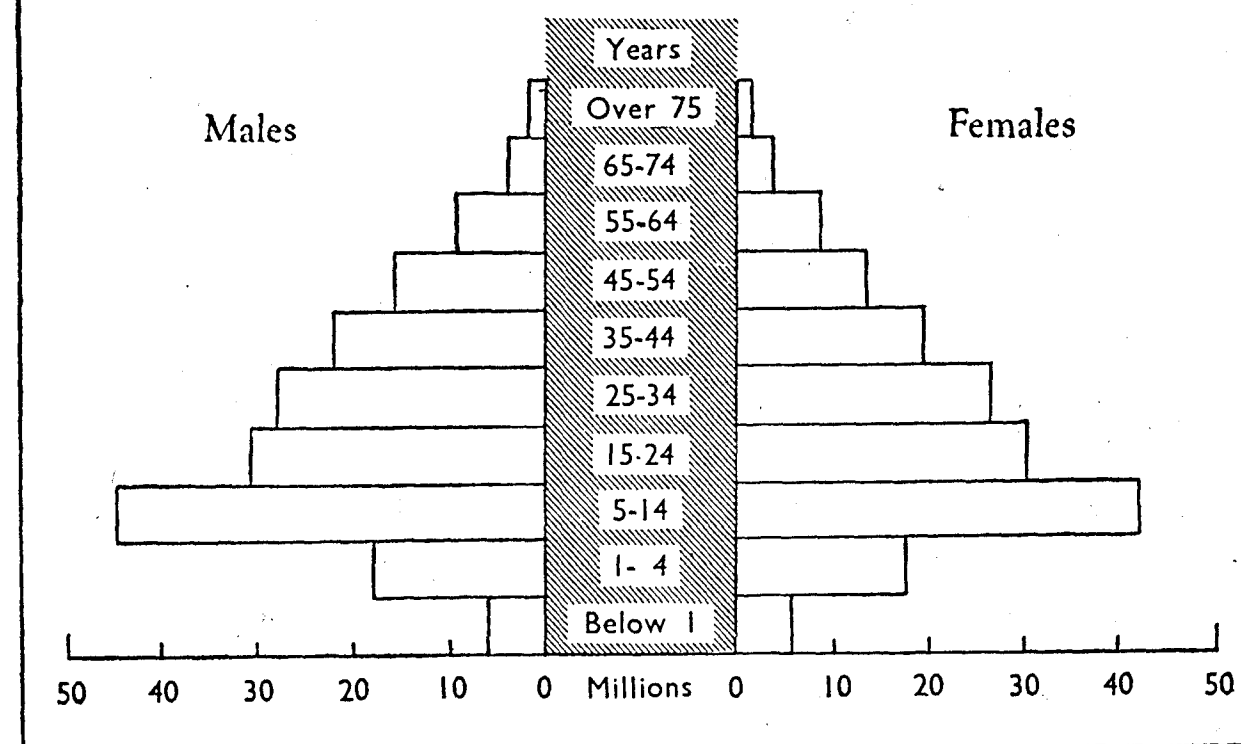
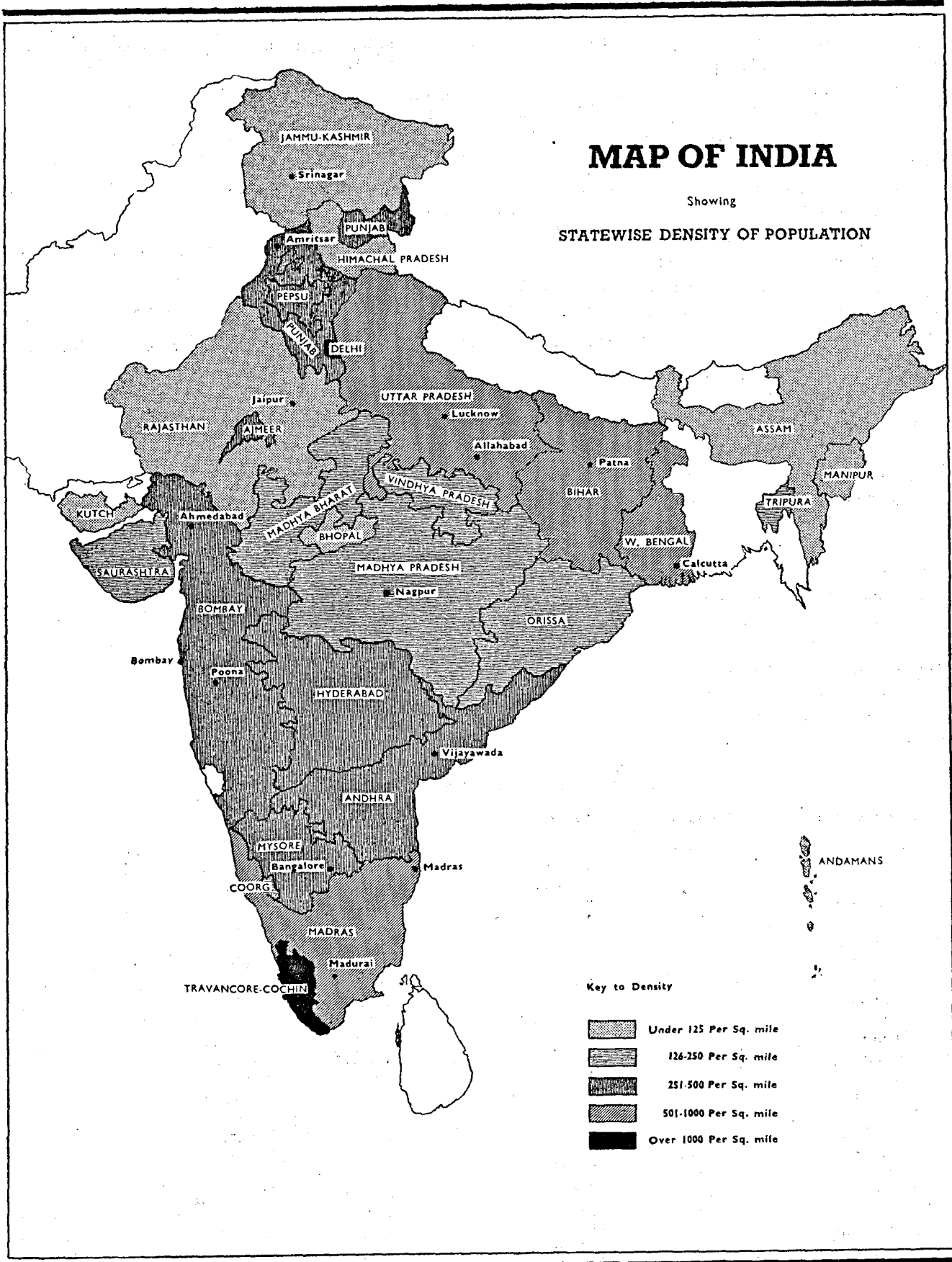


Table V—The State-wise Pattern of Population

Name of State	Capital City	Number of Cities	Urban Population ('000s)	Rural Population ('000s)	Total Population ('00's)	Land Area (sq miles)	Density (per sq mile)
Part 'A' States:							
Uttar Pradesh	Lucknow	16	8,626	54,590	63,216	113,409	557
Bihar	Patna	5	2,705	37,521	40,226	70,330	572
Bombay	Bombay	8	11,170	24,786	35,956	111,434	323
Madras	Madras	9	7,829	27,908	35,734	60,189	594
West Bengal	Calcutta	6	6,153	18,657	24,810	30,775	806
Madhya Pradesh	Nagpur	2	2,877	18,370	21,248	130,272	163
Andhra	Kurnool	5	3,357	17,924	20,508	63,417	323
Orissa	Cuttack	1	594	14,052	14,646	60,136	244
Punjab	Chandigarh	3	2,401	10,240	12,641	37,378	338
Assam	Shillong	0	414	8,630	9,044	85,012	106
Total		55	46,126	232,678	278,803	766,536	363
Part 'B' States:							
Hyderabad	Hyderabad	2	3,476	15,179	18,655	82,168	277
Rajasthan	Jaipur	3	2,649	12,642	15,291	130,207	117
Mysore	Bangalore	3	2,179	7,670	9,849	33,673	293
Travancore-Cochin	Trivandrum	2	1,488	7,792	9,281	9,144	1,015
Madhya Bharat	Gwalior/Indore	3	1,441	6,513	7,954	46,478	171
Jammu & Kashmir	Srinagar	0	—	—	4,410*	92,780	47
Saurashtra	Rajkot	3	1,393	2,744	4,137	21,451	193
Pepsu	Patiala	0	666	2,828	3,494	10,078	347
Total		16	13,292	55,368	67,887	421,795	161
Part 'C' States:							
Vindhya Pradesh	Rewa	0	306	3,269	3,575	23,603	151
Delhi	Delhi	2	1,437	307	1,744	578	3,017
Himachal Pradesh	Simla	0	45	1,064	1,109	10,904	102
Bhopal	Bhopal	0	136	700	836	6,878	122
Ajmer	Ajmer	1	298	396	693	2,417	265
Tripura	Agartala	0	43	596	639	4,032	158
Manipur	Imphal	1	3	575	578	8,628	67
Kutch	Bhuj	0	114	454	568	16,724	34
Coorg	Coorg	0	16	213	229	1,586	145
Total		4	2,398	7,574	9,971	75,350	132
Part 'D' Territories:							
Andaman Islands	Port Blair	0	8	23	37	3,215	10
Sikkim †		0	3	135	131	2,744	50
Total		0	11	158	168	5,959	28
Republic of India	New Delhi	75	61,825	295,004	356,829	1,269,640	281

* The 1951 Census did not cover Jammu and Kashmir; this is only an estimate, and is not included in the total population of India.

† Sikkim is included in India for Census purposes.





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Insurance

A Record Year for Insurance—1953

T Bagchee

Life insurance reached an all time high in 1953, breaking the past record of 1946. The trend of new business which had been irregular and had registered a slight decline in the year before, turned sharply upwards. How did it come about that the year immediately following the post-Korean recession, was a record year for life business?

The Controller of Insurance attributes this upward trend in life business to the habit of thrift formed during the war and the immediate post-war periods and the activities relating to "the mighty adventure of building up New India".

Those who demur and are reluctant to associate inflation with growth of thrift, may find some connection between disinflation and the increase in life insurance.

Fire and Miscellaneous insurance also showed an increase; Marine business alone was smaller. Indian insurers operating outside India had a fruitful year.

The Controller of Insurance assisted by the Executive Committees of Life & General Insurance Council, discharged creditably the responsibility of administering the Act and keeping a vigilance over insurance. Checking the evil of illegal rebates on premiums and controlling the expenses of the insurers, however, continued to be difficult.

THE Indian Insurance Year Book, 1954 just out contains, as usual, comprehensive statistics compiled from the returns of the insurers for the year 1953. The publication has been enlarged to include several additional features on lapses, bases of life insurance premia and tables showing actual expenses incurred by insurers against the allowance for expenses prescribed in the Insurance Act 1938 and Insurance Rules 1939. A detailed note has been included in the Report of the Controller of Insurance on the composition and activities of the Executive Committees of Life and General Insurance Councils of the Insurance Association of India. All these new features have enhanced the value of the publication considerably and the department of insurance deserves to be congratulated for these much needed improvements.

INSURERS IN INDIA

As on November 15, 1954, there were 319 insurers registered under the Insurance Act 1938, out of

which 215 were Indian and 104 were non-Indian. There were 113 Indian insurers engaged in transacting only life insurance business and 11 engaged in life and other classes of business, while 61 stuck to purely non-life business. The corresponding figures for non-Indian insurers were 3, 13, and 88 respectively.

There were 72 Provident Societies registered under the Act operating during the year.

LIFE INSURANCE BUSINESS

(a) New Business: In 1953, the insurers in India issued 5,58,000 policies of life insurance assuring a sum of Rs 154.5 crores with an annual premium income of Rs 8.36 crores. The corresponding figures for 1952 were 5,34,000 policies assuring a sum of Rs 145.7 crores with a premium income of Rs 7.89 crores. The share of non-Indian insurers in the new business for 1953 was 23,000 policies assuring Rs 17.03 crores with an annual premium income of Rs 1.02 crores. The average sum assured per policy issued by

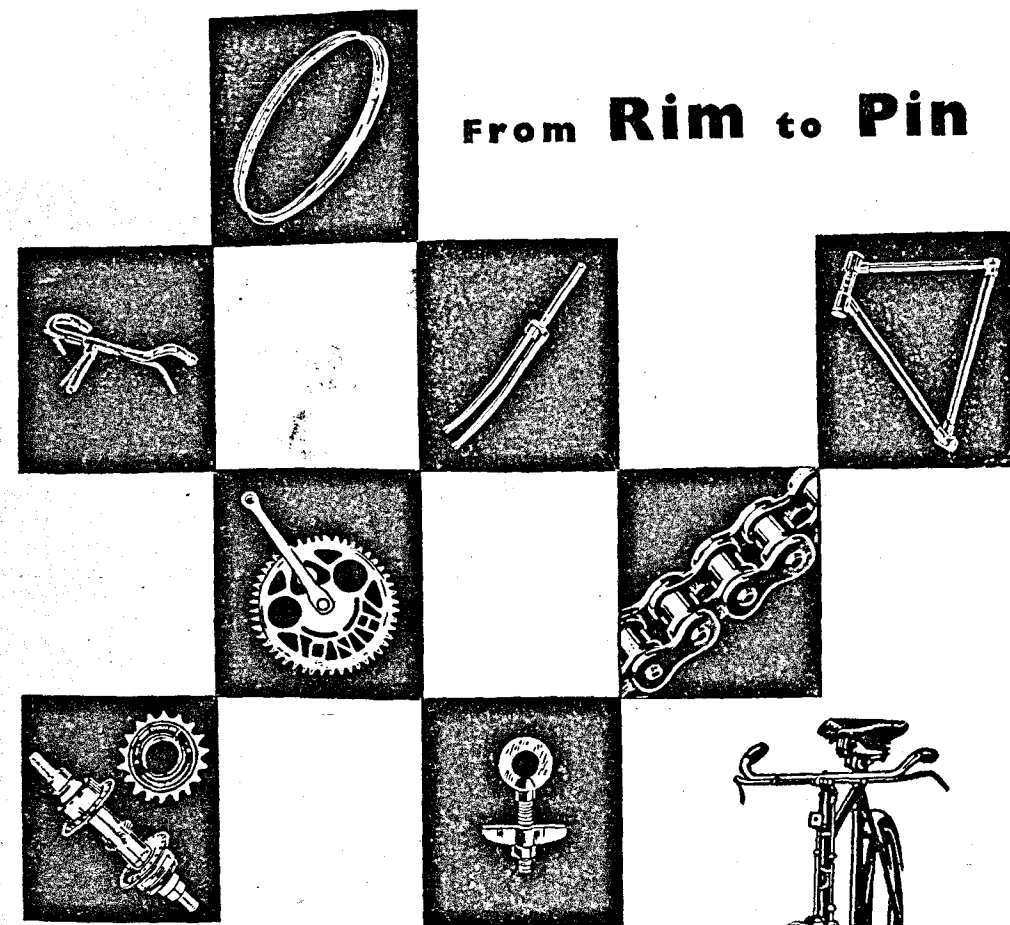
Indian and non-Indian insurers amounted respectively to Rs 2,569 and Rs 7,490.

(b) Total Business in force: Excluding the Annuity Contracts, the net amount of life insurance business in force in India at the close of 1953 amounted to 40,79,000 policies insuring a total sum of Rs 961 crores (including bonuses) with a total premium income of Rs 47.41 crores. The figures show an increase of 1,21,000 in the number of policies, Rs 40.01 crores in sum assured and Rs 2.22 crores in premium income. The positions of new life business and total business in force in India in 1953 effected by Indian and non-Indian insurers are summarised in Table I below.

(c) Life Insurance Business outside India: In 1953, the new life insurance business transacted by the Indian Insurance companies abroad amounted to 30,000 policies insuring a sum of Rs 14.66 lakhs with a yearly premium income of Rs 0.95 lakh. The total life insurance business in force under this head

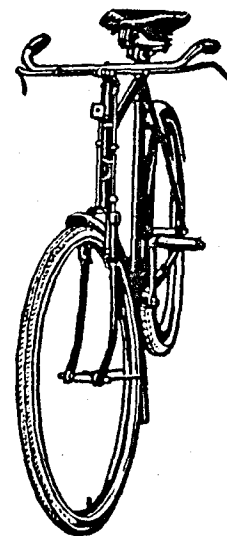
Table I—New Life Business and Total Life Business in Force, 1953
(Effected in India)

	New Life Business, 1953				Total Business in Force, 1953		
	No of policies	Gross amount	Yearly premium income	Average sum assured per policy	No of policies	Sum assured	Yearly renewal premium income
		(Rupees lakhs)		(Rupees)		(Rupees lakhs)	
Indian insurers	5,35,000	1,37.46	7.34	2,569	38,33,000	8,29.98	39.69
Non-Indian insurers	23,000	17.03	1.02	7,490	2,46,000	1,31.91	7.72
Total	5,58,000	1,54.49	8.36	—	40,79,000	9,61.89	47.41



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amounted to 2,72,000 policies assuring a sum of Rs 77.03 lakhs with a yearly premium income of Rs 4.26 lakhs.

(d) Annuities: New annuity bonds assuring payment of Rs 12,37,000 per annum were issued during the year by Indian and non-Indian insurers. Total annuities for payments of Rs 73,95,000 per annum remained in force at the end of the year.

TREND OF LIFE INSURANCE BUSINESS

A reference to totals of new life business for the decade 1944-53 in Table II will show that the recovery from the recession of business during the period 1947-50 which began to show itself in 1951 gained momentum in 1953 and it is expected that the increase in business will be steady particularly in view of various development measures taken up by the State, which aim at improving the economic condition of the country.

Table II—New Life Business 1944 to 1953
(in crores of Rupees)

Year	New sum assured	Sum assured [with bonuses] in force
1944	108.9	454
1945	136.3	557
1946	153.8	651
1947	139.6	706
1948	134.6	724
1949	142.2	765
1950	139.5	780
1951	147.9	873
1952	146.7	922
1953	154.5*	962*

* Subject to correction.

LAPSES OF POLICIES

A table of combined experience of lapses of the policies issued by Indian insurers has been added to the Report of the Controller of Insurance. This shows that the ratio of total amount of lapses in 1953 to the mean gross direct business in force during the year worked out at 8.9 per cent. The Controller remarks that lapses occurring in a particular year may serve, in a restricted sense, as an index of the economic condition of that year.

INCOME, OUTGO AND EXPENSE RATIO

The total revenue income in life business of Indian and non-Indian insurers in 1953 were Rs 54.27 crores and Rs 9.60 crores respectively. During the year, the corresponding figures for outgo were Rs 29.48 crores and Rs 6.98 crores respectively. The Life Funds of Indian and

non-Indian insurers were increased by Rs 27.79 crores and Rs 2.62 crores respectively using the balances left over. Table III shows the sources of income and outgo in respect of life insurance business of Indian and non-Indian insurers for the year 1953.

In the outgo side it will be noticed that payments made by Indian insurers to the policy holders by way of claims, surrender values and annuities amounted to Rs 16.11 crores, ie 50.6 per cent of the total income. The corresponding figures for payments made by non-Indian insurers was Rs 4.48 crores ie 67.1 per cent of the total income. The overall expense ratios of Indian and non-Indian insurers were 27.3 per cent and 20.7 per cent respectively in 1953. This showed a nominal in-

crease over the corresponding figures for 1952.

The Life Fund and assets of Indian insurers as on December 31, 1953 amounted respectively to Rs 255.61 crores and Rs 315.80 crores. The life fund and assets of non-Indian insurers at the close of 1953 were respectively Rs 48.60 crores and Rs 53.89 crores. The distribution of the assets of Indian insurers is given in Table IV. The distribution of the assets of non-Indian insurers is not given in the Year Book.

INVESTMENT OF THE CONTROLLED FUND

A summary of investment of Controlled Fund (meaning all funds pertaining to life insurance business) under Section 27A of the Insurance Act, 1938 given in the Year Book

Table III—Income and Outgo

INCOME			OUTGO		
	Rs Lakhs	% of total		Rs Lakh	% of total
Premium (first year)	8.83	13.8	Death claims	5.13	14.1
Renewal premium	43.14	67.5	Maturity claims	11.78	32.3
Interest, dividend and rent	9.90	15.5	Annuity payments	22	0.6
Miscellaneous receipts	2.00	3.3	Surrender value	3.46	9.5
			Management expenses	13.68	37.8
			Depreciation transferred to Investment revenues etc	1.11	3.3
			Miscellaneous	85	2.6
			Transfer to shareholders, reserve and dividends	22	0.6
	63.87	100		36.46	100

Table IV—Distribution of Assets of Indian Insurers

Particulars	Rs (lakhs)	% of total
Central Government securities	1,26.78	40.1
Securities of Part A States	18.97	6.0
Securities of Part B States	3.35	1.1
British, Colonial and Foreign Government securities	5.54	1.8
Municipal, Port Trust and Improvement Trust securities	18.75	5.9
Mortgage on property	14.59	4.6
Loan on policies	23.44	7.4
Loans on stocks and shares	22	0.1
Other loans	1.84	0.6
Debentures of Indian Cos, etc	14.64	4.6
Preference shares of Indian Cos, etc.	11.30	3.6
Ordinary shares of Indian Cos, etc.	19.91	6.3
Land and house property	17.44	5.3
Agents' balances, outstanding premium, interest, etc	15.46	4.9
Deposit, cash and stamps	16.68	5.3
Miscellaneous	6.89	2.2
Total	3,15.80	100.0

January 26, 1955

effected in 1953 amounted to Rs 4.38 crores of which the premium underwritten by Indian insurers amounted to Rs 2.72 crores. The marine claim ratio of Indian and non-Indian insurers together was 56 per cent as against 57 per cent in the previous year. The commissions and expenses of management consumed 8 and 28 per cent of the net premiums as against 9 and 27 per cent in 1952. The total profit transferred to Profit and Loss Account from marine business of Indian insurers amounted in 1953 to Rs 23.51 lakhs.

MISCELLANEOUS INSURANCE

The particulars of miscellaneous insurance business given in the Year Book do not show separately the relevant statistics for business under Accident (motor), Workmen's Compensation, Burglary, Fidelity Guarantee, Plate Glass, Cash in Transit and other special forms of insurance, though the bulk of the business transacted in India is composed of insurance of motor vehicles, both Third Party and Comprehensive risks. In the absence of data, it is difficult to determine the trend of this class of business. During the year under review, the total premiums less re-insurances of miscellaneous insurance business effected by Indian and non-Indian insurers amounted to Rs 6.36 crores and the claim ratio worked out at 50 per cent. The premiums underwritten by Indian insurers amounted to Rs 4.46 crores. The commissions and expenses absorbed respectively 15 and 29 per cent of the net premium income. The Indian insurers transferred a sum of Rs 32.43 lakhs to the Profit and Loss Account from miscellaneous insurance business.

The premium income in 1953 in Fire and Miscellaneous Insurance business showed an increase over that in 1952 while the marine class showed a slight fall as compared with 1952. There are some Indian insurers who transact non-life insurance business outside India. A net premium income of Rs 8.29 lakhs was received by these insurers from such business in 1953.

INSURANCE AGENTS

The total number of licences to act as an Agent in force on December 31, 1953 was 2,80,162 out of which 94,140 were fresh licences issued during the year. Of the total number of 94,140 licences issued in 1953, 32.4 per cent were issued to women. The average premium of business procured by insurance agents

in all classes of insurance business amounted in 1953 to Rs 2,610.

In addition to the above, 859 certificates for Principal Agents, 443 for Chief Agents, and 5,634 for Special Agents were issued during the year.

TRANSFERS, WINDING UP, ETC

During the year the life insurance business of 8 insurance companies and 3 provident societies were transferred to other companies. Under orders of court, one life insurance and three provident societies were wound up. The North China Insurance Company Ltd went into voluntary liquidation in 1953.

Under Section 103 of the Act, one Provident Society was convicted and fined in 1953 for contravention of Sections 73 and 70(5) of the Act.

CAPITAL RECONSTRUCTION

Of the 30 schemes for capital reconstruction under sub-section (1) of Section 6B of the Insurance Act submitted, 26 schemes have been sanctioned by the Controller and the rest are under consideration. Under the provision of sub-section (1) of Section 6C of the Act, one insurance company with share capital was converted in June 1954 to a company with capital limited by guarantee. There has been no further legislation regarding insurance since the date of issue of the last Year Book and no Administrator has been appointed under Section 52A of the Insurance Act, 1938. The Administrators already appointed in the previous years continued to manage the affairs of six insurers during the year under review.

EXPENSES OF MANAGEMENT

Under the provisions of Sections 40B and 40C of the Insurance Act, 1938, limitations have been imposed on expenses of management of the insurers. The basic limits for expenses of life and non-life insurance business are prescribed in Rules 17D and 17E of the Insurance Rules, 1939. The Controller, in consultation with the Executive Committee of Life and General Insurance Councils, is empowered by the Act to relax the basic limit for a particular year in respect of any insurer. In 1953 relaxations ranging from 1/2 per cent to 3 1/2 per cent were allowed to a number of insurers, both Indian and non-Indian, who contravened the provisions of the Act by spending in excess of the basic limits for life insurance business. Likewise, relaxations in expenses ranging from 1 1/2 per cent to

THE ECONOMIC WEEKLY

5 per cent gross premiums written direct in India were allowed to the insurers for non-life business, who spent in excess of the basic limits. Tables showing the experience of insurers transacting life and non-life business in the matter of expenses have been given in the Report of the Controller. A reference to the tables shows that in case of life insurance business, there were 184 insurers who spent more than the basic limits prescribed for expenses. In case of non-life business, there were 128 insurers who spent in excess of the limits for expenses. The number of insurers who spent in excess in 1953 shows an increase.

The detailed analysis of expenses incurred by insurers and the basic limits allowed for life and non-life business show further that the experience of bigger insurers have been more favourable. The Controller in his Report has expressed the hope that the insurers "will give due attention to this disquieting feature and take remedial steps."

SETTLEMENT OF DISPUTES BY THE CONTROLLER

The number of applications under Section 47A of the Insurance Act 1938, as amended in 1950, for settlement of claims under life insurance policies with a sum not exceeding Rs 2,000 each referred to the Controller in 1953 was 162, and settlement was made in respect of 29 such applicants. The rest are either withdrawn or under his consideration.

INSURANCE ASSOCIATION OF INDIA

In terms of Section 64F of the Insurance Act, 1938 as amended in 1950, the Executive Committee of Life and General Insurance Councils of the Insurance Association of India constituted in September 1951, completed their term of office in September 1954. In his Report the Controller has given an interesting account of the composition of the committees and of their activities. In terms of the Act, these committees have been assigned to aid and advise insurers carrying on life and non-life insurance business by setting up standards of conduct and sound practice, and to advise the Controller in the matter of controlling the expenses of life insurance business and in the matter of commission and other expenses for non-life business. The committees are also empowered to bring to the notice of the Controller the cases of any insurers acting in a manner prejudicial to the interests of policyholders and to act in any

THE ECONOMIC WEEKLY

matter ancillary or incidental to any of the above specified matters.

ILLICIT REBATES

The principal object for which the committees were formed being the control of expenses and commission, the committees devoted their attention to putting a stop to the widely prevailing practice of paying illicit rebates on premiums, particularly on non-life premiums. This unhealthy practice is the bane of non-life business in India. It not only increases the expenses, but makes the insurers resort to falsification of their accounts in order to cover up the breach of law. In order to eradicate the evil, the committee prepared a Code of Conduct to regulate employment of agents, inspectors and other salaried field staff, opening of branches, collection of outstanding and current premiums, agents' balances, elimination of dummy agents, bogus branches, etc. After several modifications carried out in the light of suggestions received from insurers, the Code was finally adopted by the committee. An administrative machinery was set up with investigating officers in Bombay, Calcutta, Madras and Delhi, to enforce the Code.

CODE OF CONDUCT

Although the insurers, one and all, agreed to abide by the Code, it appears that the evil, for the eradication of which the Code was introduced, has not been checked to any great extent, mainly on account of lack of co-operation on the part of the insurers. "Ultimately the success of the scheme", remarks the Controller of Insurance, "must depend upon the extent to which the insurers themselves are in earnest in eradicating an evil which, if allowed to go unchecked, is bound to prove suicidal to them". In case the experiment fails, he adds, "it will be clearly necessary to consider whether Government should assume greater police powers over insurers in the interest of insuring public." A similar code for life insurers has also been evolved by the Executive Committee of Life Insurance Council, but in life business, the problem is comparatively simple.

REDUCTION OF LIFE PREMIUM

During the first term, the committees dealt with various other matters such as, standardization of policy contracts, discrimination made by banks in accepting non-life insurance business, enquiry into the outflow of re-insurance premiums from India, prohibition of differential rates of life insurance premiums being offered to different classes of people, and controlling and regulating the extension of activities of Indian insurers abroad.

Last year, the committee had to deal with the situation created by the

heavy reduction in premium rates for life insurance business offered by New India Assurance Co Ltd and other big insurers. This matter vitally affecting life insurance business was referred to a sub-committee appointed by the Life Council. Although the report of the sub-committee showed that there was no need to interfere with the reduction which most of the insurers had made, the sub-committee asked the insurers that no further reduction in premium rates should be made for a year and that subsequently, premium rates could be reduced only after giving prior notice to and sanction from the Executive Committee of the Life Insurance Council.

DELAY IN PUBLICATION

The Controller regrets that in spite of the appeal made in the past, the accounts and valuations reports are not submitted to him by some insurers and provident societies in time for inclusion in the Year Book. The result is that the Year Book is being published every year with incomplete statistics, thereby detracting from its usefulness. The Controller has now threatened to invoke the penal provisions of the Act in case of failure of the insurers to furnish the returns within the statutory time limit. It is hoped that insurers will, in the interest of business as a whole, co-operate with the Department of Insurance in this matter.

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Flood Control at D V C with Euclids

J I C

Beneath the surface of today's hardships, shortages and a host of other problems that fill the Indian scene, another picture can be discerned. Giant hydro-electric stations such as DVC, Bhakra-Nangal, Hirakud and Tungabhadra have been built, and Euclid has been there doing the building. Work will shortly commence on a further five major projects: Kosi, Koyna, Krishna, Chambal and Rihand.

It is Euclid's proud boast that wherever there is a big job to be done, Euclids will be found doing it and here in India, Euclids backed by a first class After Sales Service offered by Euclid distributors—Blackwood Hodge (India) Ltd.—are playing a very big role in the development of the country's vast potential wealth. Men and machines of great power are on the job ensuring India's future stability and prosperity. Dreams of the past are becoming today's realities.

FLOOD devastation is by no means new to India and as long ago as 1852, Government has been concerned with the problem of flood control, but the very large scale devastation brought by the recent monsoon floods have made it absolutely essential to begin the work of controlling India's large rivers without further delay. The magnitude and complexity of the flood problem is such, that the Central Flood Control Board has set up two River Commissions who will be responsible for assisting the States to implement suitable and adequate measures, among which will be afforestation, construction of embankments, dams and diversion channels.

The work being carried out by DVC in harnessing and utilizing the flood waters of the Damodar River, formerly known as the "River of Sorrows", will be a pattern for future flood control projects. Damodar Valley Corporation was constituted by an Act of Parliament in July 1948 and is modelled on the Tennessee Valley Authority. An entirely new way of life is being built, one which will influence the lives of millions of people who previously lived in dread of river floods, bringing grim suffering, famine and untold poverty.

PROGRESS

Considerable progress has already been made in the first phase, which involves an estimated cost of Rs 89 crores, and includes four major dams, three hydro-electric stations, one thermal-power station and a barrage with a network of canals and tributaries. This is scheduled for completion in 1956.

Tilaiya Dam and Bokharo Thermal Power Station, along with 250 miles of high transmission lines, sub-stations, and receiving stations,

have been completed and commercial distribution of electric power has already started.

Konar Dam has been completed without its power house.

Maithon Dam upon which 50 per. cent of the work has been finished is scheduled for completion in February 1955 and Panchet Dam will be completed by the end of 1956.

Durgapur Barrage is due for completion by June 1955.

MAITHON AND PANCHET HILL DAMS

The dams at Maithon and Panchet Hill were designed primarily for flood control and with help from the upper reservoirs, will bring under cultivation 1,140,000 acres of land. Maithon alone is expected to provide perennial irrigation of 270,000 acres and hydro-electric generation by this dam is anticipated to be 164,000,000 KWH per annum.

At both these dam sites Euclid Rear Dumps and the famous Euclid Loader, working with a fleet of Euclid Bottom Dumps, have been busily at work.

The Executive Engineers at Maithon, are all Euclid enthusiasts. "We have found," said one, "that Euclid earth-moving equipment is most reliable. Our operators have found them easy to handle, and most of the Euclid equipment on the various projects at DVC have been operating for over two and a half years, many machines have completed more than 5,000 hours of service. In the previous two seasons, Euclids have been in operation continuously for twenty-four hours a day." When questioned further, the engineer said, "Even when fully loaded, Euclids have

proved the fastest units and they easily cope with the undulating country. Each Euclid Bottom Dump regularly hauls from 15 to 20 tons of material in one trip from the loading centre to the dumping site. In a day of eighteen to twenty available hours, the total load hauled by a Euclid Bottom Dump can be between 1,000 to 1,300 cyds. DVC mechanics and fitters have found that the simple, rugged design of all Euclids greatly assist them where cleaning and maintenance is concerned."

On the performance of the Euclid Loader, he continued, "The maximum loading capacity of the Euclid loader on operation at Maithon was estimated to be 700 cu yds per hour. In the soft borrow pit, which is mainly of gravel and sand, the Euclid Loader has done a remarkably fine job."

At Maithon there are in all twenty-one Euclid Bottom Dumps, one Euclid Loader and eight Euclid Rear Dumps. At Panchet ten Euclid Rear Dumps, seven Euclid Bottom Dumps and one Euclid Loader.

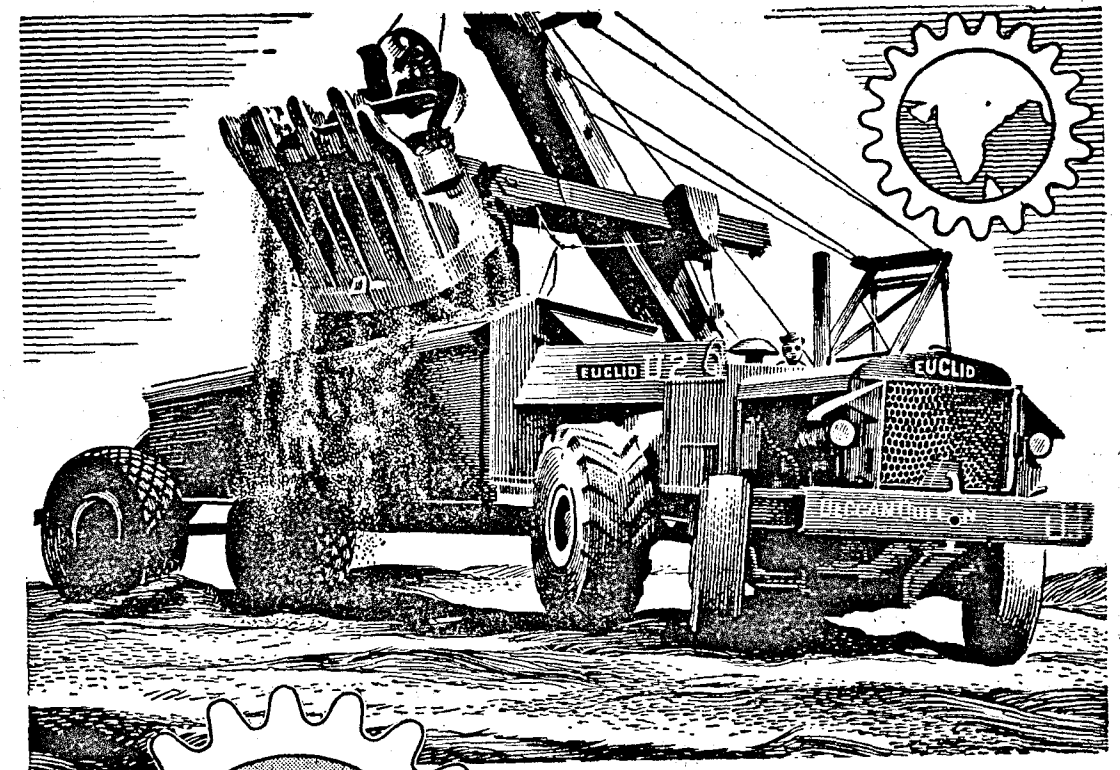
DURGAPUR BARRAGE

This barrage has been designed to control a net-work of irrigation canals which will irrigate 1,025,762 acres, for kharif and 300,000 acres for rabi cultivation.

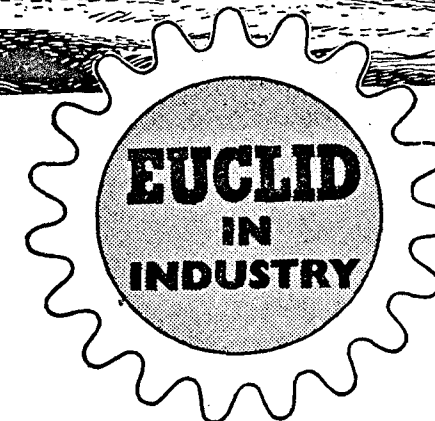
This barrage consists of:

(a) A barrage across the Damodar at Durgapur and regulators over the canals to the right and left banks.

(b) Main canals and tributaries on both banks, the principal one on the left bank being navigable. This navigable canal will connect the coal-mining areas around Raniganj with the Hooghly about 35 miles above Calcutta. It is estimated to take traffic of 1,500,000 tons of coal



Illustrated is a EUCLID 20 ton BOTTOM DUMP being loaded with spoil at one of the many sites on the DAMODAR VALLEY PROJECT.



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and 500,000 tons of miscellaneous cargo. The main canal system will be 120 miles long, branch canals 335 miles long, tributaries 674 miles long and drainage canals 422 miles. The total length of canal system being approximately 1,552 miles.

(c) Drainage system of approximately 422 miles of drainage canals.

RUHR OF ASIA

South Bihar and West Bengal is rich in mineral wealth and is sometimes described as the Ruhr of India. This area contains 80 per cent of India's coal reserves, 98 per cent of her iron ore and 100 per cent of her copper and kyanite. Rich deposits exist of limestone, mica, chromite, bauxite, asbestos and other minerals. This area has already been developed. Here are India's two major steel plants (her third steel plant in which Krupps-Demag of Germany have a big financial and technical stake will be sited just across the borders at Rourkela in Orissa) and a variety of secondary industries.

From the four hydro-electric stations at Maithon, Panchet, Konar and Tilaiya and from the Bokharo Thermal Power Station, it is estimated that at least 1,000 million KWH of energy per annum will be available. This vast power production will greatly assist in the exploitation of the valley.

A 15-year plan known as the Durgapur Project is now being drawn up. It is proposed to start this project with a coal carbonisation plant, which will be integrated with a host of chemical industries based on coal derivatives. The development of meteorological industries and the completion of a fertilizer factory will follow. The final stage will be the erection of the synthetic oil plant.

Apart from industrial and mineral development, the DVC Project, by controlled irrigation, will greatly assist agriculture. An additional production of 350,000 tons of food and 100,000 acres of jute is expected.

SUBSIDIARY DEVELOPMENTS
These included pisciculture carried

out by the Fishery Research Station, model villages, afforestation and electrification of the railways.

Thus beneath the surface of today's hardships, shortages and a host of other problems that fill the Indian scene, another picture can be discerned.

Giant hydro-electric stations such as DVC, Bhakra-Nangal, Hirakud and Tungabhadra have been built, and Euclid has been there doing the building. Work will shortly commence on a further five major projects: Kosi, Koyna, Krishna, Chambal and Rihand. It is Euclid's proud boast that wherever there is a big job to be done, Euclids will be found doing it and here in India, Euclids backed by a First Class After Sales Service offered by Euclid distributors—Blackwood Hodge (India) Ltd.—are playing a very big role in the development of the country's vast potential wealth. Men and machines of great power are on the job, ensuring India's future stability and prosperity. Dreams of the past are becoming today's realities.

Banking

Money Supply, Prices and the Plan

The relative trends in money supply and prices in the recent past may strengthen optimism about the scope for deficit financing in future; but there is risk in basing calculations on what has been witnessed so far.

NEARLY four years of the first Five-Year Plan are now over. It will be of interest to study the broad monetary trends during this period. The outstanding feature of the monetary situation is the net decline in money supply with the public by over Rs 100 crores, during the period April 1951 to December 1954. The main constituents of money supply with the public are currency and demand deposits. It is not customary to regard time deposits as forming part of money supply; they are regarded more as investments. During this period, time liabilities of scheduled banks shot up by Rs 75 crores due, to a large extent, to the higher rates of interest offered on such deposits during the last three years. But even if we take time liabilities as forming part of money supply, it will be seen that that during the plan period April 1951-December 1954, money supply with the public has suffered a net decline of about Rs 30 crores. Therefore, the conclusion is warrantable that either there has been no deficit-financing or such deficit-financing as has taken place has been more than offset by a deficit in the balance of payments and contraction of Reserve Bank credit.

From the table alongside, it will be seen that as against a decline of Rs 117 crores in Government balances with the Reserve Bank (which may be regarded as representing very very roughly the magnitude of deficit-financing), foreign assets of the Reserve Bank have declined by Rs 153 crores and the credit extended by the Reserve Bank also declined by Rs 88 crores. These variations are those that meet the eye; these are only gross figures. Possibly there have been special transactions and if adjustments are made for these transactions, the net effect of these variations would be of a different magnitude. For instance, the sharp decline in Reserve Bank holdings of rupee securities may not wholly represent sales to the public. Nor may the decline in Government balances be wholly due to deficit financing in the sense of disbursements

within the country in excess of revenue receipts and net borrowings from the public. But whatever be the gross impact of each of these items, the net position of money supply remains unaltered. There has been a net decrease in money supply which means no visible inflationary development at all in the economy. It may also be noted that during the four years of the Plan

period, scheduled banks' loans and advances recorded a net decline of Rs 20 crores.



This is what emerges if one takes into account the aggregate change during the four-year period. Looking at it a little more closely, however, it will be observed that the

(Crores of Rupees)

	1951-54	April-Dec 1954	April '51-Dec '54
	1	2	(1+2)
I. Money Supply with the Public:			
1. Currency with the public ..	- 74	+ 8	- 66
2. Demand liabilities (net) of scheduled, non-scheduled and co-operative banks ..	- 71	+ 45*	- 26
3. Other deposits with the Reserve Bank of India excluding IMF No 1 Account) ..	- 11	- 4	- 15
4. Money supply with the public ..	- 156	+ 49	- 107
II. Factors Affecting Money Supply:			
1. Central Government deposits with the Reserve Bank of India ..	- 96	- 11	- 107
2. State Government deposits with the Reserve Bank of India ..	+ 36	- 46	- 10
3. Foreign assets held by the Reserve Bank of India ..	- 131	- 22	- 153
4. Rupee investments of the Reserve Bank of India ..	- 98	+ 6	- 92
5. Other loans and advances by the Reserve Bank of India ..	+ 24	- 20	+ 4
6. Loans and advances to Governments by the Reserve Bank of India ..	- 1	+ 1	-
7. Scheduled banks' loans and advances ..	+ 1	- 21	- 20
8. Scheduled banks' investments in Government securities ..	+ 3	+ 29	+ 32
9. Time liabilities (net) of scheduled banks ..	+ 36	+ 39	+ 75

* Relates to scheduled banks only.

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bulk of the decline in money supply occurred in 1952-53. In fact, for the period April 1953 to December 1954, there is an increase of nearly Rs 100 crores in money supply.

Yearly Changes in Money Supply (crores of Rupees)

1951-52	..	..	-171
1952-53	..	..	-36
1953-54	..	..	+51
1954:			
April-December	..	..	+49
Total period	..	..	-107

Obviously one's judgment regarding the present position as well as the future prospects will be coloured by the relative importance attached to the aggregate change as against the variation in the past twenty months or so.

Parallel to the change in money supply, there has also been a remarkable shift—rather a series of shifts—in prices. Between the beginning of the Plan period April 1951 and December last, there has been a very substantial lowering of the price level, the wholesale index (year ended 1939 = 100) having come down from 456 to 368. It is true that this was not a gradual process, but was heralded by a steep fall in 1952 during the disinflationary phase, 367 touched in May being the lowest for the year. Subsequently, in the early part of 1953, prices moved up slowly and by the middle of September 1953, the wholesale price index had gone up to 412 from 367 in May 1952. But since then the price index has moved more or less steadily downwards and by the beginning of 1955, it had fallen to 366.

Admittedly, the wholesale price index is not as satisfactory an index of the price situation in the country as it should be and it is hazardous to base elaborate theories on changes in it. Nevertheless, as long as one remembers its limitations, certain broad conclusions could be drawn by reading the changes in prices along with the changes in money supply. The point that strikes the eye is the divergent movement in the two in the recent past. While money supply has tended to rise, the price level has receded. This is not surprising if one remembers that side by side with the increase in money supply, there has been an increase in production—an increase which is more than proportionate. Much the most significant element in the increased

output is the rise in agricultural output, the index for which moved up from 102 in 1952-53 to over 113 in 1953-54 (Base: agricultural year 1949-50 = 100). This naturally pulled down the agricultural prices and as a corollary, the wholesale price index.

All this is familiar, and in accordance with the proposition that if aggregate output increases faster than the demand for it, prices will fall. But the point is that the demand for products of all types has not increased *pari passu* with supply. The facts relating to deficit financing mentioned above throw some light as to how this could have happened. It would seem that the increase in output has come about in a manner which did not involve an extension of money investment, so that while the goods were being produced, new money incomes were not created. If the larger output were the consequence of an increase in investment outlay over a period, a substantial shortfall in the money demand for goods would imply that additional money incomes were hoarded. It may be that the propensity to hoard is

pretty high in India; but it is not certain if with an increase in money incomes, this propensity also increases.

It is, therefore, possible to argue that such increase as has occurred in aggregate output is due to very special factors and is not directly related to changes in the level of investment. One has only to think of the enormous variations in agricultural output which can occur as a result of changes in the monsoon to appreciate this. Given this view, two things seem to emerge. In the first place, the consolidation of the supply position is due as much—if not more—to fortuitous circumstances as to any increase in investment outlay. And in the second place, it has a moral for the future. The relative trends in money supply and prices in the recent past are likely to make one optimistic about the scope for deficit financing in the future. That there will be need for deficit financing nobody can deny. But it will be risky to base one's calculations on the relation between increase in money supply and increase in production on what has happened so far.



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State of Education in India

R K Swamy

The Constitution directs that by 1960, free and compulsory education should be provided for all children up to the age of 14. The target laid down by the Planning Commission stems from this directive and the progress made so far is not altogether unsatisfactory.

The pace of development, however, is not the same in all States, and there is little emphasis on quality. This is unfortunate, because a democratic set-up demands intelligent participation of the people in the affairs of the country. The most promising line of approach to economic development also lies in a vast effort at raising the general level of education, particularly in rural areas.

IN the present stage of transition in this country from a police state to an organised co-operative commonwealth it would be interesting to study our objectives in the sphere of education, and how far our existing system has been geared to achieve them. The democratic set-up demands intelligent participation of the people in the affairs of the country. Economic opportunities have to be created and distributed to all sections of the community in an equitable manner to raise their standards of living and to maintain the stability of the nation. In our relations with the world abroad, we have to pull ourselves up to a level of intellectual activity that will command spontaneous admiration and respect. We have, therefore, to stimulate our creative faculties, encourage a way of life suited to our native genius and promote a taste for the finer aspects of art, literature and culture. The key to these developments lies in an integrated system of education, carefully and progressively administered.

PRESENT POSITION

The 1951 Census reveals that four persons out of every five in the age group of ten years and above were illiterate. Among the six crores of people who could read and write a simple letter, over five crores had schooling for only four years or less. A further half a crore did not go past the middle stage. There were only 38 lakhs who were matriculates, diploma holders or graduates.

These reports,* which cover periods corresponding roughly to the census year, obviously do not have a brighter story to tell. Our expenditure on

education in 1950-51 was of the order of Rs 115 crores. It was a great improvement on the Rs 55 crores we used to spend in 1947-48, and the position has been further improved in recent years with nearly Rs 150 crores allotted to this nation-building activity. It is officially estimated that a national system of education that will adequately serve our needs will require an annual expenditure of Rs 400 crores. In addition, Rs 200 crores would be required to train 27 lakh teachers, and Rs 272 crores for buildings. This shows how inadequate our resources are to meet requirements so basic to our progress.

MAIN DEFECTS

Even granting that we find the financial means to support a national system of education, it will not be possible to extend educational facilities overnight for a variety of reasons. It has been noted above that of the six crores of people who could read and write a simple letter, over five crores stopped schooling at the primary stage. The money spent on their education has been largely wasted for they did not derive any permanent benefit that could be an asset to them in their future. Among those who have gone beyond the primary stage, most of them have gone through a pattern of general education taking no note of their aptitudes and unsuited to the general requirements of the nation as a whole.

Evidently, the different stages of our educational system are not clearly marked, so as to make each stage complete in itself. Also, facilities for adequate technical and vocational education that would train the students for various trades are absent.

Worse than these factors, and more fundamental to the entire educational structure, is the lack of attention paid to the quality of teachers. In 1950, the percentage of untrained teachers was as high as 41 per cent in primary and 46 per cent in

secondary schools. Moreover, the teaching profession does not normally attract the right persons due to inadequate payments and unsatisfactory service conditions.

In the context of our planned economy, therefore, our educational system requires complete re-organisation and a coordinated integration. The Planning Commission has given this subject careful thought, and has assigned priorities taking into consideration our present and future needs, and the resources at our disposal.

PRIORITIES

In 1950-51, facilities available for primary education were adequate for 40 per cent of the children in the ages 6 to 11. This is required to be expanded to cover 60 per cent or three crores of pupils. The percentage of girls in this age group would increase from 23 per cent to 40 per cent in 1955-56. Students in the secondary stage would increase from 11 per cent of the age group 11-17 in 1950-51 to 15 per cent in 1955-56. The corresponding percentage of girls is required to go up to 10 per cent.

Since illiteracy is highest among the older age groups, and it is they who count in moulding our destiny today, a scheme of social education is envisaged. This is expected to cover at least 30 per cent of the people, including 10 per cent of women among them, within the age group of 14-40. The scheme, if it works as the planners intend, will benefit nearly 15 crores of our people.

It is recognized that the various stages of education are interlinked. Every advance made in the primary stage requires more and better teachers, who can only be supplied if standards of secondary education are improved, and this in turn depends on the provision of better teachers educated in Universities and prepared for their profession in training

colleges. In effect, a simultaneous advance on all fronts is essential to maintain and improve the system in the years ahead. But the pattern of education will have to change.

A NEW APPROACH

Our planners pin their faith on the successful implementation of a scheme of basic education for the education of children in the ages of 6 to 14. A learned authority has described this system as follows:

"It is a seven years' course which ensures that the children at school will not only acquire effective and abiding literacy but will also be mature enough to understand and appreciate social problems and develop social habits and attitudes. This education is to be basic, ie, related to the basic interests of the child's mind and the basic occupations of community life. And as the mind of the child is an active, pragmatic and social organism and the life of the community is sustained through various types of craftwork, education, too, must centre round some suitable basic craft, chosen with due regard to the occupations of the locality.

This craft is not to be just another subject like manual training; it is the pivot of the entire teaching, to which all the other subjects are to be correlated. As the craft is practised and its 'why and wherefore' studied with care, problems will arise and questions press themselves on the child's attention and in tackling them and following up their ramifications under the tactful and unobtrusive guidance of the teacher, the child will gradually find his way into the domains of history, geography, science, etc. Thus education, starting as a unified and integral activity, will lead him into ever-expanding regions of knowledge. Such an approach to the unlocking of the child's mind and creative powers is more effective and fruitful not only because it enlists the powerful support of his instincts but also because it offers opportunities for co-operative and group work in school and outside. It bases his education on the bedrock of productive work, which is as essential for moral and social training as for the training of practical aptitudes."

The broad framework of basic education has been worked out, but many of its details remain untouch-

ed. An enthusiastic and energetic introduction of this system requires a detailed technique of approach, and a body of teachers trained to implement the scheme. The benefits of the scheme are well understood, but experience in working it is limited. Although several States are experimenting with this system in a manner suited to their resources and convenience, progress in this direction has been slow. The subject requires research, careful preparation of relevant books and tools on a large scale, and a bold drive if the objectives are to be achieved. Only when this scheme is able to yield results can the primary stage be considered to be fully integrated with the requirements of the secondary and later stage.

SECONDARY EDUCATION

In the field of secondary education, some of the important recommendations of the Secondary Education Commission have been approved. These are the diversification of courses; the revision of curriculae to provide for effective teaching of general science, social studies and crafts; the improvement of school libraries; the introduction of crafts in middle schools; the improvement of teacher-training facilities for craft instructors and teachers of special subjects; and the organisation of refresher courses, seminars and conferences of teachers and headmasters. There is no doubt that these schemes will do a lot of good in toning up the entire system of education at this stage and will be producing immense benefit to the growing generation.

At the university stage, there is at present an element of over-crowding in colleges and the high cost of education has prevented many an intelligent student from proceeding to higher studies. There is undue stress on examinations and memory work which is not conducive to developing originality or a proper attitude towards research. In consequence, there is a general neglect of the study of our own culture. This results in widening the gulf between our educated classes and the general mass of our people. Our planners have, therefore, asked for efficient consolidation of the facilities already available rather than any tangible measure of expansion.

TECHNICAL AND SOCIAL EDUCATION

The Indian Institute of Technology at Kharagpur has progressed satisfactorily. There are nearly a thousand students on the rolls,

working in eight departments, studying in different stages of undergraduate and post-graduate courses. Reorganisation of the department of Internal Combustion and Engineering, Metallurgy and Physics, the establishment of a Power Engineering Department and the setting up of a High Voltage Engineering Laboratory have been completed at the Indian Institute of Science, Bangalore. Further developments have been planned, and these too will be soon implemented.

The All-India Council for Technical Education has been actively associated with a development scheme for technical education and research. This scheme has greatly assisted training in special fields of technology, such as, printing, silk, woollen and worsted, industrial administration and business management and others in which training facilities were non-existent or inadequate.

Though good work is being done in regard to literacy and cultural programmes, there is little progress in other aspects. An integrated programme of social education that will increase economic efficiency and provide training in citizenship is being worked out in the Community Project areas. This may benefit a large number of people in the years ahead.

THE FUTURE

The Constitution directs that free and compulsory education should be provided for all children up to the age of 14 by 1960. The target laid down by our Planning Commission stems from this directive and the progress made so far is not altogether unsatisfactory. But the tempo of development is not shared equally by all States, and there is little emphasis on quality.

Over ten crores of our people are self-employed. There is, therefore, an increasing insistence on organising our cottage industries on a stable footing by extensive introduction of power and modern methods of production. Our progress in agriculture, industry, trade and transport also is showing steady improvement. Therefore a continuous supply of skilled manpower of the right type at the required rate is a necessary condition for balanced development. Seen in this light, the general attitude towards education appears to be lukewarm. There is a danger that we might be caught putting the cart before the horse.

Around Bombay Markets

A Year of Relief

R D Banatvala

If the stock exchange is to be relied upon as a barometer recording the country's economic position, the reading for 1954 was favourable indeed.

The career of Tata Ordinary during the year was unique; it gives an idea of the manner in which the boom developed on the Bombay Stock Exchange. Never since Liaquat Ali's budget, has the stock exchange shown such liveliness.

The down-trend in commodities awaits appropriate credit measures for stopping the rot. Surely good crops should not prove a curse, but they well may, unless measures are taken to carry them over the year.

AFTER many a year, 1954 can be regarded as a year of relief for the common man. The relief came mainly from a fall in cost of living. The economic situation showed improvement allround, the major indications being (1) a fall in cost of living, (2) increase in industrial production, (3) satisfactory exports, (4) boom in stock exchange, and (5) success in Government borrowing programme.

Much of the credit for the reduction in cost of living should go to nature as the improvement in agricultural production was largely the result of excellent monsoon. Removal of controls and cuts in the selling prices of imported foodgrains further helped in bringing down food prices, thereby reducing the cost of living. Liberalisation of imports also helped to bring down the prices of some of the consumers goods.

In industrial production, cotton textiles hit an all time high, followed by cement. Steel production did not show any significant rise, as the plans for expansion were still in a preliminary stage. Better results are expected during this year.

Cotton textiles exports continued to go ahead as planned, reaching very near the target fixed for 1954. And export prices maintained a fairly good average, considering that Japan went all out to capture the export market.

After the debacle caused by Liaquat Ali budget investors had completely lost confidence in the equity market. It was during last year that they showed welcome signs of regaining that confidence, albeit partially. 1954 was a boom year for stock exchanges all over India, but the brightest of them all was the Bombay Stock Exchange. Many shares touched a new high regaining the levels attained in 1946-47. If stock markets are accepted as reliable

barometers indicating the country's economic position, they gave a very favourable reading indeed.

The Government of India issued the National Plan Loan during the year at 3½ per cent. The loan was successful in that the target fixed at Rs 150 crores was reached. This was very creditable, because when the ban was raised, the trend of commodity prices was downwards and the tempo of development expenditure was rather slow. Inflationary pressure was totally absent and still the Government could get the money without any undue strain on the capital market.

Development of the Boom

There was almost a non-stop rise in share prices on the Bombay Stock Exchange for about six months, and the market rarely saw the previous week's level till September. While presenting the budget, the Finance Minister had drawn a bright future for the country and indicated an increase in the tempo of expenditure. Thereafter, Tata Steel Deferreds, the market leader, were converted into ordinary share, and along with it, issue of bonus shares was announced. After conversion, all the above factors helped the market to gather momentum and institutional investors entered the market for investments, chiefly in Tata ordinary shares at around 185.

Speculators anxious not to miss the bus, came in at the right time and started accumulating. Trading public followed them and activity suddenly increased. Almost all the scrips on the list started showing gains day by day and week by week. Thereafter, the volume of trading jumped to record figures for a small share like Tata ordinary when speculators from centres like Calcutta, Madras and Ahmedabad followed suit. This was the beginning of the end. The market had become vulnerable. Speculators who were reap-

ing nice profits did not relax their grip on the market and the rise continued unchecked. There was not a single settlement on the forward market between April and September when the clearing rate for Tata ordinary was lower than at the previous settlement. Starting from Rs 185 cum dividend, Tata Ordinary moved up to Rs 248 ex-dividend and during this settlement, it reached the peak of Rs 255. The career of Tata Ordinary was unique; nevertheless, it also gives an idea of the manner in which the boom developed on the Bombay Stock Exchange. By this time, however, the barometer had started to misbehave. Overtrading had to react on the market.

When trading entered the danger zone, institutional investors began to disinvest. Capital appreciation was too quick and too large. About 50,000 Tata ordinaries came in for delivery within two settlements, and prices started tumbling down. Some shares like Scindia lost their entire gain. About 3,00,000 Scindias were delivered during two to three settlements. Tata Ordinary lost Rs 40.

The fall was inevitable for the rise had been too fast and steep. The boom was really glorious as long as it lasted. It came during the period when the National Plan Loan was on tap, public spending was slow, bank rate was unchanged, and disinflation was barely over.

Movement in Shares, Upward Phase

	April 1	Sept 13
Tata Ordinary	187	254-8-0
Indian Iron	29-8	35-14
Bombay Dyeings	420	535
Kohinoor	315	360
Scindia	18	21-8

After the Break

During October and December market moved both ways. Speculative interest in a big way was absent. May be, it was due to heavy losses

incurred during September fall.

Weakness in commodity markets, apprehension about the Taxation Enquiry Commission's report, and the slackness in the cloth market accounted for occasional falls while expectations of a rising tempo of public spending, hope of a loan to Tatas for expanding their steel production and prospects of bonus issues by some leading companies helped intermittent rallies.

The sluggishness in cloth markets discouraged inquiry in textile shares, and even when there was a general rise, textiles market lagged behind. This can be noticed by the following figure:

There were plenty more shocks for the market. These came during the later part of the year. After his China tour, the Prime Minister declared his faith in socialised economy and laid emphasis on public sec-

tor. Market reacted nervously to this; it steadied up only after Parliament passed a resolution that it stood by the Industrial Policy Statement of 1948, though the application of this policy will be naturally in a new spirit.

Immediately after this, the nationalisation of Imperial Bank together with some State Banks, gave a fresh jerk to the market. Statements from prominent industrialists like Shri G. D. Birla and Shri Kasturbhai Lalbhai, expressing their faith in the future of private enterprise, impliedly, restored the sentiment to a considerable extent. Thereafter, till the end of the year, market ruled steady. Speculators tended to keep aloof as two opposite factors were actively affecting the market sentiment. On the one hand, the economic condition was sound, but on the other, there was the new trend of thought towards socialism and stricter control

over the private sector. The market felt that the Government was blowing hot and cold at the same time and did not know which way to turn.

Leaving aside speculation, one could definitely say that during 1954, the improvement in the equity market was substantial but the outlook for 1955 is difficult to judge; as it will depend mostly on political developments.

The year ended with definite gains except in Bank shares. Apprehensions regarding the Labour Appellate Tribunal award brought forth long liquidation and on balance, bank shares have shown sizable losses. The tendency during latter part of the year was steady.

	Rs
Imperial Bank lost	80
Central Bank lost	14
Bank of India lost	9

Giltedged showed small gains and had no big fluctuation during the year.

Conversion loan:	
December '53	81
December '54	82-8-0

	Nov 11, '54	Jan 4, '54	Gain or Loss
Tata Ordinary	223	224-8	+ 1-8
Bombay Dyeings	506-4	468-2	- 38-8
Kohinoor	345	324	- 21

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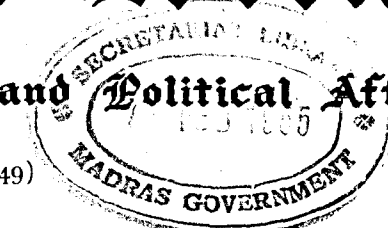
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Far East

EVENTS in the Far East since the involvement of the United Nations in the Korean war, at the instigation of America, emphasise one clear fact. Few of the member-States support the American policy to the Far East. Fewer still are willing to support America in her provocative attempts to start a war in this region. America now knows that she will have to “go it alone” in the Far East. This should have had a restraining influence on America. But her repeated actions in the Far East indicate that she is determined to ensure her interests in this region even if that involves denial of the legitimate rights and interests of the other parties concerned. To fortify her Pacific defence system, she has concluded mutual defence pacts with Japan, South Korea and Formosa. All these pacts are potential threats to China and Russia, the two Communist States in this region.

For the second time within a year, America has taken actions in the Far East which are direct provocations to war. America was, it is now no longer a secret, determined to start a major conflagration by active military intervention in Indo-China. Britain, then, made it clear that she was opposed to intervention because Dien Bien Phu was not defensible. France had the sense to accept the British assessment of the military situation in Indo-China. That was how a Far Eastern War, which would surely have been intensified into a world war, was avoided. At the initiative of the Colombo Powers, the Geneva Conference was held. An agreement was reached to end the war in Indo-China. America did not participate directly in this agreement. She did not actively defy it. But she hastened her efforts to create SEATO.

If America's intention in creating SEATO is to fortify the border between south-east Asia and the Far East, her motive in the proposed treaty of mutual defence with Formosa is to maintain a constant pressure on Red China from the eastern end. SEATO is condemned by all the Colombo Powers as a potential menace to peace in Indo-China. Red China is apprehensive of being militarily sandwiched in between SEATO and the Formosa Treaty. It is significant that, pending ratification of the mutual defence treaty with Formosa, President Eisenhower has sought, and received, authority from the American Congress to take military action in consonance with the terms of the proposed Formosa Treaty.

Before an analysis of the wider issues involved, it is necessary to discuss some of the minor, relevant questions. When Chiang was driven out of the Chinese mainland, he used the fleet under his possession to cover his retreat to Formosa and to the coastal islands off the mainland. From these adjacent outposts, Chiang has made frequent attempts, aided and abetted by America, to make raids on the mainland. America does not regard these off-shore islands to be within her “island defence ring” in the Far East. Nor is occupation of these islands by Chiang's forces deemed necessary for the defence of Formosa and the Pescadores. It is necessary, on the other hand, for Red China to be in occupation of these islands for the safety and defence of the mainland. Yet, in assuming responsibility for the defence of Formosa

and the Pescadores, America did not impose any condition on Chiang that he should withdraw from these off-shore islands.

This is not the season when Red China, with her weak navy, can start even a limited offensive on the coastal islands in the Formosa Straits. It would seem, in retrospect, that Peking started the raid on the Tachen group of islands, as the time for ratification of the Formosa Treaty approached, in order to force America to declare her commitments and intentions in detail. Peking has not been altogether unsuccessful in this manoeuvre. Although arrangements for the evacuation of the marooned Kuomintang forces in the Tachen group of islands, under American air and naval protection, have been completed, there are reports that Chiang is reluctant to issue orders to his forces to withdraw, pending cease-fire. Far more disturbing is the discretion left to President Eisenhower to decide which of the local areas in the Formosa Straits region must be protected for the defence of Formosa, which America regards as a bastion which must be fortified for the defence of her Pacific interests. There are reports that Chiang is putting pressure on Washington that Quemoy and Matsu must be declared as two such strategic off-shore islands.

President Eisenhower is not hasty in his action or speech. He has clothed himself with powers to take all necessary military action against any Red Chinese military move on Formosa. But he has also let it be known that he will prefer arrangements for a cease-fire under the auspices of the United Nations. This is a wise diplomatic move to counter-act the Red Chinese accusation of aggressive action by America in the Formosa Straits. The Security Council of the United Nations has endorsed a resolution, sponsored by New Zealand, that Red China should be invited to participate in its discussion of a cease-fire in the Formosa Straits. This invitation has been communicated to Peking by the Secretary-General of the United Nations. It is not without significance that the invitation to Peking, actively supported by the British delegate at the United Nations, has been endorsed by the American delegate also. Although Red China's Premier has been aggressive in his opposition to any attempts by the United States, or the United Nations, to

interfere in matters relating to Formosa, which she claims to be within her dominion, the Commonwealth Prime Ministers, now assembled in London, seem inclined to the view that Peking will lose nothing by accepting the invitation. It is argued that acceptance of the invitation will not imply conclusions relating to rights to Formosa and the Pescadores by the parties concerned.

It may be doubted whether Red China will accept the invitation to participate in the Security Council's discussion on a cease-fire in the Formosa Straits. This does not mean that Red China is eager to hasten a war with America in the Far East. There are, perhaps, better chances of Red China's co-operation in peace efforts if such attempts are undertaken by the powers and parties directly interested in the developments in the Formosa Straits through an organisation outside the United Nations. There is a strong case for repeating the Geneva experience in relation to Formosa. Whether reconciliation efforts are undertaken directly by the United Nations, or by some such organisation as the Geneva Conference, there are certain conditions to Red China's co-operation with such efforts. Red China is entitled to demand certain political assurances. Few member-States ac-

cept America's stand that the defence of Formosa is necessary for the security of America's Pacific system of defences.

So far, two plans relating to Formosa have been formulated. One plan is that Red China and Formosa should exist as separate States. There is the second plan, formulated by Mr Attlee, which envisages a plebiscite in Formosa under the auspices of the United Nations. Red China is sure to reject the first plan. Peking will accept Mr Attlee's assumption that the Kuomintang is a discredited regime and that, in the era of the hydrogen bomb, America is neither wise nor entitled to regard Formosa as essential for her security. But Peking may reject Mr Attlee's recipe of a plebiscite for the settlement of Formosa's future status. It is evident that it will not be easy to discover a solution to the problem of Formosa. But it is equally evident that any solution to the Formosa problem must have relation to the realities of the situation in the Far East. Is America prepared to accept the realities of the situation in the Far East?

In the wider interest of world peace, her NATO allies have a responsibility to convince America of the need to concede the substance of Peking's claim in the Far East.

Dyestuffs and Steel Plant

WHILE the broad outlines of the pattern of industrial development in the next plan period is being debated and the end-point of the effort that is to be made keeps hovering between the limit of physical resources on the one hand and a financial target on the other, the first altogether nebulous at this stage and the second absolutely unattainable on present showing, two important decisions have been taken during the week, which are more than of passing interest. One is the granting of protection to the dyestuff industry which may not initiate development in this direction but acknowledges the development that has taken place and in a way, puts a seal of approval on it. The other is the conclusion of an agreement between the Government of India and the Government of the Soviet Union for the establishment of an integrated iron and steel plant. The

second in its entirety is a State enterprise while the first is in the main a product of private enterprise.

To say this is not to deny the indirect help the industry has got from the Government's policy of restricting the imports of dyestuffs, though primarily on considerations of maintaining the balance of payments. The developments which led to the emergence of a sizeable dyestuff industry are not entirely *sui generis*. But whatever the indirect contributions of the Government to the limited progress in this field, this post-war baby has not been a product of planning in any legitimate sense. Yet the vital importance of the dyestuff industry and its value for the general all-round development of the country have been fully appreciated for a long time. In fact as early as 1941, a Committee had gone fully into this question and under the able direction of

Dr K Venkataraman, drawn up a 15-year programme for manufacturing the dyes principally used in this country. The Committee recommended that the industry should be established in India to manufacture 51 dyes and all intermediates required within 15 years, that a graduated programme of manufacture should be fixed in advance, that on completion of this scheme, 50 per cent of the country's requirements should be met from dyes manufactured in one plant, and finally, the dyes made in India should be marketed under their own name so that—vain hope!—"in course of time Indian dyes will be recognised and valued throughout the world." The location of the industry, however, the Committee left to be decided after a further enquiry, so important was it for the success of the industry. The position of dyestuffs was emphasised by the Committee in the following words:

"The dyestuff industry acts as an important link in the chain of other essential chemical industries, such as the heavy chemical inorganic industry and coal-tar industry on the one hand, and the fine chemical and pharmaceutical industry, explosives, synthetic plastics and solvent industries on the other."

A major group of dyes being coal-tar products, the initial handicap, which is the hardest to overcome, is the high cost of these products which are required for the manufacture of intermediates. There is a vicious circle here as in many other points in the links of chemical industries. Coal-tar, the basic material, is itself a by-product, obtained from the carbonisation of coal. That is to say, the pace is set by the demand for coke. Carbonisation cannot be carried on merely for the recovery of coal-tar in the absence of a corresponding demand for coke. In contrast to the inorganic chemicals, the production of coal-tar cannot be increased according to the demands of the dyestuff industry. But on the other hand, output of the dyestuff industry will be limited by the supply of coal-tar hydro carbons from the by-product of coke industry, if the intermediates are also to be produced within the country. The agreement for the third steel plant concluded this week, with the prospects of a fourth plant in the offing, therefore radically changes the outlook. So may the proposal for a coke oven plant sponsored by the Government of West Bengal, if it is accepted and imple-

mented. There is the same vicious in the matter of supply of inorganic chemicals also—costs are high because production is limited.

But without waiting for all these vicious circles to be broken, beginnings of a dyestuff industry have already been made by Atul Products in Bulsar in collaboration with American Cyanamide and Imperial Chemical Industries, by Messrs Patel & Hickson Ltd, who have entered the field for the manufacture of sulphur black and two other Indian companies and several associates of established dye manufacturers on the continent.

This is a pretty kettle of fish to handle, if development is to take place along sound lines and in a manner so that each unit in the industry fits into the whole, for without such close dove-tailing, no solid foundation can be laid for the chemical industry. There is more to it, for even the dyestuff industry is only a fragment of the infinitely greater synthetic chemical organic industry. And with dyes as the base, an enormous edifice of synthetic chemicals has been built up in other countries. From it, almost any organic material can be manufactured. Its wide ramifications and inter-connections embrace inorganic chemicals and coal-tar industries as well as explosives, fine chemicals, pharmaceuticals, plastics and so on. After the preliminary work that had already been done by scientists and technicians, there is little reason why the significance of this industry should still be so inadequately appreciated.

But this is not all. The Tariff Commission had to contend with quite other problems which, though not germane to the logic of development, yet happen to be at the moment the most embarrassing single factor hindering development, namely, India's commitments under the GATT, the vexed problem of unbinding 'bound' tariffs and even more baffling problem of Imperial Preference. To overcome the first, the Government had to negotiate with the GATT but the main issue still remains to be faced. Protection has been given to the industry for a period of 10 years on a limited number of items by converting the prevailing revenue duty to a protective one. The unreality of this protection will be apparent from the fact that it is not high import duty which has so far protected the industry or made it possible for it to

come up. It is the quantitative restrictions on imports and these will have to go some day or India will have to get out of the GATT.

In the case of intermediates which will continue to be imported until the industry is set on a more sensible footing by developing it on lines which are not under contemplation at the moment, difficulties are created by the continuation of Imperial Preference. As raw materials of industry, the import of such intermediates may be allowed free. But what about Imperial Preference? Had the intermediates been imported from Britain, the solution would be simple. British imports can be duty free but corresponding imports from other countries—in the case of intermediates, the sources of supply are the continent and the USA—have still to pay the differential duty. Hence the compromise—grant of 'concessions' in import duty for a year on certain specified intermediates used exclusively in the manufacture of dyes.

To get back where we started from. However imperfect, the dye industry is a reality. The Soviet steel plant is integrated and perfect, but only on paper. But are these mutually exclusive alternatives in the pattern of development of industries? Much lost ground will have to be covered to set the dyestuff industry on a sound footing but it does not follow by any means that similar mistakes need be made in the future also. Where private enterprise is willing and able, it can be yoked to the task just as well; there are fields enough for public enterprise to win its spurs.

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Weekly Notes

Panel of Economists

THE Panel of Economists appointed by the Planning Commission met in Delhi last week under the Chairmanship of the Finance Minister, Shri Chintaman Deshmukh, and considered the basic issues relating to the preparation of the Second Five-Year Plan. The econometric studies prepared at the Indian Institute of Statistics were reviewed broadly. The main conclusions that emerged from the discussions were:

(i) That the physical and financial approaches to planning were complementary and not mutually exclusive, and that in a money economy, the financial aspects of planning should receive careful consideration along with the physical possibilities of the resources available;

(ii) That econometric plan models were a useful device for testing the consistency of the different targets that might be proposed in the Plan, but these models would have their limitations because of the inadequacy of data, the changing technical relations within the economy and the large number of psychological and institutional factors in economic growth which could not at the present stage be quantified;

(iii) That before formulating targets and means for their realisation, it was necessary to lay down at least in outline the framework of governmental policies and the type of institutional changes that would be undertaken in the Plan period;

(iv) That while econometric studies should be continued and expanded, there was advantage at this stage in proceeding with the methods and techniques of planning that the Planning Commission had already developed—methods which involved and allowed for due exercise of qualitative judgements;

(v) That the objectives of the Second Five-Year Plan must be a big enough increase in incomes, together with a substantial expansion in employment, and that these twin objectives should be related to the pattern of income distribution that is felt to be socially desirable;

(vi) That the instruments and techniques of mobilising the resources needed for securing the defined increases in national income and correspondingly in the rates of investment should be studied in detail and that the goals of achievement should be related to the efficacy of the instruments and techniques available to a community which seeks to advance democratically.

Following these discussions, the Planning Commission has appointed a Standing Committee of the Panel of Economists to map out the studies which the economists will undertake in the field of economic policy and institutional changes. The Standing Committee will be presided over by the Finance Minister. Prof D R Gadgil will be the Vice-Chairman and Shri J J Anjaria will be the Convenor. Other members of the Panel are: Prof C N Vakil, Dr V K R V Rao, Dr B K Madan, Prof Balakrishna, Prof D G Karve, Prof S K Muranjan and Prof A K Das Gupta.

The Standing Committee will suggest the programme of studies to be taken up immediately. It will set up for this purpose working groups of economists to work in co-operation with the economic staff of the Planning Commission and in the Ministry of Finance. Continuous liaison will be maintained between this Standing Committee and the Indian Statistical Institute.

Czech Industrial Exhibition in Bombay

THE Czech Industrial Exhibition, being held in Bombay from February 4, is the first of its kind in this country, for never before has a single country organised an independent exhibition of its products with the idea of developing a market in India. The value of India's imports from Czechoslovakia in recent years has not been very large; it has declined from about Rs 2 crores between 1948-49 and 1951-52 to a little over one crore of rupees in 1952-53 and 1953-54. Indian exports to Czechoslovakia have also been at the same low level and shown similar declining trends. There should, therefore, be considerable scope for expanding both.

The products on show will range from aeroplanes and capital equipment to ceramics and cut glass work, but it is probably the engineering products that will attract the greatest interest, in view of the plans for economic development and the Government policy in the matter. That the exhibition is being held in India is in itself a recognition of the changing pattern of the country's demand for imports. Like some other machinery exporting countries, Czechoslovakia is also prepared to extend export credit and facilities on the merits of each case. This should prove an added attraction for prospective buyers of heavy machinery.

Among the exhibits, there will be heavy engineering products, tractors, bicycles, machine tools, chemicals and pharmaceuticals, cement, imitation jewellery, timber, textiles, leather goods, vehicles and light engineering products, motor cycles, precision engineering products, textile machinery, chinaware, hygienic and sanitary ceramics, domestic, industrial and laboratory glassware, fancy goods, agricultural products and implements, textile accessories, etc.

Of particular interest to India's textile industry will be the novel Czech shuttleless jet loom. These looms have a speed of 400 revolutions a minute, which is almost twice the speed of the best shuttle looms in use today. Czechoslovakia has been a leading manufacturer of sugar mill machinery for over a hundred years and some of our sugar mills are run on Czech plants. An expansion of the sugar industry being in the offing, the plants on show will fulfil a 'felt' need.

The exhibition will cover 3,000 square yards, and the main pavilion will consist of a semi-cylindrical building made entirely of wood imported from Czechoslovakia. The heavy machinery on show will be seen in action, while two of the four aeroplanes, piloted by ace Czech pilots, will visit prominent cities and give aerial displays.

Since the purpose of the exhibition is to stimulate a market for Czech products in India, facilities will be provided for Indian importers to negotiate deals on the spot, if they so desire.

Will TTK Quit?

Our Delhi correspondent writes:

IT was said of a temperamental British Minister of old that he employed two footmen, a lame one and a fast runner, the former to carry resignations to the Prime Minister and the latter to intercept them before they reached the Prime Minister. In the case of TTK, there was definitely a 'fast runner' to carry the news to the Fourth Estate before the Prime Minister had time to think about it. Had it been the intention of TTK really to quit the Cabinet, he could have done it without much ado. Perhaps, there is a feeling that 'influential' sections of public opinion will guide the erring Prime Minister before he takes a decision. It is, therefore, necessary to see what the political implications of TTK's resignation are.

It is the popular belief that TTK is the most class-conscious supporter of private enterprise in the Cabinet. He knows what is good and what is bad for private enterprise. At no time since Independence has private enterprise been so close to Government as it is today. His policy of encouraging Indian capital to collaborate with foreign capital has given strength and better security to the private sector in the country. With TTK's departure, the question that will loom large is how far his policies will be followed by his successor. As far as private enterprise is concerned, TTK, Deshmukh and Pant are the three stabilising elements. The forces tending to push TTK out today will gather strength to remove Deshmukh in the not distant future. That will clip the wings of Pant, because it is TTK and Deshmukh who appear to understand the intricacies of high finance; and without their influence, Pant will become innocuous. Will TTK's departure be, therefore, the red signal to private enterprise?

In the present context of things, TTK's strength does not lie in his championship of private enterprise; it may indeed be the source of his weakness. His strength lies elsewhere which is seldom understood by those who try to unseat him from the Cabinet. It is true that he is not a man of the masses. He has not the popular appeal to be leader of a party. But he represents the South in the Cabinet. And he is a close associate of Shri Kamaraj Nadar, the man round whom the fortunes of the Congress turn in Madras. Without a strong man from the South in the Central Cabinet, Nadar's

position will be considerably weakened. He has two powerful opponents to fight in the South, the Communists and the Dravida Kazhagam. If Congress is to remain alive in the South, Nadar has to arrest the inroad of Hindi imperialism in the South and obtain assistance for the rapid development of industries in that area. With TTK's departure from the Centre, Nadar's hands will be weakened, unless Nadar can put an equally competent man of his choice in the Central Cabinet. TTK knows this; so also Nadar. That is why TTK soars so high.

Will TTK's resignation be accepted? That will depend on what advice Shri Pant is going to give Nehru. If Pant is inclined to strengthen the UP group in the Cabinet, TTK has to quit. But if Pant is conscious of the political alignments in the South and the problems that may be thrown up by the States Re-organisation Commission and if he stands for political stability in the country, he will find some compromise formula to keep TTK in till Nadar can get a suitable substitute.

Controlling the Floods

FLOODS have so long been regarded in this country as visitations of nature against which man is powerless, at least, by and large, this has been the attitude of the Government. As in the case of other calamities, the ravages of flood have been alleviated by relief works and only in exceptional cases, when a town was threatened or a bund was likely to give way, some *ad hoc* measures have been taken to meet the emergency. But as soon as the flood abated, the river has been forgotten.

Not so the people who had to live with the river. They could do little when the river was angry and in spate, but they knew its seasons and rages and slowly adjusted their ways of living and methods of cultivation so that they could come to some sort of a compromise with their temperamental partner, even if they could not tame the river. Thus was evolved, through the ages, cropping patterns, structure of huts and layouts of the villages that could take the flood when it came. All this one can see in the Gangetic plains and the Brahmaputra valley. By lying low for a time, men survive the ordeal, most of the times, except in the years when floods are unusually heavy. But not all rivers are prepared to compromise, certainly not

the Kosi. Hence the need for more effective collective action.

It is only very recently, since the last year's floods to be precise, that Government acknowledged the need of a rational approach to the problem and of planned action, both short-term and long-term. The acknowledgement came with the inauguration of the Central Flood Control Board and the setting up of the Ganga River Commission and Brahmaputra River Commission in September last. State Flood Control Boards have also been set up in various States. The Central Board has now decided to set up a River Commission for the North-Western Zone also, covering Jammu and Kashmir, the Punjab and Pepsu.

Both the Ganga and Brahmaputra River Commissions are meeting to consider flood control schemes for inter-State rivers and emergency schemes formulated by UP, Bihar and West Bengal, including those that are meant to protect 300 villages in UP and five towns in West Bengal, which are most directly exposed to floods. The Commissions are finalising the proposals for seeking the co-operation of China, Nepal, Sikkim and Bhutan in the planning and execution of the schemes of controlling flood in the Ganga and Brahmaputra rivers. Consolidated proposals are to be sent to these States through the External Affairs Ministry to avoid delay and frequent references in the future. These rivers do not respect political boundaries. The catchment area which feeds them and therefore the source of their floods or devastation is not confined to any one country. This makes any scheme unilaterally drawn up and executed by India not only incomplete but also ineffective. Kosi is a case in point. The Kosi project was finalised in November 1953. But as it involved the construction of a barrage which was to be partly in India and partly in Nepal, the project could not be proceeded with, pending an agreement with Nepal. Only last month, work was started on Kosi.

The co-operation of all these countries is immediately needed in the preliminary task of installing rain gauges and enabling the Meteorological Department to collect essential data. Permission has been sought for entering their territories for the purpose. Co-operation on a wider scale is yet to be sought and achieved.

Political Review

"Observer"

The sovereign democratic Republic of India, founded on January 26, 1950, to secure to all citizens justice, liberty, equality and fraternity, has completed five years of political and administrative consolidation, taken notable steps towards social and economic reconstruction, tried to stimulate interest in science, art and culture and won much respect and prestige abroad.

The preliminary phase is over, and the Republic, in its sixth year, is on the threshold of a major endeavour to impart to the political freedom that has been stabilised a social and economic significance acceptable to the common people. A socialistic pattern of society has been acclaimed as the goal of the country both by the ruling party and Government; and the Avadi session of the Congress, the sixtieth of its life, may well prove to be a turning-point in the progress not only of this time-honoured party, but also of the nation.

FIVE years are a brief spell in the history of any country, and particularly of India which has almost a timeless glory about it. Nevertheless, into these years have been crowded exciting events, noble enterprises and great undertakings which in a more leisurely but less impatient age might have filled a century. And even by comparison with nations similarly placed and similarly driven to make up the leeway of past decades of alien domination, India has reason to be proud of what she has achieved.

There was something of the urgency of Fate in the way the country, dotted with princely pockets of resistance, was welded into one solid unit, the Constitution hammered out in less than three years, the initial spate of freedom's complexities and challenges faced, the Republic established, the most gigantic experiment in adult franchise conducted, inflation checked, the food problem solved, the country's international status established, the first Five-Year Plan put through, and the foundation laid for progress in a multitude of directions. And the country set vibrating with new desire, hope and enterprise. It seems as though India's destiny, trammelled so long, is making a frantic bid to leap the gulf of centuries.

THE OTHER SIDE

While that is the bright side of the picture, the dark side may not be ignored. While there has been political consolidation of a type rarely witnessed before, linguistic and caste divisions threaten to weaken the foundations. The Constitution, carefully drafted and minutely discussed, has shown many cracks and weak joints, which inhibit progress in many desirable directions. And the social and economic justice it has promised and the fraternity it seeks to promote are yet to be realised in a tangible measure.

The policy of non-alignment and

dynamic neutrality that the present Government has pursued in the foreign sphere, though productive of much good will and esteem, has not been without embarrassments or even impediments to country's progress in the domestic field. The economy of the land may have achieved a certain stability; but progress has not been at a pace equal to the needs of the people, and there is the paradox of unemployment accompanying the execution of the Five-Year Plan. Kashmir remains still a ticklish issue; the differences with Pakistan have not been resolved; the Portuguese possessions continue to cause irritation; the position of Indians in South and East Africa threatens to become worse; the affairs in Nepal have not ceased to cause anxiety.

STILL OBSCURE

Even with the adoption of a socialistic line of progress, the goal of the country and even the means to be adopted are still somewhat obscure; and the evolution of political parties and policies in the country leaves much to be desired. Great projects have no doubt been launched and constructive endeavour is very much in the picture; but whether for lack of publicity or for some more serious reason, their results have not been such as to capture the public imagination yet. Science, language and the fine arts have been receiving more impetus than in the past; but here too, whether because of misdirected enthusiasm, bureaucratic interference or ill-advised patronage, the outcome has not always been inspiring.

It is against this background of well-meant intentions and actions, providing considerable hope to the people and yet falling short of facile expectations, that the fifth year of the Republic—and the most significant as a prelude to another and perhaps a more fruitful phase in the country's progress—may be usefully reviewed.

SOCIALISTIC IDEAL

The most pregnant development in the domestic sphere has been the acceptance of a socialistic ideal by the Congress and also Government in preference to the earlier and more nebulous aim of establishing a Co-operative Commonwealth. This followed a declaration by the Prime Minister of a desire to renounce the offices both of Congress President and Prime Minister so as to refresh his mind and devote himself to tasks nearer his heart, his open expression of dissatisfaction with the speed of progress in the country, his fulminations against the restrictive clauses of the Constitution and his visit to China, which sequence of events is perhaps not altogether without meaning.

It would seem as though after a spell of compromise, indecisiveness and some drift to the Right with no commensurate advantage either in the shape of accelerated economic and social progress or of response from the protagonists of private enterprise, Pandit Nehru felt that he had to check the drift and return to his earlier aims so as to speed up progress, end frustration in the land, stem the tide of extremist thought and prevent the defection of the common people from the Congress. Perhaps also the magnitude of the proposed Second Five-Year Plan and the great demand it was likely to make on the country's resources and the nation's co-operation appeared to him to need the inculcation of a socialistic trend of thought in the people.

In a sense, this is nothing new from the point of view of the Congress or at least of some of its leaders, though the reassertion of the socialistic ideal, so strongly and with a certain degree of abruptness, might have caused some surprise in certain quarters. On careful scrutiny, however, it will be found that the difference, if any, is of emphasis rather than of direction, as private enterprise will, under the Congress

scheme, continue to function and receive encouragement within its sphere as before, though it will have to work in cohesion with the public sector under the overall direction of the State, which will exercise control over 'strategic positions' in the country's economy. In a sense, the effect of the resolution passed by the Congress session at Avadi is more negative than positive. It only calls a halt to any tendency that may exist at present to slide to the right, and sets the face of the Congress firmly in the other direction. But whether it will incline positively to the left and, if so, how far it will venture to progress in that direction, must await the slow unfolding of events and may well depend on the relative strength of the opposing forces that will be brought into action by the resolution.

A 'HOLD-ALL' AS BEFORE

To all appearance, it seems as though the Congress will continue to be the 'hold-all' of various schools of thought and conflicting forces that it has always been, unless certain elements, the rightist mainly, leave the fold to seek succour elsewhere. If there is such a tendency at all, it may well be strengthened by the return to the organisation of certain radical groups like the Forward Bloc, the KLP and the Praja Party which had broken away from it earlier on one ground or another. But it is doubtful whether even ardent rightists will so soon dare to think of forsaking the all-embracing security and the protective cover of the Congress to go into the wilderness or embrace groups of the extreme right side which have been dwindling away.

Indeed, the possibility is that while they continue to cling to the Congress, some groups and elements which have been supporting a precarious line of independent, progressive thought in between the Congress and the Communist Party may jump on to Nehru's socialist band-wagon, leaving perhaps only an attenuated Praja Socialist Party to provide the semblance of a middle force. Even the advocates of a two-party system may not like such a polarisation if the only alternative to Congress Socialism or socialistic trend is to mean a clear break with tradition and threaten the very foundation of parliamentary democracy, as it is understood and practised in this country. Then it may well be asked whether the two-party system with all its advantages is to be welcomed at all in such a context.

OWN MANUFACTURE

It would be overconfident of the Congress to think that it could always carry the country with it; and socialism or socialistic experimentation is a field where Communists can perhaps manage to show themselves to better advantage in the eyes of the masses. In the circumstances, should the Congress slip or fail in its experimentation because of internal conflict or hesitation, then mass opinion in revulsion may well swing to the other extreme, unless the Praja Socialist should grow strong enough or a new middle force arise to check the swing of the pendulum, which, however, seems problematic at least at this stage.

This is the prospect that faces the Republic in the sphere of internal political evolution in the sixth year; and it is not by any means a cheery one. But it will certainly provoke much thought, and earnest thought may well call forth stabilising forces that have been dormant or remained unsuspected so far.

'PANCHASHILA'

In the international sphere, India reached, and remained at, the very zenith of prestige throughout the year. Her part in bringing peace to war-ravished Korea and Indo-China, highlighting the positive element in her attitude of neutrality and her sincere quest for peace, won for her not only immense praise, but also much good will from all over the world. The visit of Chou En-lai, the Chinese Prime Minister, to Delhi, and the meetings and discussions between him and Pandit Nehru, two great Asian leaders, shaping between them the destinies of about half the human race, made Delhi for once the political centre of the world; and their attestation of the now-famous five principles (panchashila) to promote good-neighbourly relations between nations, though neither sensational nor in any way new, has won great acclaim.

RIGHT SPIRIT

It has since become the basis of relationship between Burma and China, and Marshal Tito, the Yugoslav President and the first head of a European State to visit India after freedom, has found in it the right spirit to guide the growth of friendship between his country and India, thus becoming the first European adherent of Panchashila. Pandit Nehru's return visit to China was not only an occasion for strengthening the ties of friendship and culture that have existed between that country and ours for centuries and for

underlining the importance of the Five Principles, but also a happy opportunity to new China's leaders and people to give a great welcome to our Prime Minister. Further support to Panchashila came from the Indonesian Prime Minister, Dr Ali Sastroamidjojo, who came to India in September last to discuss preliminary steps for holding the proposed Afro-Asian Conference to promote close co-operation among countries of Asia and Africa and extend the area of peace.

Thanks to the signing of the SEATO treaty by the USA, UK, France, Australia and New Zealand and three Asian countries, Pakistan, Thailand and Philippines, ostensibly for united defence against any aggression in South-East Asia and the South-West Pacific, opinion in other parts of Asia has been hardening against Western designs on the international stage. Pandit Nehru took the lead in attacking this alliance as a most unfortunate form of interlocking in international affairs. Declaring that it militated against the provisions of the UN Charter and also that it would perpetuate colonialism in the world, he added that it was very odd that non-Asian countries should seek to impose something in the form of a defensive alliance when Asian countries, primarily concerned, had felt no need for it.

ASIA AND AFRICA

With the exception of Pakistan, the Colombo Powers, far from taking any interest in this alliance, have generally shown themselves to be opposed to it; and if the consolidation of Asian purpose for peace and freedom from alien interference needed any stimulus at all, there has been no lack of it since. The projected Afro-Asian Conference is bound further to strengthen this purpose and give it a concrete shape, thereby enabling the long-suppressed nations of Asia and Africa to play a decisive role on the world stage. In formulating Asian aspiration from time to time and enabling it to get the place that rightfully belongs to it, India is proud that her Prime Minister has had a remarkable part to play. He has surely been midwife to the emergence of Asian destiny, should he disclaim a more dynamic role.

INDIANS ABROAD

The position of Indians in neighbouring countries and elsewhere showed signs of deterioration except in one instance. India could at last come to an agreement with Ceylon

on the long-drawn-out dispute over the future of Indians settled there; but the settlement was not such as to cause complete satisfaction. As a result of this agreement, a large number of Indians will become stateless and their position is to be decided two years hence. The only relief secured for them is that they are not to be dislodged meanwhile from the jobs they hold or squeezed out by other methods. With the rise of Strydom, a high priest of apartheid, to power in South Africa, Indians there face a peril graver than ever before.

Elsewhere in Africa there may be no insolent racialism of the South African brand, but the rights of Indian settlers have yet to get adequate recognition. In British Guiana, the valiant fight of Cheddi Jagan, the deposed Prime Minister, has had no success so far; and repression continues. Indians in Malaya were deeply concerned over the implications of federal citizenship there, wondering whether it would deprive them of the right to seek Indian citizenship if needed later. The External Affairs Ministry of the Government of India, however, has assured them that they would continue to be eligible for Indian citizenship unless they gave an express undertaking that they would seek no other citizenship while accepting federal one.

LINK WITH COMMONWEALTH

India has remained in the Commonwealth as a Republic, retaining complete freedom of action. This has been of some advantage, but one does not know what the future holds, thanks to South Africa's policy of racial suppression and sharp differences among the Commonwealth countries on international issues. Let us hope that this free and willing association of nations for common benefit will survive these and future difficulties, as it has survived those of the past and continue to provide an example of fruitful unity in diversity to the rest of the world. Meanwhile, with Pakistan wishing to be a republic, Ceylon inclining to the same view and South Africa under Strydom tending to break loose, the Commonwealth will have further problems of readjustment to face, some of which, however, should prove fairly easy, after the Indian precedent.

Inside India, one more finishing touch could be given to the task of political integration, following the

graceful, though belated, decision of the French to transfer *de facto* control over their possessions in this country to the Union Government. The event was celebrated in November last with great jubilation by the people of the French settlements, some of whom dared to declare themselves free earlier at considerable risk and suffering, while others had to undergo even more severe hardships before they could achieve their goal. The *de jure* transfer is now to follow more or less as a matter of course in eight months.

LAST TOUCH

There is only the final touch left to be given now; and that concerns the Portuguese possessions in India, one of which has already shaken off alien rule. But for the intervention of the Government of India which wanted the problem to be solved peacefully and without complication despite the gravest provocation from the Portuguese, the other possessions too would have come under the Indian flag by now. The *satyagraha* launched in Goa on August 15 last by Goan nationals, without Indian participation or support, did give a further impetus to the freedom movement in the Portuguese pockets, though it could not succeed in its objective. After an exchange of notes between Portugal and India which came to nothing, there has again been some talk of negotiations; and the recent report about the re-establishment of diplomatic contacts may be taken as a pointer in that direction.

Despite the pompous utterances of the Portuguese authorities, the internal situation has been deteriorating rapidly and their control over the pockets weakening; and it may well be that they will soon decide that discretion is the better part of simulated valor and quit the scene, thus bringing to finis the sorry chapter of alien adventure on Indian soil. As the first to get a foothold in this country, it may satisfy Portugal's vanity in being the last to get out. That is their business. What India is interested in is that they do get out, and that too without further delay. The nation eagerly awaits this final clean-up.

LINGUISTIC AGITATION

Political integration has in a sense given a new urgency to the problem of reorganisation of States, which in any case would have had to be thought of, thanks to the encourage-

ment of linguistic aspiration by the Congress in the past. The first linguistic State to be set up under the Constitution was Andhra; and though its subsequent career has not been too edifying, the zeal for linguistic States has abated by no means. There is a lull at the moment, pending the findings of the States Reorganisation Commission. Though this Commission was appointed by Government to go into the question of linguistic States, the terms of its enquiry extend beyond the limited issue of linguism into the broader one of re-drawing the map of India on a variety of other considerations as well. The Commission has truly a difficult task before it; and it is more than one can say whether its report will end controversies or provoke them to greater intensity.

Karnatak is disturbingly impatient for a new State, and others betray varying degrees of impatience and eagerness. While the accession and integration of former Princely States have been of the utmost importance to national unity, which has come to be stabilised as never before in history, the separate existence of the larger of these units nevertheless poses very serious problems for any attempt at reorganising Indian States, particularly on a linguistic basis. This threatens to be the biggest headache of the Republic in the years to come. Meanwhile, it is of interest to note that the States Ministry, which, under the doughty Sardar, had performed its function so well as to outlive its utility in a few years, came to be merged in the Home Ministry in the fifth year of the Republic, thus closing a brief, but somewhat perilous chapter in the history of free India.

AMENDMENTS TO CONSTITUTION

The working of free India's Constitution in the last five years has brought out its points of strength and also its crippling weaknesses. The supremacy of the judiciary, which the Constitution so firmly established, has not only acted as a healthy check on the tendency to excess on the part of the executive, it has also widened the arena of freedom to an extent that was not fully foreseen at the time the great document was being drafted. Indeed, this extension of the citizen's sphere of freedom and range of rights has often been a source of embarrassment and even of anxiety to the executive

(Continued on page 211)

Official Documents

Difficult Problem of Definition

Reviewed by Hannan Ezekiel

Concepts and Definitions of Capital Formation. Statistical Office of the United Nations, New York. Pages 20. Price 1s 9d. Available from Oxford Book and Stationery Co, New Delhi.

RECOGNISING the importance of national income estimates for enabling countries to measure their own progress and for the purpose of international comparison, the United Nations has issued a number of reports in recent years dealing with the problems involved in their preparation. Capital formation is one of the most tricky concepts that requires clarification in this connection and such clarification is attempted in this report.

The discussion of capital formation contained in the report and the recommendations made bring out clearly the one characteristic which seems to be common to all discussions in the sphere of national income. As the report points out, any proposals made "must inevitably be a compromise between the different uses to which the estimates of capital formation are put and the statistical resources available in various countries". So that, although the report is not concerned with the problems involved in actual measurement, "considerations of their actual measurement could not be omitted in choosing between the alternative formulations". The compromise suggested in many cases is the adoption of conventions that should be used in common in order to ensure international comparability, while detailed breakdowns of published figures are recommended wherever necessary so that those who use such data may adjust the totals to suit the particular purposes they may have in hand.

Of the three possible approaches to the subject of capital formation—the physical, the funds available for capital formation, and the expenditure on it—the report deals mainly with the first. The other two approaches are equally useful and in fact, for many purposes, essential. Since consistent definition of items and proper adjustments of statistics should give the same results by all three methods, the use of all three methods simultaneously would provide an important cross-check on the validity of the estimates and also suggest a measure of the error involved. This kind of cross-check is one of the funda-

mental features of a system of social accounts. It would be useful, therefore, to follow up the present study by equally thorough studies of the other two approaches.

A combined Saving and Capital Account for an economy would show under the funds approach, two items on the left hand side: (1) Saving; and (2) Provisions for the consumption of fixed capital. On the right hand side would be (1) Gross domestic capital formation, and (2) Net lending to the rest of the world. The totals on the two sides should be equal. The "physical" method of estimating capital formation would give results comparable item by item to the gross domestic capital formation on the right hand side of the account. Under this method, as presented in the study, net changes in foreign investment are not included in gross domestic capital formation, but are shown separately on the right hand side of the saving and capital account "since the concept of capital formation is designed to measure changes in the physical capacity of a country's economy."

Fixed capital formation is measured in terms of domestic production *plus* imports of capital goods less those, other than dwellings, sold to households or exported. This must be adjusted for changes in inventories of producers or distributors. The commodity flow approach requires supplementary information also on transport costs, dealers' margins and purchased services in connection with the acquisition and installation of fixed capital goods, as capital formation must be valued at cost to the user of capital goods.

When the production approach is adopted, it becomes possible to classify the results obtained by major product groups and by industries producing the goods. This is a definite advantage; that definitions can be made by the statistician and need not be left to the business accountant is also an advantage. Of course, the practices actually followed by business must be studied, for they may be such as to make it impossible to obtain information to

fit the refined concepts which the economist-statistician would like to have. But since accountant's decisions are frequently so little related to economic concepts, it is not always desirable to follow them closely in all respects. There is also some strength in the argument, however, that business decisions being related to the results shown in their own accounts, concepts which differ widely from those of accountancy may have little significance in actual practice. How far these conflicting views can be reconciled by the publication of detailed breakdowns or alternative sets of figures is a question into which the report does not go.

A number of problems which arise in relation to capital formation are examined in the report and specific recommendations are made in each



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Law, State and Society

ALL open air shows and open sessions of conferences in Calcutta are held at the Ranji Stadium. There, the Russian Cultural Delegation had their open air show at cheap, popular prices. That "democratic" example was also emulated by the Chinese Cultural Delegation. In between, Uday Shankar had a successful and profitable season with his shadow-play, *Ramleela*. Last week, the Asian Lawyers' Conference had its open session at the Ranji Stadium.

Some of the conveners of the Conference are indoctrinated Communists. Some others have pronounced Communist leanings. Thirteen Asian and two African countries participated in the Conference. Dr Radhabinod Pal inaugurated the open session. Mr D N Pritt, President of the International Association of Democratic Lawyers, was the principal speaker on the first day of the open session.

WORKERS AND WOMEN

Economists may have doubts whether wealth and welfare are synonymous terms. But "democratic" lawyers do not seem to have any doubt whether justice and peace mean the same thing as humanity. From the deliberations of this Conference, it would seem that its main concern is to ensure national and international justice and peace. These aims are to be achieved in the wider interest of humanity.

It is inevitable that a Conference of lawyers will discuss the problems of world peace. It has endorsed the Five Principles. It is opposed to the use of atomic and hydrogen bombs because it is as much a contradiction of international law as of humanity. Some of the participating members seemed concerned about civil liberty and rights. All are agreed that the rights of workers and of women must be preserved and protected.

If many of the conveners and participating members of the Lawyers' Conference are Communists, or have Communist inclinations, they must have felt uncomfortable in their seats while listening to the addresses of both Dr Radhabinod Pal and Mr D N Pritt. Any impartial observer in the audience also must have noticed the skilful

acrobatics of tight rope dancing of Mr Pritt, if not of Dr Pal.

Mr Pritt was intriguing in his exposition of the "democratic" lawyers' responsibilities in relation to the implementation of the Five Principles. He was right in his interpretation that sovereignty was the main basis on which the Five Principles were based. He was also right in his analysis that non-interference in internal affairs was a direct sequel to the principle of sovereignty of nations.

CO-EXISTENCE

It was inevitable that Mr Pritt would emphasise peaceful co-existence. His annotation of the principle of sovereignty shows that he is a good democrat. But many Communists may not like his emphasis that sovereignty is still a necessary basis of relations among nations in order to prevent imposition to systems of government and of "ways of life" by the powerful States over their weaker neighbours. It should be the duty of "democratic" lawyers, Mr Pritt implies, to equate the juridical concept with the humanistic arguments in defence of the principle of sovereignty.

Not only Communists, but Socialists also were "international" in their outlook. Many years ago, Socialism shed its "international" complexion. Today, the Socialist parties in every country seem to believe in sovereignty and nationality. In advocating peaceful co-existence, the Communists will also now seem to accept the principle of sovereignty.

Sovereignty is a concept with which international jurists may not be in conflict. They endorse the politicians' faith in maintaining a world balance of power on the basis of sovereignty of nations. Some political thinkers may wonder whether wars can ever be prevented as long as the principle of sovereignty is accepted. These are wider issues which Mr Pritt found it convenient to by-pass. But all thinking persons will echo Mr Pritt's hope that lawyers should help the realisation that the use of atom and hydrogen bombs is as much a negation of international law as of humanity.

No less significant were the issues raised by Dr Radhabinod Pal. Dr

Pal, an eminent jurist, will naturally express concern about the rights of the individual. He is against regimentation of the masses. He is for a political order in which the individual can develop completely. This is supposed to be the main issue at conflict between the Communist States and the Capitalist Powers. It has been remarked that if Russia can prove that it can ensure individual freedom, whatever that may mean, Communism will succeed in conquering the whole world without firing a single shot.

Dr Pal is not unaware of the changing relationship between State and Society. He is right in his observation that the aim should be to reconcile individualism with maximum social good. Whatever be the position of the individual in Communist States, it is necessary to realise that rule of law has also its limitations. Clearly, a synthesis is necessary. It is equally clear that, in the process of reconciliation, both the State and the Individual must become less and less important than Society.

PLAN AND LAW

Dr Pal posed the same problem from another angle. Today, every country has a Plan; everybody is now a planner. Political and economic planning has social repercussions. Jurists do not seem to be enamoured of the social, political and legal implications of a Welfare State. There is the problem of a proper balance of relationship between the Legislature, the Executive and the Judiciary. It is natural that jurists will stress the supremacy of the Judiciary. This is now accepted as an occupational mania with lawyers and judges.

Law cannot function in a vacuum. It is related to the prevailing basis of State and of Society. As the basis and functions of State and of Society are changing, there must be corresponding modifications in the legal system. Dr Pal seems to concede that the changing political and economic relationships will have to be expressed and interpreted in terms of law. Jurists are combative in their role of interpreters of political, economic and social changes. They are less conscious of their responsibility to express the developing relationships in terms of law.

case. These include the treatment of used assets, international carriers, prepayment by foreign residents, gold transactions, valuation, current/capital expenditures, increases in stocks, and consumption of fixed capital. In each of these fields, the report covers highly controversial ground and taking this into consideration, the recommendations finally made are not sufficiently supported by discussion of alternate views and statement of the reasons for particular decisions.

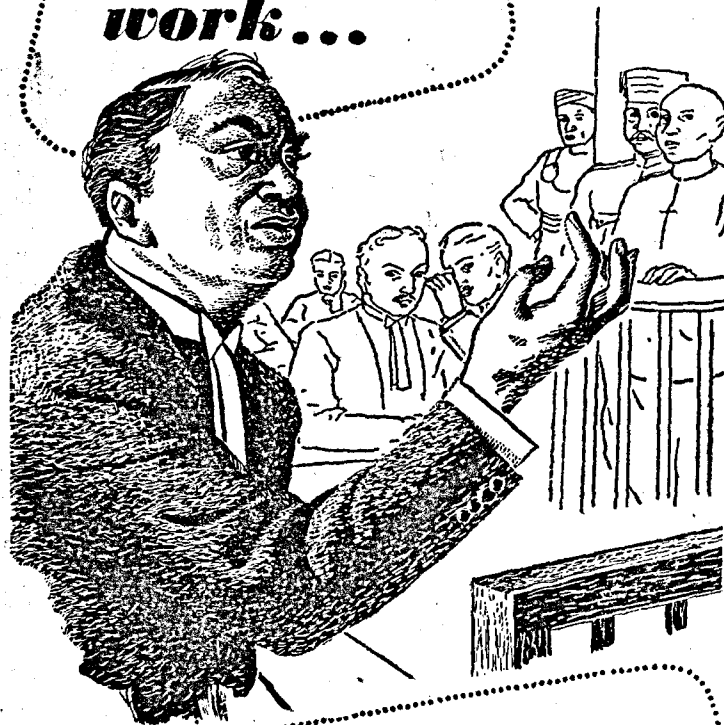
For instance, it is stated that "the discovery of sub-surface mineral or petroleum deposits while enhancing the value of land is not included in capital formation, nor are the expenditures for such exploration, except as they involve expenditures for durable structures such as wells and mine shafts". This may be the correct approach but no explanation is given of the reasoning behind it.

Again, the transfer of used assets, being recorded both as a negative and a positive item, will not affect total capital formation as such, but since it is recommended that transfer costs should be counted as part of new capital formation, misleading results may well be obtained during periods when excessive transfers take place, or in countries in which the rate of obsolescence is high and yet an organised market for used assets exists. These possibilities are not discussed in the report.

Two other subjects of great interest are the treatment to be accorded to increases in stock and to consumption of fixed capital. For the former, it is recommended that the value of the physical increase in stocks should be counted and not the increase in the value of the stocks. For the latter, detailed recommendations are made after some analysis of the economic and accounting approaches to the problem and the various difficulties involved, but alternative approaches have been permitted. In other words, no final decisions have been made.

The only complaint that can be made against this very useful report is that it is not much larger, that no attempt has been made to detail the reasoning behind the recommendations made. Therefore, the economist interested in national income statistics will have to take these recommendations only as points of reference for a more detailed study.

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sell his plot. Further, conversion of dry into wet lands and the preparation of such land for wet crops need initial investment which the small farmer may not afford. Neither is it wise to permit the unrestricted use of water lest it leads to an unfair appropriation of the benefits of irrigation by a handful of big landowners. Land in excess of a fixed limit should be purchased at pre-project price and made available to small owners and tenants. The problems of absentee landlordism and of investment in land purely for letting out on rent which is such an undesirable feature of landholding elsewhere should be guarded against in advance in the new project area.

Again, some villages may be suitable for setting up co-operatives for aiding farmers; in some others, agricultural labour may need control and direction either by an agricultural company or a state-controlled corporation. Dr Tannous raises the issue regarding the structure of farm organisation in the following words:

"As the irrigation projects now under way are realised and expanded, on what socio-economic basis will they be operated, family ownership, collective community cultivation, or large-scale absentee ownership?"

The pouring in of aid may bring about some improvement in physical production but it may not bring equal opportunity to every one nor help to promote equality of landholding. So when new opportunities of production are created, as a result of irrigation, development must be planned in advance and regulated from stage to stage. Economic development will be unequal and benefits may not reach the small farmer at all, unless a proper socio-economic policy is pursued right from the commencement of the project.

COMMUNITY ORGANISATION AND TECHNICAL AID

In the Point 4 Litany Project, community organisers will have to be trained in the first instance to organise co-operatives and village councils in those villages where farmers are mature enough to elect proper leaders for these bodies. In other areas which are less advanced, some state-aided but independent corporations may have to be set up to provide the necessary services and to train people in community participation. Central organisations will also be needed to help co-operative societies with credit, agricultural and

domestic supplies and in the marketing of produce. All these organisations, particularly primary societies and village councils, will need whole-time workers. Village councils will need town clerks. These will be the second grade workers, the first being the community organisers.

Moreover, an overhaul of state services will also be necessary to promote community research and extension. For instance, the health department must have the minimum preventive staff, and the education department adequate staff to set up and run primary schools with a rural bias. At a higher level of administration, senior officials and the executive subordinates of these departments should have the necessary training and the proper outlook to be able to help the organisation of co-operative societies and village councils and promote the development of voluntary welfare centres in rural areas. While the upper layer of officials may need training abroad, the training of the lower strata, namely, the subordinate staff, unofficial trade organisers and village leaders will have to be organised within the country. The association of the American University at Beirut with this important work under Point 4 is highly commendable.

ADVISORY BODIES

Co-ordination will be necessary at each stage and in various directions. Officials of the administrative departments will have to work together at the village level, through co-operative societies and village councils. Similarly, the work of the senior officers of the departments concerned will have to be co-ordinated at provincial and state levels. As the participation of the community is the aim all along, advisory bodies of non-officials have to be set up both at the provincial and state levels. The Government of Lebanon has already provided for participation at the state level, it only remains to extend such participation at other levels by setting up similar ordinary bodies.

From the commencement of the scheme there should be clear demarcation of the functions of the different kinds of staff. Technical experts who help to set up the project may withdraw when their work is over but organisers of co-operative societies and village councils may have to be absorbed as regular staff of these bodies or the State. Similarly, village level workers should be absorbed as secretaries of co-operative societies and village councils. The

staff of the rural departments of the Administration, which are concerned with community improvement will, of course, have to remain.

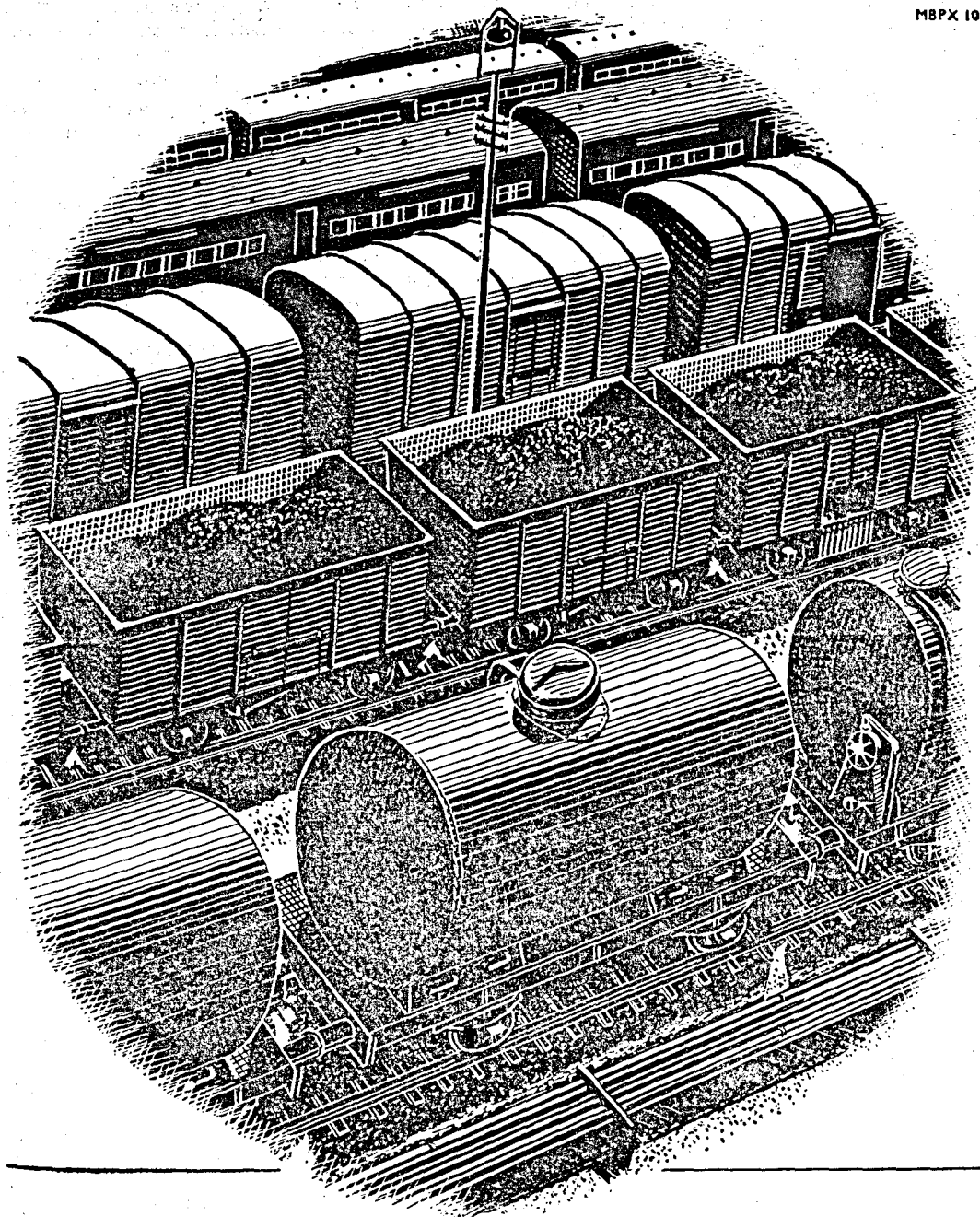
Training centres should restrict themselves to train the required staff, training being restricted to the development of co-operatives and village councils. Instruction may also be given in related subjects which could be feasibly undertaken at present by such centres. Experts who conduct training courses should be chosen from countries which are at a comparable stage of development as Lebanon. Special care should be taken to see that social welfare training has some relation to what underdeveloped countries can attempt with their own resources in the near future.

AUTONOMOUS BOARDS

Where the population consists of different communal groups, it is difficult to get an incorruptible administration, the loyalty of officials to communal groups being stronger than their loyalty to the state. A responsible community leader expressed himself in these words about the present state of things in Lebanon: "There is a persistent feeling that government should be for the benefit of the governing group or that even a programme of social service should bring some tangible personal gain to the managing group or their friends." There cannot be any immediate cure to this, neither is it possible to prevent the government controlling the institutions which it helps in several ways. Political interference may, however, be reduced to some extent by a proper set-up of administrative services, and secretariat rules. The device at present adopted by Point 4 of having joint councils of heads of departments and outside experts is certainly a step in the right direction. Another device could be the organization of independent boards, free from interference in day-to-day affairs but subject to the over-all control of the state. Where the state undertakes economic activities such as distribution of credit and export of fruits and vegetables, such boards could be of considerable service.

SOCIAL CENTRES IN LEBANON

The determination of Lebanon to develop community welfare centres was made clear by a recent decree authorising the establishment of social centres whenever the need arises and the finances can be provided. These centres are obviously conceived of, not as people's institutions, but as state agencies for



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carrying out social services needed in rural areas. The government has possibly thought of departmental action rather than community organization, due to difficulties created by the existence of communal groups, in the country. A social worker will be stationed at the centre. The council of ministers will decide the programme of work for the social centre, the number of officers to be appointed for the purpose and their qualifications. Each centre will have a hall for meetings, a library, a clinic with laboratory, dispensary, maternity and child clinic, workshops for rural industries, literacy classes, rural club and play ground, stable for bulls, a demonstration field, and an institute for delinquent children. The expenditure will be shared by the respective ministries while the social affairs ministry will put up the necessary buildings. The local people will have to bear one-third of the cost of construction and also provide land for the building.

The scheme seems to be a copy and a mutilated copy of the Egyptian original which the Government of Egypt is now modifying in the light of their experience. Such a centre cannot be a community institution for which the community is responsible; it merely brings together in one place the activities carried on by the different departments of the government.

The scheme provides for an addition to the existing staff in the shape of a social worker for these centres. In so far as the Council of Ministers decide the expenses of all the departments in the centre, it may help to economise expenditure, if the work in the villages is co-ordinated through these centres. The social worker who will be a governmental official is expected to help every department. To some extent co-ordination of staff will be achieved through the Council of Ministers. But when the decree lacks the fundamental character of social centres, namely community ownership and management, it only adds another departmental activity to the social affairs ministry. This decree, however, has not set up a department of social centres with all the paraphernalia of a directing staff of experts in all lines. This much can be put to its credit. Its main aim seems to be to provide a building in each centre. To ask the villagers to contribute a third of the cost of such buildings, however, is to give undue priority to what is, after all, a non-essential service.

Some minor points in the decree also call for comment. It proposes an institute for delinquent children in each centre. Are delinquent children so many that every centre will need this institute? Neither are public baths and laundry likely to interest the average farmer.

TRADITIONAL COMMUNITY ACTIVITIES

I had also an opportunity to study some other types of projects aimed at promoting community development on a self-help basis, such as (1) traditional community activities and communal charities, (2) community organization in urban areas and (3) social activities of the progressive socialist party.

I visited three social service institutions, the Al-Maqassad-Al Khairiyah, the Catholic press, and a women's institute.

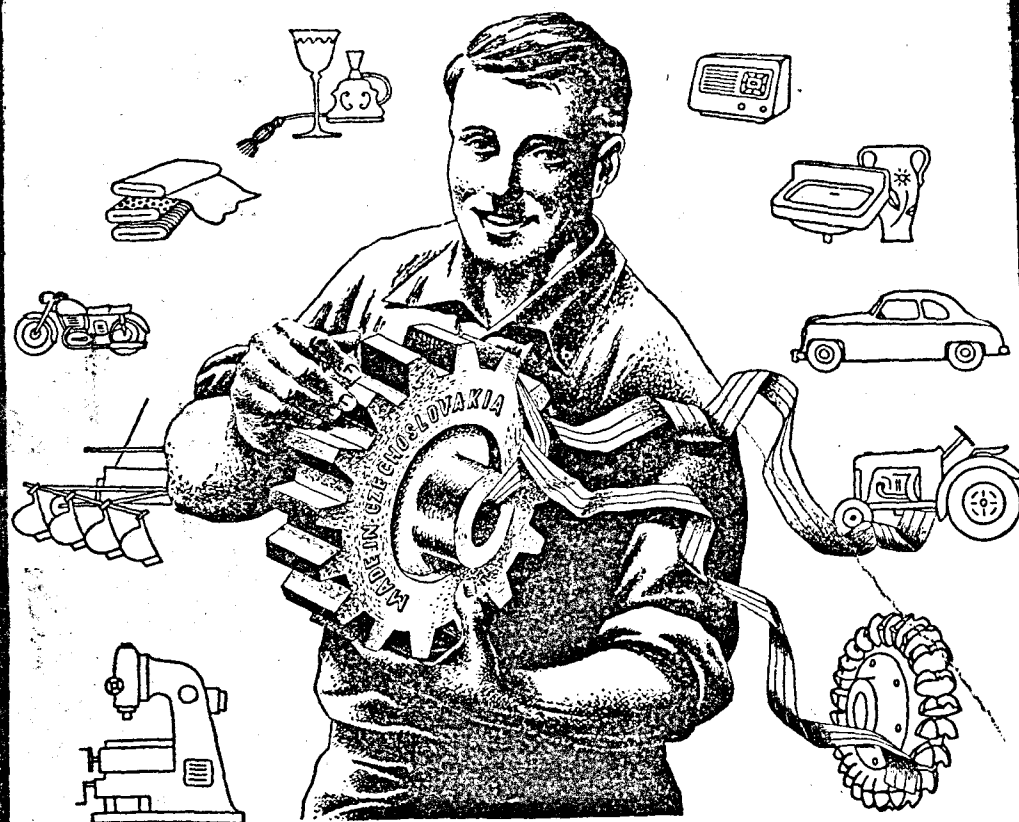
Certain forms of traditional community activities and communal charities for social services have always existed in Lebanon. Common ownership among the middle classes of silk-factories, oil-presses, and flour mills, wool-weaving by artisans, maintenance of village services as watchmen, and shepherds, the holding of land in common and its cultivation by rotation in some villages are examples of such traditional communal activities. Communal charities concern themselves mainly with hospitals, schools, and orphanages and they developed quite considerably under foreign rule. Both Christianity and Islam encouraged social assistance among the different religious groups. Community development in Lebanon may fruitfully utilise existing Wakfs and benevolent associations, by trying to co-ordinate their activities, avoiding duplication and wastage and integrating them with state services. Community self-help in the sense of all citizens sharing social responsibilities cannot be widespread in undeveloped countries. It presupposes the existence of individuals who are above poverty, have achieved some amount of economic stability and are eager to assume community responsibilities. Where workers already enjoy a minimum of security, according to the existing standard of life, they may be persuaded to contribute their mite for social services, and may also leave the management to the middle class or the leisured rich.

The test of community organization in such countries should be, not whether those who derive benefits from social services also contribute towards their maintenance and

conduct them themselves, but whether there is sufficient leadership outside these needy groups to organize social services, and whether voluntary funds are available to render such services effectively. Judged by these tests, the communal Wakfs (pious foundations) are certainly a form of community organization. But though Wakfs do act as community agencies, as the communities are themselves stereotyped, the sectional endowments act as a barrier to the evolution of a real community scheme. The lack of harmony in local communities which has found statutory recognition in the constitution of the country in the shape of communal representation indicates a situation in which the problem of bringing the communal groups together has to be approached with caution. These charities and endowments need guidance and direction in promoting community participation in several ways. A federation of the various associations will greatly help in systematising their social services, and increasing public participation through community chests and volunteer services.

COMMUNITY HOUSING IN URBAN AREAS

The provision of housing for the working classes who are living in slums is a major problem in Beirut. The government asked the United Nations to send an expert on housing. But the expert seems to have little work to do in the absence of provision of funds by the government. He has worked out a scheme of low-cost housing, costing per house (Lebanese) £4000 to £5000. Co-operative housing has great possibilities of developing community life. But speculation on building sites militates against any housing project. If the rental value of land can be controlled by law, capital values too can be restricted, say, to those prevailing in 1939. Supply and cost of housing materials need control. Some stipulation regarding the allocation of state funds for purposes for which the services of the UN are sought, seems to be called for. The investors in Lebanon are not satisfied with a 5 per cent return on housing. Beirut municipality has not got even the funds for priority projects, eg, a modern slaughter house or a sufficiently big plant for garbage disposal. Most of its revenue is spent on salaries and wages. The garbage goes into the sea though, incidentally, it provides some employment to the slum population who make a living by sifting this garbage. Armenians form



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a large proportion of the population in the slum area. Foreign benevolent funds of Armenians as well as big employers ought to help the implementation of the low-cost housing scheme of the UN expert. The one silver lining in the cloud is the proposal made by the Director of the Port of Beirut (a French company) to build houses for its own employees. This company maintains a dispensary and two social workers for its workers.

The trade union law leaves ample scope for the promotion of social activities among clerks, shop assistants and industrial employees. Being a food importing country, Lebanon can build permanent community organizations, through the trade unions in the first instance for an economic distribution of wheat and other imported food grains.

COMMUNITY WORK OF THE SOCIALISTS

Through the kindness of Professor Baty and Mr Victor Aramouni, I had an opportunity to interview at his country house Mr Kemal Djumblatt Baig, the leader of the progressive socialist party community work in his area.

The libraries and night schools run by Mr Djumblatt in some villages, are open to members of all communities. The villagers provide the space and maintain the volunteers who do the teaching. The night-schools work three days per week. At the villages where there is a branch or office of the socialist progressive party, the villagers are asked to provide a room to be used as a clinic. A doctor or a nurse visits it once or twice a week to treat the villagers who pay 25 piasters per patient. This is called Djumblatt's medical aid.

These activities, though open to all, are run by the leader of a political party. Social services are bound to be run by political parties in democratic countries. In the absence of non-party community organisations and state services, these activities have to be appreciated for evoking community responsibilities. Communal charities partake of the same colour as social activities of political parties. The state has an important duty of evolving non-party organisations for community undertakings and fostering them with financial grants and technical aid.

THE TASKS AHEAD

Two essential institutions which are founded on community responsibility namely the primary agricul-

tural co-operative society and the municipal or village council should be organised throughout the country in such villages where farmers are able to manage them.

The state should adopt a definite policy of fostering agricultural co-operation by offering special concessions and facilities. They should be recognised as essential institutions of the farmers with definite services to perform in regard to sale of agricultural requisites, supply of credit and marketing of produce. They should be nourished by a central agricultural bank and central supply sale organisations. In order to promote social activities, there should be a legal provision enjoining on the co-operatives to set apart a fund out of its profit for the purpose.

All obstacles to the promotion of social and economic progress by community organizations should be removed. Export subsidy to growers and traders is a costly and unworkable policy. Bringing down costs of cultivation and marketing is a more enduring method. This has to be achieved through control of profits of private trade and by setting up a co-operative organisation. A measure of control will be needed over private companies distributing credit, agricultural requisites, and doing marketing service. Priority for imports which promote agricultural development should be given. Imports which hinder the growth of agricultural industries should be restricted to the minimum. Short, medium and long-term capital should be provided for agricultural projects and individual farmers by internal savings through the prevention of conspicuous consumption, and taxation, and by regulation of internal investments. Extension work should be promoted by a state extension staff working through co-operatives which should maintain a wholtime secretary from their own funds and partly aided by the State.

Training of village leaders should be promoted firstly by creating conditions for the growth of such leadership. The minimum land reforms which will redistribute lands belonging to big land owners, provide security and fair rents for tenants and a fair wage for agricultural labour should be undertaken, thereby creating the basic conditions for the growth of a self-respecting population and new leadership. Rural schools with an agricultural bias and training in citizenship should be promoted. The co-operative societies and municipal councils will be an effective training ground for rural leadership.

The Lebanese peasant in the mountain tracts is sufficiently awakened to be able to manage community organizations. Community leaders are coming up from the educated classes in towns to give the necessary lead and direction to village leadership.

CONCLUSIONS

The methods of work of community welfare centres need examination. A higher standard of living can be attained only from a nation's own resources. It cannot be planted on an undeveloped economy. Economic progress, therefore, should be given the first priority along with preventive health work. A reorganization of state departments in order to integrate agricultural development under a single department, staff for various rural services, provision for co-ordination, training centres for village level workers and higher grades of staff and training abroad for superior officers are the minimum requirements. The training scheme of the American University in Beirut can be trusted to create an efficient staff for community development.

In areas where new irrigation projects are undertaken, a socio-economic policy should be followed which gives maximum security to the small producer and aids agricultural production. Where owing to the domination of traditional big landownership, the farmer has not developed a sense of 'belonging', a paternal type of state-aided but semi-independent boards aiming at the goal of community participation should be provided for. It is better that economic services involving investment of funds are managed by independent boards or corporations, with a view to avoid political interference in infant democracies.

Some form of community welfare is promoted through the various communal charities and endowments. They should be co-ordinated at the centres where they operate and also at the state level so that they may evolve into welfare centres for the community as a whole, instead of for different religious and communal groups. Community welfare can be promoted in urban areas through housing schemes, trade unions, and enforcement of a welfare section in private company undertakings.

Community organizations on an area basis have a special importance in democracies where political parties cannot but lead to divisions among the people, and in countries such as Lebanon where communal loyalties and institutions have struck deep roots.

THIS IS AN ANNOUNCEMENT - NOT A PROSPECTUS

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

A Formal Prospectus dated 20th January 1955 has been filed with the Registrar of Companies, Bombay, as required by Section 92(2) of the Indian Companies Act, VII of 1913, which states that the Subscription List will be open on Thursday the Third day of February 1955 and will close on Monday the Fourteenth day of February 1955.

THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED

AUTHORISED CAPITAL Rs. 25,00,00,000

Divide into
5,00,000 Ordinary Shares of Rs. 100/- each and
20,00,000 Unclassified Shares of Rs. 100/- each.

PRESENT ISSUE:—
5,00,000 Ordinary Shares of Rs. 100/- each, at par.

The Central Government has declared by a notification in the Official Gazette the Shares comprised in the present issue to be an approved investment for the purpose of Section 27A of the Insurance Act, 1938.

Out of the above issue 3,50,000 Ordinary Shares of Rs. 100/- each are agreed to be taken up by the following:—

- Several Indian Banks and Insurance Companies and certain of the Directors of the Company and their friends and associates.
- Certain Nationals and Corporations of the United States of America.
- The British Eastern Exchange Banks and certain United Kingdom and other Commonwealth Insurance Companies and other British Companies.

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ARDESHIR DARABSHAW SHROFF	RUSSEL G. SMITH
GHANSHYAMDAS BIRLA	DHARAMSEY MULRAJ KHATAU
KASTURBHAI LALBHAI	SIR BADRIDAS GOENKA, C.I.E.
SIR BIREN MOOKERJEE	S. BHOOTHALINGAM, I.C.S.
J. G. BEEVOR, O.B.E.	(Government Director)

GENERAL MANAGER
PERCIVAL SPENCER BEALE

REGISTERED OFFICE

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1. The Company has been incorporated on the 5th day of January 1955 for the objects mentioned in the Memorandum of Association and particularly for the purpose of carrying on the business of assisting industrial enterprises within the private sector of industry in India

in general by

- assisting in the creation, expansion and modernization of such enterprises;
- encouraging and promoting the participation of private capital, both internal and external, in such enterprises;
- encouraging and promoting private ownership of industrial investments and the expansion of investment markets;

and in particular by

- providing finance in the form of long- or medium-term loans or equity participations;
- sponsoring and underwriting new issues of shares and securities;
- guaranteeing loans from other private investment sources;
- making funds available for re-investment by revolving investments as rapidly as prudent;
- furnishing managerial, technical and administrative advice and assisting in obtaining managerial, technical and administrative services to Indian industry.

Copies of the Prospectus as filed with the Registrar of Companies, together with the application forms are available at the Registered Office of the Company.

THIS ANNOUNCEMENT IS NOT TO BE REGARDED AS AN INVITATION TO THE PUBLIC TO SUBSCRIBE FOR SHARES AND APPLICATIONS WILL ONLY BE RECEIVED ON THE FOOTING OF THE FULL PROSPECTUS AND IN THE FORM ISSUED THEREWITH.

Around Calcutta Markets

Block Buying of Shares

IF the London money market is celebrating the re-emergence of the era of flexible money—an era, which was supposed to have ended by the early 'thirties—the Calcutta Stock Exchange is behaving as stock markets used to behave in the era which knew no controls, no dividend limitations, no attempts at legislation to regulate figures trading or managing agency rights. Clive Street is trying to behave as Clive Street used to, until, what many City Editors still deplore as, the Liaquat Ali budget.

It started more than two years ago. Then, the move away from controlled economy began. Some years ago, the International Monetary Fund assumed the responsibility for re-educating governments and monetary authorities in the elements of monetary economics. It took some time to re-indoctrinate the American Treasury and the Federal Reserve System into the Era of Finance. But once these authorities were re-converted, the task was almost completed. West Germany and some of the Scandinavian countries introduced dearer money. Later, Britain raised the Bank Rate. India followed Britain's example.

Free Economy

Both in Britain and in America, there was a change in the party in power. Both the governments are in favour of freer, more flexible economy. In both countries, money has since been made dearer or cheaper to neutralise wider, undesirable economic trends. In both countries, unnecessary controls and restrictions on the economy have been lifted. With a time lag, India has adjusted herself to the changing world economic trends.

This is the broader background against which some of the activities on the Calcutta Stock Exchange have to be viewed. It is, perhaps, a historical fact that the Calcutta Stock Exchange initiated the prevailing boom in stock markets. Calcutta was also, perhaps, the only financial centre in India which witnessed some of the features incidental to an industrial and stock market boom. In the last two years, Calcutta repeated Bombay's experience during and immediately after the war.

There has been a revival in the new issue market in the last two years. But there has been a variation in the form of activity between Bombay and Calcutta, which is significant. Bombay can claim to have underwritten and subscribed a major portion of the biggest capital issue in recent years. Calcutta has been more interested in bonus issues. Many tea, jute and engineering companies have issued bonus shares. Many such projects are awaiting the sanction of the Controller of Capital Issues.

Corners

This is an inevitable and a legitimate sequel to any industrial or stock exchange boom. But Clive Street is witnessing a parallel development which deserves emphasis. It will not be quite accurate to call it a craze for cornering shares. Corners, bear raids and bear squeezes seem to be things of the past. But something akin to cornering shares is happening on the Calcutta Stock Exchange. It is different from an attempt at cornering a share because the motive is different. Corners are not necessarily attempted to secure controlling interest in the companies concerned. This is the main motive why shares of some companies are being accumulated by interested parties.

Interested parties are reported to have acquired enough shares in three rupee tea companies to enable them to have controlling interest in these companies. Under similar pressure, Assam Company, a sterling tea company, has proposed measures which are highly questionable. Another sterling tea company is reported to be under a similar pressure. Two jute companies and one cotton mill company are also under similar threats. It is possible that the recent spurt in some of the selected Engineering shares is partly due to the same cause and motive.

Three Factors

Three major influences are in operation. Some shares are being bought in anticipation of bonus issues. This is an inevitable stock market activity. It is more often

than not profitable. It is at once a speculative and an investment proposition, although there have been many instances where genuine investors have suffered because of over-rigging of such shares. Whether or not it is desirable to take interest in the share of a company which is issuing a bonus share depends partly on the terms of the issue, but mainly on whether future profits would be sufficient to cover the expanded capital structure.

Some shares are being bought in anticipation of higher dividend payments. This is also a legitimate activity. This has been the main urge to hectic stock market activity in the last eighteen months. Issues, or expectations, of bonus shares and higher, or anticipations of better, dividends are accentuating the urge to buy-up shares in some companies in order to acquire controlling interest in these. This is also not necessarily an illegitimate form of activity. But there are certain considerations which must be kept in mind so far as the movement for securing controlling or managing agency rights in certain companies are concerned.

Change in Ownership

During and immediately after the war, many companies owned or managed by non-Indians have been bought over by Indians at unduly inflated prices. That is how, non-Indian investments have been, and are being, liquidated. Transfer of ownership to Indian nationals is not undesirable. But such transfers should not be effected in a manner which is prejudicial to the shareholders concerned. This is the main problem so far as attempts at acquiring controlling interest in sterling tea companies are concerned. Today, the tea industry may be prospering. But it is doubtful whether, in the long run, the industry or the companies concerned can bear the inflated cost at which foreign investments are being acquired.

Agency Rights

Whether as regards liquidation of foreign capital or managing agency rights in industries in India or as regards transfer of ownership or of

managing agency rights of rupee companies, managed and owned either by Indians or non-Indians, the main problem is the cost of such liquidation or transfer of ownership. Experience of such liquidation or transfer of ownership during and since the war is painful. This is one of the main problems facing some of the major industries of West Bengal today. To avoid the costly mistakes made immediately after the attainment of independence by India, any such move needs to be scrutinised carefully by the Controller of Capital Issues.

It is not the intention here to discuss the ways in which such moves can be thwarted by the existing management, or, whether the present movement in Calcutta is motivated by intentions to by-pass the normal channels of sanction by either the Controller of Capital Issues or the Registrar of Joint Stock Companies. But it is relevant to enquire whether those who are now trying to acquire controlling interest in some companies are aware of the Government's hardening attitude to the managing agency system. Attempts at transfer of ownership or managing agency rights in some companies might have started before the Government's intention to modify the managing agency system was made known. But it is not a little strange that these attempts persist, despite the knowledge about the Government's contemplated legislation relating to the managing agency system.

Around Bombay Markets

Oils and Oilseeds in 1954

AFTER a year of acute scarcity of edible oils, the fifth year of the Republic witnessed plentiful supply, thanks to the bumper groundnut crop in 1953-54. In fact, the planned increase of 4 lakh tons of oilseeds during the First Five Year Plan has already been exceeded. Yet the oil market behaviour was rather intriguing, and the groundnut oil price which sets the pace for all edible oil prices tended to rise till end of April as indicated by the table at the end of this article.

A remarkable change during the year was the determined effort of the Government to bring down and stabilise groundnut oil prices at a reasonable level. In November 1953, the Commerce and Industry Minister had warned that no export of groundnut oil would be permitted until its price came down substantially. This, combined with a bumper crop, should have initiated a decline. Far from declining, prices of oil, on the contrary, began to show an upward tendency. Farmers, it was reported, began to withhold the crop in anticipation of higher prices. Some State Government Ministers encouraged them to do so by promising to secure export quotas. The Forward Markets naturally did not take the Commerce Minister's statement seriously, and the demand for oil from the vanaspati industry had also increased substantially during the first few months as vanaspati production was being maintained at a very high rate. A small export quota of HPS groundnut issued in

March on the ground of maintaining export contracts, encouraged expectations of a larger export quota, and the price level continued to rise. A deficit budget and buoyant conditions in other markets also helped to maintain groundnut oil prices at a high level.

From May onwards, however, prices began to decline and the reversal of this declining trend is not yet in sight. The factors responsible for this change in market sentiment were fall in prices of foodgrains, expectation of dishoarding by farmers with the approach of the monsoon and poor prospects for export quota.

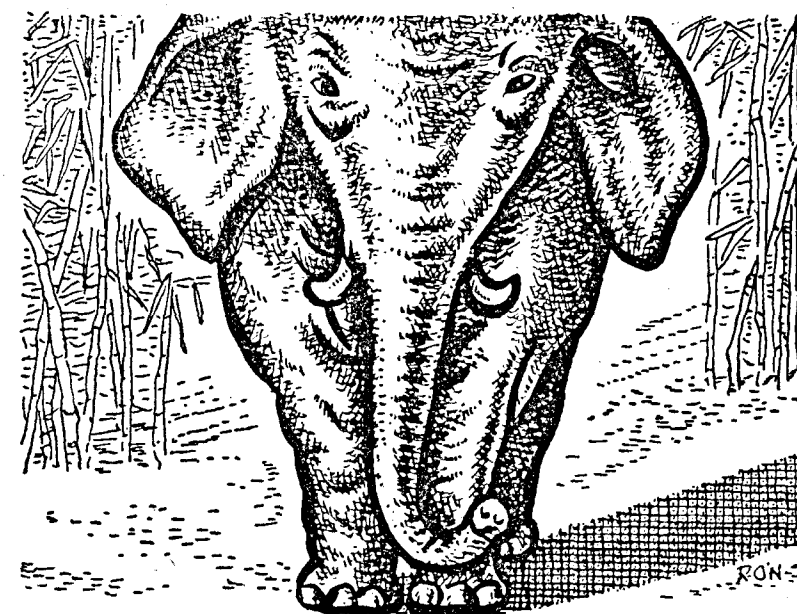
Government tried to cushion the fall in oil prices through free exports and abolition of export duties on rape and mustard, kardi, niger and cottonseed oils and by announcing small export quotas of groundnut oil in July and October. As a precaution against a sudden rise in groundnut oil prices, due to a high profit margin in the export of groundnut oil, a duty of Rs 350 per ton was imposed; but it was subsequently reduced to Rs 225 in September and to Rs 125 in December to check the fall in prices. However anticipation of another good crop and continued pressure of arrivals in terminal markets have so unnerved the trade that, despite a liberal export policy, the price of groundnut oil has continued to fall, and fallen well below the level of Rs 1,000 per ton which, the Government had hinted earlier, was a reasonable level to achieve and maintain.

Oilseeds and Oil

The problem of oilseeds and oils is similar to that of cotton. Indeed, the continued fall in oilseed and other agricultural commodities has begun to cause serious concern to Government and the country because of its unfavourable effect on the purchasing power of the masses and, consequently, on the off-take of industrial products. So far as prices of edible oil are concerned, there was no justification, however, for the recent slump as there is no large surplus available. After the disastrous failure of the groundnut crop in 1953, there was no carry-over of groundnut to 1954, and although the crop in 1953-54 was excellent at about 23 to 24 lakh tons of kernel, the consumption during the year was also fairly high. The vanaspati industry alone is estimated to have increased its consumption by 2 lakh tons of kernel in 1954. The exports permitted in July and October and the quantities required to build up normal trade stocks, depleted during the previous year, would absorb the excess above normal available in 1954. The crop in the current (1954-55) season is not expected to be very large; trade estimate places the quantity at 20 to 21 lakh tons of kernel. Since Government have already permitted exports of nearly 2 lakh tons of kernel from the current crop, a fair assessment of supply and demand would not suggest the possibility of a slump. If Government are persuaded to further liberalise the export policy, the country might well face prospects of seed shortage and high prices after 6 months.

The immediate problem appears to be largely that of financing arrivals of the crop in the primary and terminal markets which have been very heavy, as farmers appear eager to unload the crop as soon as possible in view of the bitter experience of last year and the desire to avoid losses through further fall in prices. Prices can therefore be easily brought up to a reasonable level and maintained if, instead of permitting large quantities of groundnut being exported, the large crushers and vanaspati manufacturers are persuaded to cover their requirements during the season. Credit facilities may be extended for the purpose through Banks, as was done in the case of cotton a few years back. Had development expenditure kept up to the scheduled level, it would have provided adequate money for financing the increasing agricultural and industrial output and prevented the slump in commodity prices.

The trend of prices for inedible



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oils has largely been determined by the international situation. The dumping of linseed oil by the American Commodity Credit Corporation made export of linseed oil impossible until very recently and that too after the domestic prices had declined substantially. In castor oil, Brazilian competition has virtually pushed out Indian exporters from international markets and exports have been more than difficult.

In conclusion, it is only just to record the welcome change in Government policy which was concerned hitherto primarily with the balance of payment position of the country. The role of oils and oil-seeds exports was, therefore, mainly that of foreign exchange earners. It now appears to be concerned with the need to ensure their adequate supplies at reasonable prices to consumers. This welcome change of attitude also calls for an appropriate

change in the technique of control, exports can no longer be used freely as an instrument of price support. A policy of selective bank credit may be the answer.

Price of Groundnut oil in Bombay (Rs per ton)

Month	Monthly Average	Maximum	Minimum
1953			
Dec	1350	1450	1230
1954			
Jan	1462	1520	1380
Feb	1380	1450	1310
March	1376	1455	1270
April	1466	1510	1440
May	1381	1460	1295
June	1235	1310	1170
July	1228	1280	1130
Aug	1110	1140	1085
Sept	1106	1140	1075
Oct	1050	1110	990
Nov	1010	1050	970
Dec	943	1000	885

Our Star in the Sky

Thursday, Evening

AS mentioned in the last review which appeared in the issue of January 15, Tata Ordinary were moving into a state of stagnancy from which, it was further remarked, there is usually a sharp turn one way or the other. Tata Ordinary continued to move narrowly till January 20. On the following day came the news that Pandit Nehru had rejected the case for total nationalisation at the Avadi Congress. The stalemate was broken and Tata Ordinary which were quoted around Rs 224-8 on 20th evening, were being quoted around Rs 234 on the 21st evening; ten points rise within a day.

A well-known Calcutta operator who was reported to be accumulating Tata Ordinary around Rs 225 earlier, bought a good number of shares at rising rates, and his long position is estimated at more than 30,000 shares. A Bombay operator joined hands with the Calcutta bull and came forward to buy in thousands.

A sudden spurt, and influential buying made bears nervous, and heavy short covering helped Tata Ordinary to rise further, and in the process, rates touched Rs 240 for the first time since September last.

Strangely enough, Textile shares, which had been lagging behind, continued to do so. Century prov-

ed an exception, however, following influential buying on rumours of better profits for the current year, which lifted the quotation by about 15 points. Other textile shares moved up a little but the rise was merely sympathetic. Only short covering enabled this section to come up a little. The earlier bull activity in Bombay Dyeing proved short-lived.

The Miscellaneous section, which tried to rise with the market leader, met realisation pressure at bulges, and shed much of their gains.

In the cash section, in contrast to the rise in Tata Ordinary, there was a steep fall in New India Assurance shares. The Finance Minister's passing remark on nationalisation of insurance companies caused heavy liquidation and this small valued share lost about 10 points! This only shows the investor's concern over the Government policy.

United Commercial Bank shares met good inquiry on reports of better profits and on prospects of a rise in dividend of annas 8 to Rs 2-8.

Looking to the market's behaviour in general, the lead given by Tata Ordinary does not appear to have been followed by the majority of the shares; not even by Indian Iron. Earlier gains in the only other steel scrip could not be maintained.

THE ECONOMIC WEEKLY

Another important market factor is the tendency of larger deliveries of Tata Ordinary at higher rates. A genuine revival should cause all-round rise in the market, and public participation. At present, the buoyancy which is significantly present in Tata Ordinary is absent in other sections.

Buying in Tata Ordinary is very strong and the share is passing under the firm grip of bulls. The international situation has helped the bulls to maintain their recent gains. Any easing of the international situation may bring about a decline as the other shares have been lagging behind.

Bulls can usually get out successfully when there is replacement buying in considerable volume at higher rates; but the general public comes in only when the market as a whole is buoyant. Political developments are likely to affect the market in near future.

BULLION MOVES UP

In contrast to commodity markets, bullion prices moved up in the period under review. Excellent off-take in both silver and gold, and speculative support account for the rise. Reported seizure of contraband gold further helped the rise in gold.

After many months, the carry forward charges for silver were even. Hitherto they used to be against buyers. In gold, however, they continued to be against sellers.

The law of commodity markets do not apply to bullion. As imports are totally prohibited and the usual demand continues, movements depend on the off-take. Both the metals gained about Rs 3-8 during the three weeks ending February 2, the closing being around Rs 161 for silver and Rs 92 for gold.

COTTON CAUSING CONCERN

After some heavy short covering in January, cotton has continued to fall unchecked. Mills are still reluctant to buy. Reports of a bumper crop made the bulls very nervous and on February 2, the price touched a new low. The market is keenly awaiting some Government measure to check the downward trend. As the fall has been steep, profit taking is likely to bring some rally.

	12-1-55	2-2-55
Cotton May	597	567

THE ECONOMIC WEEKLY

(Continued from page 194)

which is in itself not unwholesome. But the Constitution has also tended to hold up progress on desirable lines or slacken its pace, as in the case of the property rights. While sound in themselves, these provisions, as interpreted by the judiciary, have acted as a curb on progress.

The Constitution has already been amended in places, but not necessarily out of progressive zeal. The approach in these instances has been the old, familiar one of law and order. This stigma, however, does not attach to the recent proposal to amend Article 31 of the Constitution which relates to the right to property. The intention behind the proposed amendment is not to expropriate property, without payment of compensation, but to make the quantum of compensation decided upon by legislatures, above challenge in courts. When the amendment is passed, Government will still have to pay compensation, but it would be a 'fair' compensation rather than one at market value, and it would no longer be 'justiciable'. Other amendments also have been proposed, but they are not of any great significance.

GESTURE OF FAITH

The greatest gesture of faith made by the country's leaders and the authors of the Constitution was in voting for adult franchise in a country of such vast size and population, where more than 80 per cent of the electorate are illiterate, politically backward and more or less new to the process of democracy. Yet the gigantic general elections, first of their size and complexity in the world, were conducted with an orderliness, discipline and decorum that were truly impressive. And the results of the elections on the whole and the position of party representation were such as to vindicate the faith of the country's leaders in the robust commonsense and sound judgement of the Indian people.

Only in a few States like Travancore-Cochin, Madras and Pepsu, the results gave an unstable party position, with no group sufficiently strong by itself to form a government. Since then, the position has somewhat improved in Madras, thanks to the shrewd and masterly leadership of Shri C Rajagopalachari. In Pepsu and Travancore-Cochin, fresh elections were held after a period of uneasy administration, as a result of which there was some improvement in the former,

but little in the latter. The newly-created State of Andhra was found to inherit an unhappy party position from the parent State of Madras which is now sought to be set right through fresh elections. A notable feature of the first general elections was near-rout of the Praja Socialist Party and the comparative success achieved by the Communists, particularly in elections to legislatures in Madras, Travancore-Cochin and Hyderabad and to Parliament.

In the five years of our Republic, there have been efforts at progress in other spheres of national life also, apart from the inauguration of the Five-Year Plan. A string of national laboratories have been established; organisations have been set up or steps taken for the encouragement of literature, music, drama and a number of other arts; and there have been attempts at remodelling the entire system of education so as to bring it closer to the genius of

the nation and the needs of the country. An exhaustive enquiry was conducted into the Fourth Estate to put it on a sounder basis, with regard to its structure, functioning, lines of future progress and the condition of working journalists; a common social code is being evolved, and as a first step, the Special Marriages Act has been passed; and, apart from the steps already taken to popularise Hindi, a special endeavour is to be made now to help it replace English within the period of fifteen years stipulated in the Constitution.

This is, in brief, the story of our Republic and the progress achieved by it in the five years since its inception. An interesting story it is, if one may say so, and quite a heart-warming one too.

[This review was to have appeared in the Annual Number, but had to be held over for lack of space.—Ed.]

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CURRENT STATISTICS

BANKING RETURNS

(Rs Crores)

	Latest Week†	A Week ago	A Month ago	A Year ago
Money supply with the public				
a) Note circulation	1217.72	1219.47	1200.49	1156.01
b) Rupee Coin	104.47	104.30	105.58	94.83
c) Cash on hand with the Scheduled Banks	32.95	32.25	32.03	32.12
d) Demand liabilities of Scheduled Banks (net)	572.12	563.24	562.31	514.29
e) Deposits with Reserve Bank:				
i) Other Governmentments	20.77	16.18	16.74	23.29
ii) Others	34.06	33.74	34.39	59.02
Reserve Bank				
a) Foreign Securities	653.21	653.21	663.15	618.15
b) Balances held abroad	76.40	80.08	67.64	116.17
c) Rupee Securities	437.63	437.63	417.75	421.38
d) Investments	70.07	70.63	75.34	72.47
e) Loans and advances to Governments	0.79	1.77	1.67	—
f) Central Government's Deposits	54.03	53.36	54.89	101.6
g) Banks' Deposits	58.14	63.64	69.13	38.50
Scheduled Banks				
a) Time Liabilities	368.61	367.14	367.26	328.98
b) Borrowings from Reserve Bank	6.71	8.16	1.46	10.82
of which against Usance Bills	3.14	3.54	0.90	1.19
c) Advances and Bills discounted	555.44	542.70	537.14	492.12
of which Imperial Bank's	102.93	104.19	100.89	119.32
d) Investments	352.36	351.13	348.98	324.16
of which Imperial Bank's	99.21	98.48	97.27	79.45
Cheque Clearances	108.47	133.76	106.84	106.52

† For Money Supply and Reserve Bank 28-1-55, Scheduled Banks and Cheque Clearances week ended 21-1-55.

Bombay Money Rates	28-1-55	21-1-55	31-12-54	29-1-54
Inter-Bank Call Rate	2 7/8	2 7/8	3	2 7/8
3 months deposits	3 1/16	3	3	2 7/8
6 months deposits	3 1/16	3	3	2 7/8

Bombay Bullion

	3-2-55	A Week Ago	A Month Ago	A Year Ago
Gold Spot (per fine tola)	92- 2-0	91-12	88- 8	85- 7
" Forward "	92- 1-0	91-12	88- 8	85- 5
Silver Spot (per 100 tolas)	161- 4-0	161- 9	155- 9	160- 4
" Forward "	160-14-0	161- 9	155-12	160- 4

COTTON STATISTICS

MILL CONSUMPTION

(in '000 bales of 400 lbs each)

Description:	Nov '54	Oct '54	Sept '54	Aug '54	Sept 1954 to Nov 1954
Indian	349.0	311.3	328.0	329.4	988.3
Foreign	62.1	55.0	60.8	62.0	177.9
of which					
American*	27.3	19.2	20.3	24.0	56.8
Egyptian	19.4	16.9	19.4	24.0	55.7
E African	19.0	16.5	17.9	14.9	53.4
Sudan†	2.3	2.0	2.6	2.8	6.9
Pakistan	2.8	0.1	—	—	3.6

TOTAL 411.1 421.0 388.8 391.4 1166.2

Consumption in corresponding periods

a year ago:

Indian	305.6	326.6	310.8	308.5	316.5	942.9
Foreign	50.1	61.2	62.8	69.7	74.9	174.1

TOTAL 355.7 378.8 373.6 378.2 391.4 1117.0

* Includes both United States and Peruvian cotton.

† Includes both Sudan Egyptian and Sudan American cotton.

MILL STOCKS OF COTTON

(in '000 bales of 400 lbs each)

	Nov '54	Oct '54	Sept '54	Aug '54	July '54
Indian:					
1954-55	850.2	861.1	916.01	1010.8	1117.7
1953-54	701.2	733.8	884.2	1013.3	1095.9
Foreign:					
1954-55	161.1	173.9	169.2	200.5	212.8
1953-54	195.1	228.9	251.1	246.2	240.4

Source: East India Cotton Association

COTTON IMPORTS

(in '000 bales of 392 lbs each)

Source:	Oct '54	Sept '54	Aug '54	July '54	Sept '54 to Oct '54
USA	7	10	13	36	17
East Africa*	27	10	13	38	37
Egypt and Anglo-Sudan	10	8	12	10	18
Other countries	—	—	—	—	—
Total	44	28	38	86	72

Total imports in corresponding months of the previous year: 43 64 38 81 107

* Includes Kenya, Tanganyika and Uganda.

COTTON EXPORTS

(in bales of 392 lbs each)

Destination:	Oct '54	Sept '54	Aug '54	July '54	Sept '54 to Oct '54
UK	1	5	1	1	6
Netherlands	—	—	—	—	—
USA	1	—	—	—	1
Other countries	12	4	7	5	16
Total	14	9	8	6	23

Total exports in corresponding months of the previous year: 6 7 1 7 77

Source: Indian Trade Journal

INDEX NUMBERS OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-group	Week ended 15-1-55	A Week Ago	A Month Ago	A Year Ago
I. Food Articles	313.6	312.0	317.4†	383.5
Cereals	353	347	365†	442
Pulses	240	233	230	440
Others	271	277	267	288†
II. Industrial Raw Materials	437.4	437.4†	432.6	483.2
Fibres	470	467	463	465
Oilseeds	375	383	390	550
Minerals	451*	435	403	450
Others	473	475†	444	411
III. Semi-Manufactures	345.3	345.3†	346.6	361.4
Leather	386	383†	382	398
Mineral Oils	221	221	221	221
Vegetable Oils	412	410†	410	551
Cotton Yarn	453	452	448	437
Metals	241	240	240	237
Oilcakes	301	315	373	420
Others	332	331	330	305
IV. Manufactures	375.4	374.7†	374.3	364.7
Textiles	419	418†	417	402
Jute	457	450	441	425
Cotton	411*	411*†	412*	397*
Rayon & Silk	455*	455*	452*	428*
Woollen	310	310	310	313
Metal Products	340	340	340	337
Others	284	284	284	283
V. Miscellaneous	566.9	563.1†	576.1	706.6
All Commodities	365.8	365.0†	366.6†	399.5

* Estimated

† Revised

FOREIGN SEA AND AIR-BORNE TRADE OF INDIA

(Rs crores)

	Exports*	Imports	Balance of Trade
1950-51	606.81	581.17	+ 25.64
1951-52	715.56	862.84	- 147.23
1952-53	553.78	632.95	- 76.17
1953-54	515.39	541.87	- 26.48
1952-53 (Apr to Dec)	428.59	511.14	- 82.55
1953-54 (" " ")	339.24	417.33	- 28.09
1954-55 (" " ")	422.82	440.29	- 17.47
1954-55			
April	30.43	46.33	- 15.90
May	38.07	49.53	- 11.46
June	42.31	43.87	- 1.56
July	46.21	53.22	- 6.01
August†	44.94	44.27	- 0.67
September†	49.35	48.66	+ 2.69
October†	46.75	51.91	- 5.16
November†	65.11	57.76	+ 7.35
December†	59.65	46.74	+ 12.91

* Includes re-exports

† Figures provisional

ESTIMATE OF LAC PRODUCTION 1954

('000 maunds)

	1954	1953 (final)	% Change
Aghani (Kusmi) Crop (preliminary)	108	51	+ 111.8
Katki Lac Crop (final)	229	161	+ 42.2

Source: Indian Lac Cess Committee

WAGON LOADINGS (IN TERMS OF 4-WHEELERS) ON BROAD AND METRE GAUGES — APRIL-OCTOBER 1954

	Broad Gauge		% Increase (+) or Decrease (-)	Metre Gauge		% Increase (+) or Decrease (-)
	1954-55	1953-54		1954-55	1953-54	
Revenue Earning Traffic:						
1. Coal and Coke—						
(a) for public	572,032	529,238	+ 8.09	101,231	84,434	+ 19.9
(b) for non-Government Rlys.	1,619	3,390	- 52.2	318	7	+ 4,442.9
2. Grains and pulses	179,519	191,061	- 6.04	159,056	161,550	- 1.54
3. Oilseeds	28,520	24,573	+ 16.1	32,988	27,232	+ 21.1
4. (a) Cotton, raw	15,161	15,617	- 2.92	15,164	12,824	+ 18.2
(b) Cotton, manufactured	14,078	13,110	+ 7.38	8,028	7,090	+ 13.2
5. (a) Jute, raw	23,567	29,903	- 21.2	18,347	22,752	- 19.4
(b) Jute, manufactured	2,286	3,169	- 27.9	2,179	2,111	+ 3.22
6. Sugar	28,659	34,185	- 16.2	37,303	50,254	- 25.8
7. Cement	84,122	70,623	+ 19.1	57,682	44,312	+ 30.2
8. Iron and Steel—						
(a) Pig iron	5,245	5,926	- 11.5	1,730	2,941	- 41.2
(b) Others	73,372	61,962	+ 18.4	12,799	8,962	+ 42.8
9. Tea	7,130	6,601	+ 8.01	12,229	14,114	- 13.4
10. Metallic Ores—						
(a) Manganese ore	33,903	46,645	- 27.3	8,906	13,692	- 35.0
(b) Iron ore	100,303	91,127	+ 10.1	17,314	14,187	+ 22.0
(c) Others	2,664	2,360	+ 12.9	3,502	3,202	+ 9.37
11. Miscellaneous full wagons	745,523	733,127	+ 1.69	559,358	576,252	- 2.93
12. Miscellaneous smalls	235,214	192,273	+ 22.3	208,806	207,046	+ 0.85
Non-Revenue Earning Traffic:						
13. Free hauled coal & other materials—						
(a) Coal for home line	141,870	137,732	+ 3.00	106,825	103,560	+ 3.15
(b) Coal for other Govt. Rlys. and manufacturing units	171,702	166,588	+ 3.07	4,939	8,570	- 42.1
(c) Other stores	85,625	75,230	+ 13.8	40,548	34,648	+ 17.0
TOTAL	2,552,120	2,434,440	+ 4.83	1,409,272	1,399,740	+ 0.68

Source: Railway Board

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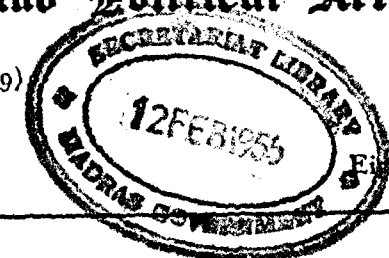
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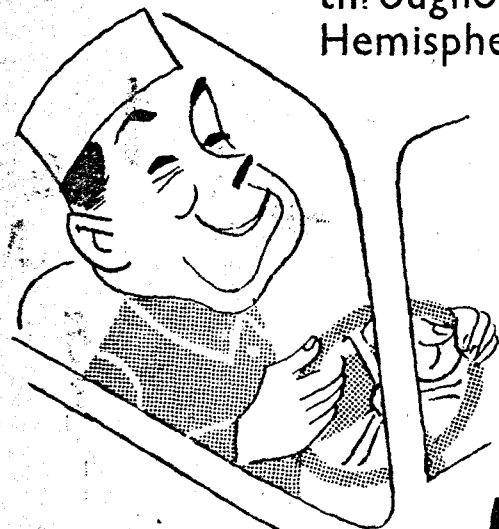
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Party and the State in Russia

ONE clear fact emerges out of M Malenkov's resignation. It is the re-assertion of the Party as the supreme source of authority in Russia. Russia is a Communist State. It has always been, and will be, guided and governed by the Communist Party. This conflict between the Party and the Government never arose in Lenin's time. Lenin was the respected, revered Father of the Revolution. In him, the Party and the Government were merged. There was no one to dispute his authority. So the inherent conflict between the Party, which completed the Revolution, and the Government, which the Party established, never arose. It arose after Lenin's death. Stalin resolved it by firmly establishing the superiority of the Party. He, the General Secretary of the Party, became the Head of the State. Trotsky, a brilliant theoretician, but never a Party-man in the sense in which Stalin was, was liquidated.

Stalin transformed Russia into a monolithic State. Since Stalin's death, there has been speculation throughout the Capitalist States as to when the battle for succession will start, how will it end, and whether this struggle will lead to disintegration of Communist Russia. Those who are supposed to be experts on Russia are busy speculating about the continuing battle for succession. They had argued that Molotov and Beria were Malenkov's rivals to the succession. Beria was liquidated. It was then assumed that Malenkov had purged Beria to assure his right to the succession. These experts now realise that Beria was liquidated at the instigation of Khrushchev, First Secretary to the Communist Party. They are now telling the world that Khrushchev has now established himself as *far more equal*, to vary a famous Orwellian phrase, than Malenkov.

Any such interpretation of developing events in Russia in relation to personalities has obvious limitations. Peaceful co-existence was always a weapon of diplomacy with Stalin. Malenkov seems to be more sincere in his faith in peaceful co-existence. Malenkov has not succeeded. Western Germany is to be re-armed as a NATO Power. America has rejected his policy of conciliation. His foreign policy has involved significant economic shifts. Malenkov has reduced defence outlay. Production of consumer goods has been encouraged at the cost, his critics argue, of expansion of heavy goods industry. Such an economic policy, Malenkov's critics argue, has weakened Russia's military potential. Four months ago, Malenkov was accused by Khrushchev of pursuing a wrong economic policy. This charge was debated and re-debated in secret joint meetings of the Party and the Government. This issue was publicly discussed in *Pravda* and *Izvestia*. Khrushchev won the day.

Only those who are unaware of the developments within Russia will express surprise at M Malenkov's resignation. It is now being confidently predicted that Malenkov will go the Beria way. Some of the self-appointed experts on Russia are, perhaps, mistaken in their assessment of Russian developments because of their ideological incompatibility. Malenkov still remains a Cabinet Minister. Both he

and Mikeyan, Malenkov's Minister of Domestic Trade, remain members of the Presidium. Malenkov has been appointed as a Deputy Premier. Because ministerial resignations have no precedent in Communist Russia, it is suggested that Malenkov is still allowed to live because Khrushchev is not yet sure of his position. There are two possible arguments against any over-emphasis of the personal equation. Unlike Beria, Malenkov has never had any control over the Police or the OGPU. Malenkov, therefore, is not suspected of attempts at any secret or military coup. With Malenkov, it seems to be an instance of the Party rejecting his policy. In a democracy, a Minister resigns when his policy is not accepted. This is precisely the step that Malenkov has taken. Malenkov may not be liquidated as long as he is not found guilty of secretly sabotaging the policy now adopted by the re-organised Bulganin Government, at the initiative of the Party. There is evidence to suggest that, although Malenkov's policy has been rejected by the Party, Russia has outgrown the Stalinist era of one-man dictatorship, and has accepted the principle of collective responsibility. That Malenkov should be put in charge of electric power, including atomic energy, so vital to defence, confirms this interpretation.

Some of Marshal Bulganin's remarks in his first speech as Premier are liable to the opposite interpretation that the changes imply a return to Stalin's policy, if not to Stalinism. There is a familiar, Stalinist twist in Marshal Bulganin's assurance that his Government will carry out "a policy of building up a Communist society in our country, of consolidation of our State..." But, on closer analysis, it will be evident that Marshal Bulganin is more emphatic in his acknowledgment that he and his Government are subservient to the Party, and that both have a responsibility to pursue the policy adopted by the Party. Marshal Bulganin and his Government will "unceasingly carry on the policy elaborated by our own Communist Party..." In the economic sphere, the Soviet Government will in future carry out the general line of the Communist Party for the development of heavy industry. It is inevitable that, in Communist Russia today, the Party and the Army must be equally important. But even as Marshal Bulganin's election as Premier and the ap-

pointment of Marshal Zhukov as Defence Minister imply the importance of the Army, Marshal Bulganin's explicit acceptance of the dictates of the Party indicate that the Party is, to use the Orwellian phrase without any variation, "more equal than the Army".

Whether the developing events in Russia imply a return to Stalinism, or to one-man dictatorship, or to a more militant policy to the world, are not irrelevant questions. But the more relevant question is the cause of the developments in Russia. Western Powers, or some of the self-appointed experts on Russia, may find it convenient to explain these events away as inevitable, incidental consequences of the continuing struggle for power among the top men at the Kremlin. But impartial observers will be inclined to draw a lesson which the Western Powers

PSP Loss, No Congress Gain

IN Travancore-Cochin, the Praja Socialist experiment in Cabinet making has ended. Nevertheless, one might admire the courage and optimism of Shri Pattom Thanu Pillai, the PSP leader, when he accepted the Rajapramukh's invitation to form the Ministry. Even a novice in politics could not expect his Ministry to last long with a voting strength of 18 in a house of 117. How the PSP came into power is now past history. At the time of the last general elections, it entered into an electoral alliance with the Communist-sponsored United Front and deprived the Congress of a majority in the legislature. The situation then warranted that the PSP should either join a United Front Coalition Ministry or lend support to a United Front Ministry till such time as the policies of the United Front actually clashed with Socialist ideals. But the Central Executive of the PSP had its own views. By a queer process of logic, it came to the conclusion that it was the PSP that should form the Government and that all other parties should support it. This was convenient to the Congress because that seemed to be the only way to keep Communists out of office. The leader of the Congress party lost no time in offering responsive co-operation to the PSP Ministry. It is for the political historian to probe into what transpired behind the scenes at that time. The fact is that for the first time, the PSP formed a Ministry in the country

should try to learn. Malenkov would not have lost his position had his policy of conciliation succeeded. By rejecting his plea for peaceful co-existence, the Western Powers have compelled Russia to adopt a policy of aggressive defence. Few will blame those in Russia who fear that the Western Powers' policy compels them to strengthen Russia's military potential through over-expansion of heavy industries. Within Russia, the people will have to tighten their belts further; there will be more regimentation; the Malenkov experiment of gradual economic and political freedom to the people will have to be jettisoned. And all this, because the Western Powers will not show any inclination to discuss with Russia the terms and conditions on which they and the Communist States can co-exist in peace.

and that too, with an insignificant minority. There is no denying the fact that but for the Congress assurance at that time, the Rajapramukh would not have asked Pattom to form the Ministry.

It was only political expediency that prompted the Congress to lend a helping hand to the PSP at that time. It was its fond hope that the people would again look to the Congress for leadership. In the meantime, the Congress wanted to take credit for any good that the PSP Ministry might do, and put the blame squarely on it for omissions and mistakes. Pattom, who knew that any close alliance with the Congress would be suicidal to his party, tried at every turn to stress that the PSP had nothing to do with the Congress and that its policies were its own. The result was that Pattom was inclined to appease Communists and their allies rather than associate with the Congress. This was a position the Congress could not tolerate, and the inevitable happened. What are the lessons of the PSP experiment in Travancore-Cochin?

Law and order are essential for the working of even a progressive Government. In a country, where Satyagraha and hunger-strike come in handy to focus attention on minor issues, the handling of law and order is doubly difficult. A Ministry with sufficient backing can maintain law and order under such circumstances.

ity Ministry cannot have that privilege. Besides, to complicate matters, the Central Executive of the PSP had its own notions about maintaining law and order. Worse still, the police, the guardians of law and order too had their ideas on the subject, which, to some extent, were not in tune with public opinion. Under these circumstances, it is not surprising that the PSP Ministry had to crumble; and its achievement is, to say the least, poor.

The second difficulty the Ministry had to face was in regard to the contents of its economic policy. The last elections revealed that Leftist forces were very strong in Travancore-Cochin, and it was necessary for the PSP Ministry to take steps for radical reform to solve the land problem and unemployment problem. But before moving in this direction, the PSP Ministry had to take some measures to catch the imagination of the public immediately. Some of the measures introduced with this end in view were integration of service, free education up to the 6th standard, enforcement of the Minimum Wages Act etc.

As time was of vital importance to the party in consolidating its position, some of the hasty measures taken were ill-conceived. It tried to meet situations as and when they arose with an eye on the Leftist opposition, which naturally came in the way of its taking an overall view of the situation and evolving a well-thought-out policy. It introduced a bill for land reforms which did not go far enough to satisfy the Leftists, though sufficient to frighten the Congress. Its achievement on the unemployment front has been practically nil.

In spite of all these, people started considering the PSP Ministry better than the previous Congress Ministries. From the point of view of the Congress, this was a dangerous trend. But whether the Congress can win another election in Travancore-Cochin, is very doubtful. The present attempts of the Congress to get into power by any means will not help it to enhance its prestige unless it can bring about improvements in the economic life of the people. That will necessitate complete re-orientation of present Congress policies on Socialistic lines. Never the Avadi resolution says, Congress does not seem to be

anywhere near Socialism. So, if the Assembly is dissolved immediately, Leftist forces are likely to get added strength in the next elections. On the other hand, if the Congress manages to get into power with a precarious majority, its position both on the economic front and on

the law and order front will be worse than that of the PSP. The situation in Travancore-Cochin is full of possibilities. The general elections in Andhra will finally decide the issue in Travancore-Cochin even if the Congress should get into power for the time being.

0563/9613/PA 106

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Weekly Notes

Dissolution Declared Invalid

CONSTITUTIONAL developments in Pakistan have taken a new turn with the Sind Chief Court declaring invalid the Governor-General's dissolution of the Constituent Assembly in October last year. The Court has also issued a writ of *quo warranto* prohibiting five Central Ministers from exercising the office of Minister, and a writ of *Mandamus* restoring Moulvi Tamizuddin to the office of President of the Constituent Assembly and prohibiting the Federation of Pakistan, Prime Minister Mohammed Ali and others from obstructing him in the performance of his duties. An appeal is being preferred to the Federal Court at Lahore against the Chief Court's judgment, but it does not appear likely to succeed, for an act by which a sovereign body is dissolved by an authority external to itself can hardly be legal.

Provisions of the Indian Independence Act, 1947, by which sovereign power was transferred to the Pakistan Constituent Assembly leave no room for any doubt, as Mr Justice Mohammed Baksh pointed out in his concurring judgment, "that the Constituent Assembly was the sovereign body and was not subject to any checks and balances, restraints and restrictions and could make any law it liked, even though it was against the laws of England or the Independence Act." The prerogative to dissolve this body had been given by Section 5 of the Indian Independence Act only to the Assembly itself. Within the Commonwealth, barring England, a legislature cannot be dissolved except in accordance with express provisions contained in the Constitution. Even in England, it is the Prime Minister who advises the Crown to dissolve Parliament, thereby signifying the consent of Parliament to its own dissolution. Also, in the field of the Government of India Act 1935, the Governor-General cannot exercise any power of the Crown unless it is specifically assigned to him. In the light of these principles, it is "unthinkable that the only legislature of the country, which was also a sovereign body under the Independence Act could be dissolved on the principles of justice, equity and good conscience."

If no provisions exist in the Indian Independence Act for the kind of situation that has arisen in Pakistan, it is because the Constituent Assembly was expected to perform its task expeditiously. Pakistan is, in fact, reaping today the consequences of its delay in framing a Constitution, however imperfect. The internal dissension and bickering that has prevented the Constituent Assembly from completing its work has done much harm to the country, and the reinstatement of that body is not, therefore, something over which there can be much enthusiasm, however illegal its dissolution might have been. If the Assembly learns the lesson of recent events and approves a Constitution at an early date, it will mean a definite step forward, as a government functioning on normal constitutional lines is one of Pakistan's first requirements. But this is probably too much to expect in the light of past events.

In an interview this week, Major-General Iskander Mirza is reported to have stated that Pakistan was thinking of introducing the American form of government in the country, "with certain modifications." There may be strength in his argument that the application of the Cabinet form of government over the last seven years has failed in Pakistan, though one may prefer to doubt whether that system has in fact been tried there at all. But his argument in favour of the presidential form is disturbing. Under the American system, he is reported to have said, "the Chief Executive, namely, the President, and his advisers, had a fixed tenure of office and did not depend on the support of various parliamentary groups." The trend of thought suggested by this argument does not augur well for the constitutional or political future of Pakistan.

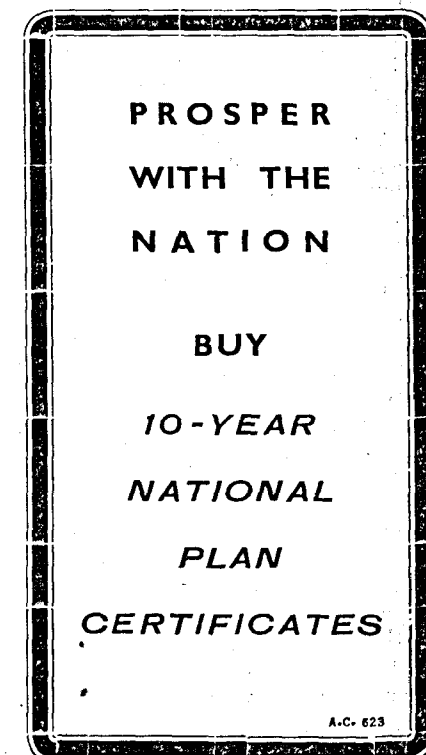
Chittagong Port

THE plan for the development of the port of Chittagong is being worked out at the Hydraulics Research Station at Wallingford, Berkshire, which will carry out an investigation of the Karnafuli River for the purpose. The Government of Pakistan is being given this assistance under the Technical Co-operation Scheme of the Colombo Plan.

Chittagong is the main port of East Pakistan, and practically the only port. But it has only a very limited capacity. Conditions in the Karnafuli river will need considerable improvement if the port is to expand and to offer adequate facilities for shipping. Until this is done, some of the East Pakistan traffic will still have to be routed through the port of Calcutta.

There are two main problems to be investigated. Firstly, where the Karnafuli River flows into the Bay of Bengal, the depth of water over the outer bar must be increased; and secondly, in the tidal reaches of the river at and immediately above Chittagong, the rapid fluctuation of the channel meanders must be stopped, and the channel position stabilized alongside the shipping jetties.

To study these problems, a large mobile-bed model of the Karnafuli River from the sea to its junction with the Halda River some 20 miles upstream will be constructed at the Wallingford station. Data regarding tides and coastal currents is at present being collected by the port authorities at Chittagong. The design of the model, and of the complex mechanism required to produce and synchronize the tides and coastal currents, is being worked out at the Wallingford Hydraulic Research Station.



Low-Grade Tobacco

NATURE has obviously been as kind to tobacco as it has been to many other crops, i.e., to the point of causing some embarrassment to growers and to others. The pressure of unsold stocks was felt very acutely last year because of the bumper crop of 1952/53 amounting to 240 million lbs after the modest crop of 206 million lbs in 1951/52. The special measures adopted to cope with the situation are believed to have helped to bring about steadier conditions in the tobacco market, so that further increase in the size of the crop in 1953/54 to 256 million lbs, despite a slight decline in the area under cultivation, does not really represent a problem of the magnitude which the latter figure might suggest. The measures adopted were reduction in excise and export duties, drawback on import duty on wrapping tobacco used in the manufacture of cigars for export, and issue of *ad hoc* import licences to those who could find a market for the carry over of the old crop. The last was subject to a number of conditions, one of them being that export of low grades of flue-cured tobacco pertaining to the pre-1954 harvest would have to be effected within a period of four months.

A delegation was also sent out to find a market for surplus stocks in the countries of South-East Asia and as a result of its efforts, an agreement was signed with China for the export of 4.7 million lbs of tobacco from the 1953 crop and 9 million lbs from the 1954 crop. As the export notification giving effect to this agreement was issued only late in October, it is not possible to judge the success of any of these measures from the latest *Accounts Relating to Foreign Trade*, which is for the month of October, though a general improvement in the exports may be noted, export of tobacco for the seven months ending October 1954 being around 55 million lbs compared to 49 million lbs in the same period in the previous year. As exports for the same period in 1952 were higher, being 56 million lbs and this, in a year when the crop was much smaller, the net improvement in the export situation is problematical.

When the crisis was debated last year, the consensus of opinion was that the quality of tobacco had to be improved and that the outlook for non-flue-cured tobacco, in any

case, would continue to remain bleak. The concessions of excise duty announced this week are intended to meet precisely the situation that was anticipated, viz, over production of non-flue-cured tobacco. The excise duty of 6 annas per lb normally leviable has been reduced to one anna per lb on non-flue-cured tobacco from the 1953/54 crop which might be lying with producers on the 5th of this month and which is purchased from them for warehousing or cleared on payment of duty on or after that date.

Monopoly Buying

THE hard core of the problem appears to be the disposal of inferior varieties classified as non-flue-cured tobacco. The importance and significance of this class of tobacco has only lately been appreciated. Even a separate classification for non-flue-cured tobacco in foreign trade statistics is as recent as April last from which month, for the first time, the exports of non-flue-cured tobacco is being specified separately in the monthly *Accounts Relating to the Foreign Trade of India*.

So it is not possible to say from figures of exports, the comparative performance of non-flue-cured as against flue-cured tobaccos. In this category however, production of *biri* tobacco, it is reported, has shown a welcome decline with consequent improvement in the price trend of this particular variety. But there has been no corresponding fall in the production of other varieties of non-flue-cured tobacco. Hence the necessity of relief given in the shape of reduction of excise duty. The press note announcing this reduction emphasises, however, that it is purely temporary and is liable to cancellation at any time when warranted by a change in the conditions. This is presumably to avoid creating an impression that the Government is committed in any way to maintaining the prices of this or any other agricultural produce. The selective assistance that is now being given, however, provides yet another example of price support at work, notwithstanding professions to the contrary, though the acceptance of the principle is only indirect and very general.

Apart from any special distress that might have been caused to any particular group of producers, the marketing of tobacco has some features which need immediate attention and remedial action, if the growers are to be assured a reason-

able price for their produce. The delegation which visited the countries of South East Asia to find a market for unsold stocks drew pointed attention to some of them. In their report, which was never published, they highlighted the serious difficulties encountered by producers and dealers in the marketing of tobacco arising from the practice, increasingly being followed by tobacco importing countries, of channelling their purchases through monopoly organisations.

The delegation had recommended to the Government that an official or non-official organisation should be set up in India, representing all interests, particularly the interests of growers, for negotiating with such monopolies effectively. Is the Ministry of Commerce and Industry reluctant to accept this recommendation and take action on it, lest it be accused of countenancing State trading?

The other suggestions made by this delegation were:

(1) Indian tobacco enjoys certain advantages in the markets of South-East Asia on account of its better quality and comparative cheapness. In order to face competition from USA and Rhodesia, it is necessary that there should be frequent contacts between our exporters and foreign buyers to keep these aspects before the importers.

(2) Arrangements for inspection to ensure that consignments come upto 'Agmark' standard should be tightened.

(3) The quality of Indian tobacco should be improved.

(4) Facility should be provided for issue of Quarantine Certificates to comply with Import Regulations in the country to which tobacco is exported to avoid fumigation at the other end.

It is high time that Government took the public into its confidence and told them what action it has already taken or proposes to take on these points.

World Rice Survey

AFTER being a nightmare for nearly a decade for the whole of monsoon Asia, the world rice situation took a definite turn for the better in 1952/53, better, that is, from the point of view of the consumers. Indeed, the sharp rise in global rice production which continued at an unslackened pace in 1953/54 would have created an even greater problem of disposal,

had not Japan experienced her worst rice harvest in 20 years and India not come to the aid of Burma. While the latest FAO Commodity Report on rice assures the consumers that at least for the next year or two, they need not harbour fears regarding the recurrence of a world wide scarcity, the expert opinion is that both exporting and importing countries should make it a regular practice to hold larger stocks, in order to smoothen out fluctuations, to which the rice crop is more susceptible than most others.

The complete crop estimates for 1954 are not yet available. Burma and Thailand, however, are not expected to have as good a crop as a year ago. Nevertheless, both the countries are likely to have a substantial carry-over, in view of reduced import programmes of the major importing countries. The amount available for export in 1955 is, therefore, expected to be as great as in 1954. Imports on the other hand may show a considerable fall among the countries which have been the major importers during the last few years, India and Indonesia are likely to drop out altogether, Japan has also decided to cut imports, and switch over to wheat and barley to a greater extent than before. The relative prices of rice and other cereals have now become the most important determinant for demand in the rice importing countries and the price ratio, until very recently, was in favour of other cereals. It is only during the last few months that the fall in prices of rice has been sharper than that of competitive cereals.

The easing of the supply situation has made some selective buying possible for the first time in many years. This was reflected in the increasing spread between the prices of higher and lower grades which has been a feature of world markets in 1954 and against this has to be viewed the new export policy of the Government of India. India is, however, following the lead given by Egypt and Pakistan and more of quality rice coming on world markets may halt this spread between higher and lower grades. The spread in India, itself, however will not be narrowed by the latest decision of reducing the export duty of 20 per cent *ad valorem* to a nominal specific duty of 2 as 3 pies per maund.

Pre-War Pattern?

DOES the emergence of India as an exporter of finer qua-

lity rice presage a return to the pre-war pattern when she used to import eight times as much rice as she used to export (annual average of exports for 1934-38 2,160,000 tons and of imports 277,000 tons)? The ceiling for export has been put at 200,000 tons of special high quality rice while 900,000 tons are being exported from Burma under the special agreement. The emergence of selective buying and such cross movements might suggest a return to pre-war pattern but it would be entirely misleading, considering that there is nothing like a world rice market today and none is likely to reappear in the near or foreseeable future. In the largest exporting countries as well as in the main importing ones, decisions regarding the price policy and trade are made by their respective Governments. Among the former, again, Burma has been more sensible and successfully concluded long-term contracts, eg with India, for disposal of stocks, while Thailand has been less successful in adjusting her exports to the changing market situation.

More significant perhaps than the selective buying of finer grades is the unexpected development of new markets for inferior grades. Japanese insistence on importing rice with a high percentage of broken rice, for example, has led to the development of an exclusive market in broken rice. Thailand, similarly, has successfully developed processing of lower grades rice into rice cakes which is finding a market as animal feed. Indeed, as the problem of selling grows, rice is again being used more and more as feeding stuffs for animals.

This may be regretted when population in the rice consuming countries is growing and nutrition standards leave so much to be desired. Some day, some when, rising standards of consumption may lead to a decline in the share of cereals in the diet. When this happens, the growing use of rice as animal feed could be welcome, but not today, when the poorer half of the world is still underfed. It is, therefore, not a little disturbing that so many of the rice consuming countries are being driven to try for self-sufficiency at high cost. Some programme for increasing production and better distribution of rice in monsoon Asia could well be the foremost plank in the councils of the nations of South-East Asia when they meet to discuss the question of closer economic integration between themselves.

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From the South

On the Eve of the Andhra Elections

HE would be a bold man who could predict confidently the outcome of the general elections in Andhra which, as these lines are being written, have got off to a start. The elections in this, the newest State in the Union, have a significance far beyond that of the government of a unit in a large federation. Andhra is a test case in a sense for the protagonists of linguistic States as well as for those who hope for or fear the advent of communism in India. The stability and success of the democratic method which that State is able to achieve is bound to influence the decision about further reorganisation of States on a linguistic basis. So far Andhra has, from this point of view, proved a disappointment. In the last 18 months there has been as sorry a spectacle as any, of political manoeuvrings and jockeying for power. It would be recalled that just on the eve of the formation of the State, Shri Prakasam left the Praja Socialist Party. The creation of the Praja wing of this party in this part of the country had been almost wholly his own. His leaving the PSP made the way clear for him to head the ministry in a coalition based largely on Congress support. With the defection of Shri Viswanathan from the PSP, that party was split beyond repair and the youthful P V G Raju (the Raja of Vizianagaram in racing and golf circles!) emerged as its spokesman. The fact of the largest zamindar in the State heading a Socialist Party and even courting arrest on the Inam tenants issue does not seem to have appeared incongruous to the PSP leadership, though the humour of it was not lost on the Andhra public and the propaganda value of it not missed by the Communists. The Krishak Lok Party (KLP), after a trial honeymoon with the coalition when Shri Latchanna was in the ministry, was also split with the defection of Shri Thimma Reddi to the Congress. The contagion of schisms spread even to the Communist Party and some of their able workers, including a few Assembly members, left the party to form a small group of their own; in their case at least it could be said the deserters were not rewarded with the crumbs of office. Thus with the Congress demoralised after the 1952 elections and the KLP and PSP in pieces as a result of defections, despite their good showing at the 1952 elections, the situation

was deteriorating rapidly enough to raise the gorge of the Andhra public—not exactly a patient people. A snap vote on Prohibition ended in defeat for the Government and when on the top of earlier defeats (on the University and High Court issues) the Government still clung to power, a no confidence motion tabled by Shri Latchanna (himself an ex-minister) was carried, supported; it may be added, by an office bearer of the Congress, Shri Sankara Reddi—a former Congress minister in Madras and a PSP nominee in the present election!

The period of Governor's rule has been uneventful—a wag even remarked that in Andhra that was an event—and preparations have gone on for the present elections where over 11 million voters will go to the polls to elect 193 members out of 573 candidates, 3 Congress nominees already having been returned.

The elections in Andhra are of interest for it will be a direct trial of strength between the United Congress Party comprising of the Congress, the KLP and Praja parties on the one side and the Communists on the other. The alliance of the former is basically electoral and it is odd to think that the Praja Party and KLP, both of which were splinter groups from the Congress, are now working with it. The alliance, however, is not without its stresses and strains. That is bound to be so when the original breaks were more on personal grounds rather than on principles. Even among the Congress members there are group, district and caste rivalries; there is also the difference of opinion between those members of the Congress who wanted to 'go it alone' and those who were prepared to go to any length to ensure Communist defeat. While the generous ascribed the motives of the former to a strict adherence to political scruples, the critical discerned an attempt to discredit the leaders of the party responsible for the alliance.

Behind this political jigsaw, there stands out one factor—the elections will probably be decided not so much by economic and political factors but by group loyalties and caste influences. While the United Congress Party (UCP) has been infected, with this view to a considerable extent, even the Communists are not

above it. The Kapus (Reddis) and the Kammars (who sometimes sport the name 'Choudhary') are the two main groups and the division of votes might be decided more on the caste pattern than by economic arguments or political principles. The UCP has generally been careful to select its candidates with this consideration in mind; the Communists, too, have adapted themselves to the social base—their way of saying that generally their candidate is from the major caste group. A notable exception to this is Shri Sundarayya (a Kapu) who is reported to be standing in a constituency which though normally Communist in leanings may not have a Kapu majority. In fact, it would not be wrong to say that this particular constituency would be a pointer to whether caste or other arguments will finally prevail.

This interest has been further heightened by the arrival in Andhra and the campaigning done by the

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all-India leaders of both the principal parties. Shri Nehru's popularity in Andhra is not a whit less than elsewhere and even the Communists who have generally been supporting the Nehru line in foreign policy had no answer to the Prime Minister's taunts at them on the one hand and his frequent defences and tribute to India's foreign policy on the other. The Communists have found it a little difficult to tell the Andhra peasant that a vote "for a builder of world peace" is also "a vote for tyranny". Thus the popularity of the Prime Minister and the organisational ability of Shri Patil have strengthened the Congress chances which Shri Dhebar, fresh from Avadi, has done not a little to further. There is, on the more local plane, the still immense popularity of Shri Prakasam and in some of the districts, of Shri Ranga.

The Communists too have brought their important leaders to the election front. Shri Gopalan, Shri Dange, Shri Hiren Mukerjee and Shri Ajay Ghosh have all visited Andhra and addressed innumerable meetings. The importance they attach to the elections is indicated by the fact that some of their top leaders are themselves contesting the elections—Shri Chandra Rajeswara Rao, a Politburo member, Shri Sundarayya, their leader in the Rajya Sabha and other MPs like Shri Vallabha Rao are all in the fray. The main plank of their programme has been radical land reform—5 acres of wet land for all cultivators and a ceiling of 20 acres. Against this, all that the UCP has to show is the Socialistic Pattern of Society—Avadi style, and the bogey of Communist penetration.

A remarkable feature of the Andhra elections is the absence of definite predictions by supporters of either party. True, some leaders, both Congress and Communist, have declared that their parties would win but much of this may be dismissed as part of the usual electioneering propaganda. The most optimistic estimates of both parties put their expectation at 140 seats. While the even balance of strength of both parties may suggest a more or less equal number of seats, one should not be surprised if either of the parties wins an absolute majority and a landslide occurs. The prestige of both the parties are at stake and both have gone all out to force an outright victory.

There is no doubt about it. The issues in Andhra are large—not for the State only, but for the country

as a whole. In the parched plains of Rayalaseema and the fertile deltas of Andhra's three rivers, the issue between Communists and the Congress ideology is being fought out in the polling booths and should the Communists win, it would perhaps be the very first time they do so

anywhere in the world through the medium of free elections conducted with all due regard to the democratic process. If they did, it would be history and the Red Star that would rise over Andhra would be watched—with interest by all and with anxiety by a great many.

NEW INDIA STORIES FROM LIFE

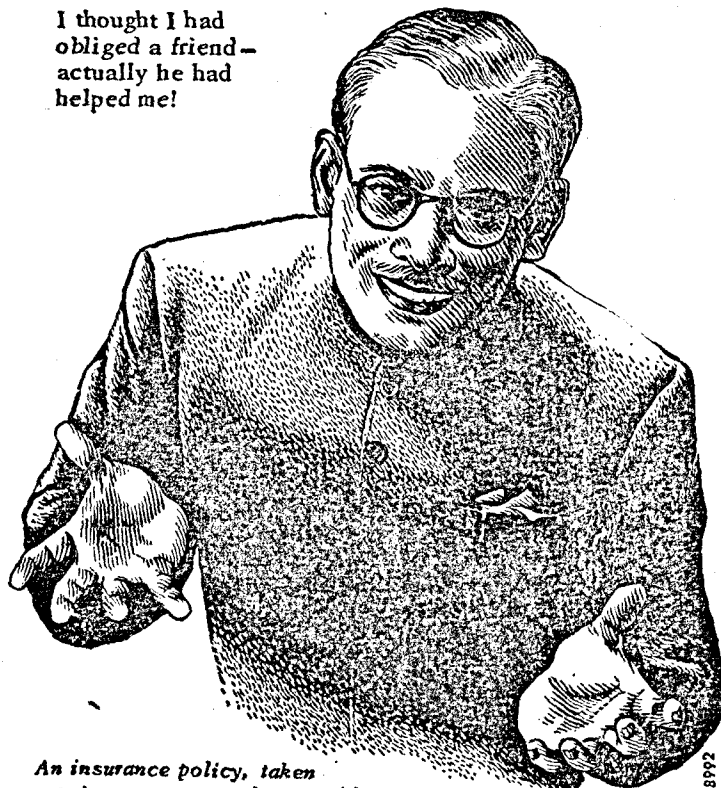
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Anatomy of Unemployment

BENGALIS are supposed to be idle. They are accused of being *adda*-addicts. It is grudgingly conceded that they are educated. But they have an over-fondness for a liberal, classical system of education. Many decades ago, they developed a preference for science. Even in arts, economics and mathematics are now a more common combination for graduates. Engineering colleges and institutions are now better patronised. Still, Bengalis are supposed to waste their time, energy and money to become lawyers, or doctors, or professors.

This educational make-up is supposed to have a social basis. Bengal is the home of permanent settlement. Every Bengali is supposed to be a zamindar, or a holder of one of the numerous intermediary rights to land. Bengal's life, society and civilization is supposed to be land-based. Bengal, it is concluded, has all the characteristics of an agricultural civilization. That is why Bengal has culture. But that is also why Bengal, it is presumed, reflects the economics of the leisure class.

HALF TRUTHS

Today, these assumptions and conclusions have become half-truths. Because the changed, and changing, socio-economic make-up is not widely realised, many who take upon themselves the task of interpreting Bengal jump to false conclusions. There are many angles from which one can look at the overall picture. An interesting sidelight is provided by the Report on the Survey of Unemployment in West Bengal, 1953, Volume II, Part I.

West Bengal is not a predominantly agricultural State. It is still the most industrialised State in India. It is, therefore, inevitable that a survey on the unemployment situation in West Bengal will disclose characteristics which have no relation to an agricultural economy. Some of the social and economic changes in West Bengal, as revealed in the unemployment survey, reflect the inevitable effects of partition. But the changes could not have occurred within a few years, or even a decade. Unbeknown to many, the former, undivided Bengal's socio-economy has been under-

going a process of change for many decades.

Adda is still a popular institution in Calcutta. In cafes, coffee houses, book clubs, book shops, hotels and homes, people group together to gossip about men and affairs. But the Bengali does not seem to be any longer idle. He likes to have and enjoy his leisure. Gossip on art, on life, on politics, on society, is still one of his major pastimes. But he works hard. There are obvious reasons why he has got to get a job, and keep it.

AN URBAN STATE

It is a mistaken impression that every Bengali has some land somewhere in a village, where he can take shelter after he has discovered that he cannot get a job so easily. This is what is supposed to make the Bengali shy of manual labour, even as this is the customary explanation in text-books of Indian Economics for labour absenteeism and irresponsibility. This is, as the unemployment survey discloses, an economic myth. Of all the families living in Calcutta, 95.1 per cent own no agricultural land in the State.

Undivided Bengal was not urban. West Bengal is predominantly so. It is, today, the most urbanised State in India. This is only to be expected, as it is also the most industrialised State. Partition has automatically transformed the economic make-up of West Bengal. It is known that one of the reasons why the displaced persons cannot be absorbed is paucity of land. The unemployment survey is a poignant reminder of the industrial make-up of West Bengal, and of the dismal effects of this make-up.

A MIDDLE-CLASS RACE

Even in former, undivided Bengal, the middle-class predominated. The Bengali was, and is, educated. He had, and has, no land. He never was a farm labourer. He did not, and does not, own industry. So, the educated Bengali had to become a lawyer, a doctor, an engineer, or a clerk. The Bengalis became, and are, a race of the middle-class. Fifty-five per cent of Calcutta's inhabitants belong to the middle-class. This is not surprising.

But the other facts disclosed in the unemployment survey should lead to a re-assessment of Bengal and the Bengali.

Certain data, included in the survey, are revealing. Forty-five per cent of Calcutta's inhabitants belong to the working class. There is a large proportion of the non-Bengali element in Calcutta's industrial labour force. Even so, there are growing indications that the Bengali is increasingly becoming a manual or a skilled labourer. There are 378,400 persons seeking jobs. Of this number, 215,200 have no jobs. Others are either fully employed or partly employed.

GROWING PROLETARIAT

It is customary to argue that there is unemployment among Bengalis because they dislike manual labour, or do not have technical education to become skilled workers. Figures belie these impressions. Some 227,000 full-time employment seekers are willing to do manual work. 130,000 want skilled manual work. 71,400 possess some technical qualification, although the majority have no degree or diploma. Of the 130,000 who want skilled manual work, the preponderating majority are Bengalis. Almost all of the 71,400 persons who have some technical qualification are Bengalis.

Two facts emerge out of these figures. The Bengali has become polytechnic-conscious. But, as it happens in many spheres in Bengal, even skilled or semi-skilled labour is an over-crowded profession. Evidently, therefore, the remedy is not to have more secondary technical schools. It would be better to have fewer, but more organised polytechnics. It would be better still to have an organisation to supervise employment of the students coming out of the polytechnics in small, medium and large-scale industries.

This and the problem of "refugees" should be considered together. 20.6 per cent of Calcutta's population are displaced persons. They constitute 29 per cent of the people of West Bengal domicile who have no full-time employment, and who seek such employment. 71.5 per cent of them belong to the middle class, 28.5 per cent to the working class. It should be the

responsibility of the State to absorb the working-class population of "refugees" as manual workers, and to induce a large percentage of the middle-class population of "refugees" to become semi-skilled or skilled workers.

And, the overall problem of providing employment to those who seek manual or skilled work should be to so arrange future development of small and medium-sized industries as to facilitate such absorption. Although the rehabilitation programme involves such a plan, the West Bengal Government's scheme to provide proper secondary vocational education has yet to be finalised.

COSTLY EDUCATION

Some of the facts which unemployment figures disclose will be discussed on later occasions. Here, it is interesting to analyse the educational qualification of those who seek jobs. One-seventh of those who want jobs are illiterate; 227,000

are under-matriculantes; 17,000 are above matriculation standard, but not graduates; 15,400 are graduates. This raises the problem of the system of education. It may be faulty. But the technical or semi-technical qualification of those who seek jobs, as disclosed in the survey, indicates that the remedy does not necessarily lie in introducing a vocational bias to education.

The Bengali is over-educated. It is inevitable that unemployment will be most acute in the graduate or the post-graduate group. Nobody has yet discussed a solution to the problems of this group. Yet, it is this group which reflects a dismal aspect of Bengali society. Parents starve or stint themselves to educate their sons and daughters, only to find that the sons cannot secure jobs. This is impoverishing Bengali society. The joint Hindu family system may have delayed a social or a political revolution. But it is being postponed at the cost of pauperising Bengal and the Bengali. Nature is having her revenge.

From the London End

Formosa: The Legal Twist

THE American "two-China" solution to the Far Eastern crisis has become the subject of not inconsiderable debate in Britain—and this is not unexpected. The gravity of the problem and the threat it holds to peace is widely recognised. The trans-Atlantic pressure on British policy on this question, however, has led the Government and its apologists to take a stand that smacks of such unwholesome legalism as to suggest a virtual abandonment of all political morality. And it is political morality that is necessary above all for the real solution of the dispute.

The "cease-fire" resolution which the Chinese have been asked to accept conjures up the consequences of all those other cease fires which have been effected in the post-war years to solve international disputes. The Korean and the Indo-Chinese cease-fires have resulted in the *de facto* division of each of these countries: a North and South Korea, and a North and South Vietnam. Cease-fires have therefore come to be associated with territorial divisions—a solution which is the effect of war. The link between the New Zealand "cease-fire" proposal in the Formosa dispute and the United States

"two-China" solution is therefore clear.

The legal status of Formosa has consequently become very important. It is therefore worth examining the legal arguments so far advanced.

Formosa, it is stated, was ceded to Japan by the Peace Treaty of Shimonoseki of April 1895. The validity of this cession cannot be disputed in law. It is then stated that the Cairo Declaration of 1943 referred to Formosa as "stolen from the Chinese". This is interpreted as a mere moral condemnation of the 1895 Treaty, but that hardly affected the contractual content of the Treaty.

With regard to that part of the Cairo Declaration which provided that Formosa was to be restored to China, it is pointed out that this was, as Sir Winston Churchill put it recently, "a mere expression of common purpose" and not a binding legal commitment. This "common purpose" as an intention was reaffirmed in the Potsdam Declaration of August 1945.

The acceptance by Japan of the Potsdam Declaration and of unconditional surrender left the legal status of Formosa to be defined by the Allied Powers. The argument then

goes on that, by virtue of Article 2 of the Treaty of Peace (of San Francisco) signed in 1951, Japan renounced "all right, title and claim to Formosa". This meant that, in relation to Japan, Formosa ceased to be Japanese territory, and the other parties to the peace treaty had become the co-sovereigns of Formosa.

From this position, it is argued, General Chiang Kai-shek exercises only a delegated authority in Formosa, on behalf of those parties to the peace treaty of San Francisco who recognise his government either as that of China or at least in relation to Formosa. These states are, therefore, free agents to decide collectively the future of this territory.

These arguments have, of course, an air of legality: they all stem from the thesis that the only binding contract in international law is that which is arrived at by treaty. The conclusions of these arguments, however, bear all the signs of fantasy. It is almost impossible to understand how Chiang Kai-shek possesses a 'delegated authority' over Formosa, especially after he was driven off the mainland and the way he has been protected since then by the US Seventh Fleet. There is no clause in the San Francisco Peace Treaty which supports the Chiang Kai-shek occupation. Furthermore, the Soviet Union and China are not parties to the San Francisco Treaty; these two were parties to the Potsdam Declaration.

More important than all this is the way in which the Cairo Declaration is thrown overboard. The Declaration was that "all the territories Japan has stolen from the Chinese such as Manchuria, Formosa and the Pescadores shall be returned to the Republic of China". This is surely a little more imperative and unqualified than a mere declaration of purpose. If, however, it was merely "an expression of common purpose", then what of Manchuria, which significantly stands in juxtaposition to Formosa in the Declaration? Today there is no ambiguity about the status of Manchuria, and the parties to the San Francisco Treaty of Peace do not claim to be free agents to decide collectively on the future of Manchuria as they claim to be on the future of Formosa.

The fact of the matter is that there would have been no dispute about the status of Formosa had Chiang Kai-shek not been thrown out of the Chinese mainland, and had the Americans not decided to give him sanctuary on that island.

New Horizons

Report on the Atom by Gordon Dean, formerly Chairman, US Atomic Energy Commission. Alfred A Knopf, New York. Pp 321. Price \$ 5.

Reviewed by Reba Chaudhury

IN the words of the author, his is "an attempt to describe in straightforward and simple terms the major segments of the atomic energy programme of the United States." Having been Chairman of the US Atomic Energy Commission, the author is in a peculiarly advantageous position to describe the atomic energy programme of the USA. The book is meant for the common man, and on going through it, we feel that the labour of the author is justified. In plain and simple words, he has succeeded in describing, without divulging top secrets, the entire atomic energy programme of the USA.

Most people learnt of the American atomic energy programme on August 6, 1945, when President Truman announced to the people of USA and the world, "sixteen hours ago an American air-plane dropped one bomb on Hiroshima, an important Japanese army base. That bomb had more power than 20,000 tons of TNT. . . . It is an atomic bomb. . . . The force from which the sun draws its power has been loosed against those who brought war to the Far East." Its fierce flash illumined in stark outline the hopes and fears of mankind for the future; and its towering radio-active cloud is still hanging like a huge question-mark over the efforts of those who are striving to establish a permanent code of international morality. During the period immediately following Hiroshima and Nagasaki, there appeared in the press of the world many moving expressions of fact and fallacy about atomic energy which persist even to this day. The author says that Man crossed at that moment the threshold into the atomic age: proudly, yet humbly; hopefully, yet fearfully; confidently, yet questioningly. The *London Observer* posed the question, "Where, indeed, do we go from here?" Everybody wanted to know "What does the USA plan to do with the bomb?"

FIRST STEPS

In August 1939, a group of Euro-

pean refugee scientists living in the USA recognised the military possibilities of atomic energy and tried to interest the American Government in atomic energy programme. In June 1940, the USA initiated a small integrated atomic research programme. From this point up to Pearl Harbour the USA spent \$300,000 on atomic energy.

To determine the USA's domestic policy for the control, use and development of atomic energy, a five-man Atomic Energy Commission was appointed by the President under the Atomic Energy Act of 1946. To encourage and assist the Commission, to see that it exercised its great power prudently and wisely, a joint Congressional Committee on atomic energy was established. America's approach to post-war atom problems was defined on the home front. Meanwhile, the American position on the international front too had been set; and by the middle of 1946, an Atomic Energy Commission has been established in the United Nations and an American plan for international control developed and proposed to this Commission. This plan, like the domestic plan, relied on direct management as the only really effective means of control. The Russians considered such a plan to be an unwarranted encroachment on their national sovereignty.

Man's quest for uranium had already started. "Uranium is where you find it." The atomic energy production line embraces myriad industrial processes, ranging from simple and straightforward operations such as the grinding and crushing of ore to the transmutation of elements. What is wanted for a bomb is fissionable material which uranium can be made to produce. Uranium is available in two forms, namely, Uranium-235 and Uranium-238. The problem is to get uranium-235 which occurs in nature very sparingly.

NUCLEAR PROCESS

The process by which the transmutation of uranium is accomplished is unique in industry. It is not

a chemical process like the burning of coal or manufacture of synthetic rubber. "It is a nuclear process and takes place in a huge box-shaped pile of graphite and uranium which is several stories high and is known as a nuclear reactor."

The reaction which occurs in a nuclear reactor differs from a chemical reaction in that it involves not large particles of matter like molecules and the outer shells of atoms, but rather the hard, unimaginably minute inner core of an atom known as the nucleus, around which the outer particles revolve as planets round the sun.

Most people have no conception of how much the USA Atomic Energy Programme has grown in the last 6 years. Some idea can be had by comparing today's \$5,000,000,000 capital investment in atomic energy with \$1,400,000,000 of 1947.

There has probably been more talk about atomic weapons than about other aspects of the subject, and yet, there is probably less real understanding of what atomic weapons are, what they can do and how they affect us than there is about any other matter relating to the atomic energy programme.

In his final State of the Union message on January 7, 1953, President Truman said, "And recently in the thermo-nuclear tests at Eniwetok, we have entered another stage in the world-shaking development of atomic energy. From now on man moves into a new era of destructive power, capable of creating explosions of a new order of magnitude, dwarfing the mushroom clouds of Hiroshima and Nagasaki." The hydrogen bomb is a new factor in our atomic military equation.

There is one practical limitation on the destructive effects that can be attained on earth by explosions. This is due to the fact that the main force of any explosion travels in the line of least resistance. For a bomb explosion, this line is upward into the atmosphere. Another small ray of hope stems from the fact that the radius of the blast

damage for any kind of explosion increases at a much smaller rate than the one at which the power of explosion is raised.

GLOOMY SIDE

On the gloomy side is the fact that the hydrogen bomb can be deliberately filled with certain materials capable of being made highly radio-active by the explosion, and disseminated by it into the atmosphere and over the surface of the earth for thousands of miles in the direction of the wind.

It has been learnt from post-war tests and calculations that the area of damage resulting from an A-bomb explosion is substantially reduced in the case of underground or under-water detonations and that the lethal effect or residual radio-activity is substantially increased.

One of the basic principles of America's Atomic Energy Act of 1946 is that atomic energy should be under civilian control, and that there should be adequate opportunity for the military to follow closely, and participate in, those phases of atomic energy development which relate to military applications.

Besides being descriptive, the book also discusses many human and social problems connected with the development of atomic fission. After giving readers an insight into the military aspects of the atom, the author illustrates some possible peaceful uses to which nuclear energy can be harnessed. Probably, the most widely-discussed subject in atomic energy after "The Bomb" is "atomic power". The expression "atomic power", when used in connection with the peaceful utilisation of the atom, usually means 'heat'. Most of the energy released in a controlled nuclear chain reaction appears in the form of heat like the energy in, say, a coal fire which is a chemical chain reaction. In other words, the phrase "atomic power" is used in much the same way as "coal power" or "oil power", that is, the atom is the fuel and not something that is sent over a transmission line like electricity.

However, there are a number of striking differences:

(1) The quantity of heat produced per unit weight of fuel is vastly greater in a nuclear fire than in a chemical one. For example, 1 lb

of U-235, if burnt in a nuclear way, will release 2,600,000 times the amount of heat produced in burning 1 lb of coal.

(2) A chemical fire can exist only in an atmosphere in which oxygen is present, while a nuclear fire exists only in an atmosphere made up of incredibly small invisible atomic fragments called neutrons. A nuclear fire feeds on neutrons. But neutrons not only induce fission; they are themselves produced by the fission process. Thus a nuclear fire creates in itself the means of its continuance.

(3) A nuclear fire, unlike a chemical fire, is invisible.

(4) Unlike a chemical fire, a nuclear fire cannot be ignited until a certain minimum amount of fuel called a "critical mass" has been assembled.

In the USA, attempts are being made to produce nuclear reactors to propel submarine aircraft and large ships.

ATTAINMENT OF NUCLEAR POWER

The attainment of economically competitive nuclear power is a goal of national importance. Reactor technology has progressed to the point where realisation of the goal seems achievable in the foreseeable future.

There are certain valuable by-products of the atomic energy programme called "Radio isotopes". "Radio isotopes" have found varied uses in the diagnosis and treatment of cancer as well as of other diseases and in dealing with hyper-thyroidism and brain tumours. One of the most valuable uses of "Radio isotopes" is in gaining an understanding of the life processes of plants, animals and human beings. A very important characteristic of nuclear radiation is that it can cause sterility in animals and plants, and this fact is behind the novel use of "Radio isotopes" to control insect pests. Radio isotopes can also be used in: (1) Thickness Gauges; (2) radiography; (3) leak location; (4) tracing the flow of liquids through pipelines; and (5) safety devices.

The simplest atom in existence is that of hydrogen, which consists of but one proton as nucleus and one electron planet. The biggest and most complicated atom in nature is that of the ordinary uranium metal, which contains 92 protons and 146 neutrons bound tightly together in

the nucleus.

Most of the research into the nature of atomic nuclei is done with cosmic rays or with giant atom-smashing machines like Van de Graff generators, linear accelerators, cyclotrons, synchrotrons, betatons, cosmotrons and bevatrons. However, there is much more to the endeavour to learn about fission and to put it to work than the development of weapons and power reactors. Behind these programmes, and in support of them, literally thousands of research projects in physics, chemistry, metallurgy, biology and medicine are under way in Government laboratories, universities, and private research institutions in all parts of the country. Of all the aspects of atomic energy research, the one with perhaps the most direct effect on mankind is that of biology and medicine.

Scientists have identified the electron, the proton, the neutron and more recently, the meson. But they are still groping on the fringe of nuclear physics and its related sciences. "In the field of nuclear physics and its related sciences, we are in an area which is largely unknown, unexplored and amazingly devoid of basic information. It is incredible, but true, that much of the atomic energy programme is devoted to splitting atoms and reaping the products thereof for bombs. Yet we know very little of the nucleus of the atom we split. With all our atom-smashing paraphernalia, we have never really smashed the atom!"

BOGEY OF SECRECY

The author has also pointed out that much hush-hush about the subject is not of much practical value. As a matter of fact, we have learnt very little of the secrets of the atom and there is much which others could learn with a little bit of intelligence, perseverance and resource. Finally, the author poses the question as to whether we are doing more harm to the development of atomic science by our hush-hush attitude than we are doing good to the world by keeping our knowledge of the nucleus of the atom to ourselves only. It is admitted by everybody that all the major nations of the world have already gained access to atomic knowledge, independently of others, and as such, one has still to be convinced of the need for a bogey of secrecy in this field.

Private Agencies and Agricultural Credit

Mahesh Chand

WHAT would happen to the future of group activities if we cannot have trust and faith in individual character and initiative? In the ultimate analysis, group activities are also managed by individuals and what would happen to financing of agriculture, if no role can be left for private agencies in agricultural credit? It is easy to argue that you are likely to be less usurious if you sit together, with others over the management of what does not in the main belong to you; in other words that you are capable of managing other people's money with greater efficiency and sincerity and that when it is your own money, you are apt to be rapacious and dishonest. And this in the face of overdues in co-operatives, less patronage of the co-operatives by the borrowers as a class, red tape and inadequacy of loans sanctioned as Tacavvi!

During the discussions held on the role of private agencies in agricultural credit at the last Conference of the Indian Society of Agricultural Economics held in Allahabad, a speaker distinguished between the creditworthy and the non-creditworthy and maintained that so far as the non-creditworthy are concerned, the financing agency has either to be rapacious or bear the losses. It was suggested that private agencies should be diverted to finance the creditworthy and that institutional credit should be provided for the non-creditworthy. This implies that low rates of interest, uncertain period of repayment and bad debts are features most suited to institutional credit. But what shall be the source of funds of institutional credit? Surely, individuals will not risk their savings for such an enterprise.

STATE FUNDS

The funds, therefore, will have to come from the Government. Logic leads one to conclude that if the funds belong to the State, the risks and the losses will have to be borne by the taxpayers in particular and the community in general. So the State will have to provide the funds which will be distributed through institutions managed by individuals. This can mean either of two things. Either State funds are to be made available to the existing institutions such as co-operative societies, or new institutions—State

Corporations—should be established for the purpose.

At this stage the expression 'private agency' is interpreted to mean individual moneylenders (and bankers). The individual moneylenders may be regular moneylenders or casual moneylenders. Among regular moneylenders, some may be undertaking the function as their main occupation or as subsidiary occupation. They may belong to different economic status. A distinction of importance is that some of them are sincere and honest, who would be satisfied by an assured repayment of principal and a reasonable rate of interest; others are inclined to use unfair means to increase the rate of return on money lent out.

FOR THE CREDITWORTHY

Even if the private agency were diverted to finance the creditworthy borrowers, it would not stop the use of unfair means by the unscrupulous. What is therefore of greater significance is a suggestion that the private agency may be diverted to finance the educated borrowers. Education is the answer to the unfair means adopted by the private agencies. An educated man is bound to keep an account of his borrowings and repayments as also argue with the moneylender. Surveys should be made about borrowings made by the educated from private agencies. Moneylenders who are bent on extorting an unduly high rate of interest either refuse to lend to the educated or ask for a higher return openly. If all become educated, moneylenders will be compelled by circumstances to maintain proper accounts and issue receipts. They would find it difficult to adopt unfair means.

Borrowers, according to us, should be divided into four categories:

1. Educated and creditworthy.
2. Educated but not-creditworthy.
3. Not educated but creditworthy, and
4. Not educated and not creditworthy.

One would like to gather facts about how those who borrow from moneylenders are distributed in the four categories and what proportion of the borrowers in each category borrow from moneylenders. However, the educated and creditworthy may be organised into co-operative societies. If in any area the educated and the creditworthy do not want to

join an existing co-operative society, one important reason may be the undesirable features of the society and these should be removed. The not-educated but creditworthy may either be diverted to a good co-operative society or to honest private moneylenders. The non-creditworthy who are educated may be served at a higher rate of interest by the private agencies or the co-operatives. The last category should be given subsidies and rehabilitated at State cost. The educated belonging to this category should be diverted to some other occupation or provided with subsidiary occupation.

THE CRITERIA

In the above analysis an attempt has been made to distinguish the borrowers into four classes. The criteria of creditworthiness is not merely that one has land or property but also that one is honest and well-meaning. Even these people may be dubbed not-creditworthy by some, on the ground that the use of funds by them does not prove productive because the use they make of funds coming to their hands is based on miscalculations arising out of inexperience. If so, they need proper technical and market guidance. In fact, it is implied that all borrowers are honest and well-meaning, no matter to which of the four categories they belong.

But there may be borrowers who are creditworthy yet dishonest or unscrupulous. It is at times difficult to judge this beforehand and it is possible that expectations of honesty may be belied. There must therefore be a summary and less costly method of giving relief to honest moneylenders, so that they may realise their loans quickly from unscrupulous borrowers. The present system of justice does not ensure this as the proceedings are protracted and cumbrous.

DIVERSION AWAY FROM AGRICULTURE

It is likely, as some of the speakers at the Conference maintained, that with the large developmental and irrigational activities being undertaken in the country, the productivity of land and hence, of each earner, may so increase that both the moneylenders and co-operatives would be willing to serve those who require finance. Even so, it is not unlikely that in the face of multifarious legislation in force restricting

their activities, the private agencies may shift themselves to the financing of other economic activities or to other occupations. There are some indications of this already happening to the extent that there is no scope for secret dealings. This tendency would intensify as education spreads, if the majority of moneylenders are unscrupulous. In the circumstance, if we want adequate financing arrangements for agriculture, an alternative agency must be speedily built up. Also, since these other lines are likely to be in urban areas, there will be need for diverting urban funds to rural areas.

It is desirable that the predominant agency of agricultural credit now existing should continue to perform that function. For it has behind it experience of the 'trade'. Hence, in order to give them facilities of funds, can the moneylenders be institutionalised? The Reserve Bank may announce the facilities that it would give to certain type of institutions of moneylenders and see whether such institutions come up or not. In view of the sparse distribution of the moneylenders and the secrecy which they want to maintain with regard to their financial position, institutions of moneylenders are less likely to develop.

The points that emerge from this note may be summarised as follows: (1) people should be educated, (2) the institution of private agency must not be allowed to die out, and (3) credit-facilities should be announced for specific types of institutions of private agencies.

II

At this stage it is interesting to examine what the Rural Credit Survey Report says. In its eyes, private credit is not generally unsatisfactory but wholly unsuitable in the context of planning for larger production. Also, institutional credit other than co-operative tends to confine itself to bigger cultivators. Hence "the foremost objective of policy becomes the positive and deliberate operation of conditions in which co-operative credit will have a reasonable chance of success."

In the scheme proposed in the Report, no place is assigned to private credit though the hope is expressed that it will supplement the scheme and that in this it will be assisted by the proposed network of godowns and warehouses.

In order to appreciate—rather, judge coolly—the treatment recommended for private credit, it is necessary to mention some details of the

scheme proposed in the Report.

The first objective of the policy envisaged in the Report is to remedy the internal weakness and rectify the external maladjustments of the rural structure. Credit must be conjuncted with marketing, processing and allied economic activities in the co-operative societies. Bigger units and optimum conditions are necessary, and in addition, in any case, strength enough to withstand the competition from private sector including private trade.

The Reserve Bank is to create a National Agricultural Credit (long-term operations) Fund and a National Agricultural Credit (stabilisation) Fund. Money is to be lent out of these funds, as also otherwise, in the shape of purchase-price for mortgage debentures and short-term accommodation. The Ministry of Agriculture is to create a National Agricultural Credit (Relief and Guarantee) Fund, which may otherwise be termed a bad-debt fund. The State Governments are also to provide funds directly to the provincial co-operatives and indirectly down to the primary co-operatives, either out of borrowings from the Reserve Bank or otherwise. The Government of India and the Reserve Bank are also to provide funds for an Integration and Development Fund to be created within the proposed State Bank of India, which *inter alia* shall open branches, even at a loss, provide better remittance facilities to the co-operatives and, perhaps, hold the cash of the co-operative societies.

DIVERSION OF SAVINGS TO RURAL AREAS

Rural savings must be left in rural areas, and urban savings must be diverted to the rural areas. What has been said in the preceding paragraph also amounts to, and implies that urban purchasing power should be diverted to rural areas through monetary and fiscal measures.

Thus funds would flow in plenty, and for the asking, to the co-operatives, and co-operators are expected to dispense them freely to the right people—the medium and small cultivators, particularly—in right form and quantity, and at the right time. Loans shall be preferably in kind, related to (hence in practice sufficient to meet) the subsistence needs and estimated outlay on production and against anticipated crops—not against existing titles. There is a contradiction in loans being related to 'needs' and to anticipated crops.

There shall be State audit, supervision by apex and central banks,

and provision of trained personnel for the key posts in the co-operatives, either from cadres instituted by State co-operative banks or the State itself. The Central Committee for Co-operative Training is to organize regional centres and courses for senior and subordinate personnel, particularly bearing in mind the need to train a new type of official who will be responsive to rural needs.

TO WHOM THE ALLEGIANCE?

Here looms up the real bottleneck. To whom shall these personnel owe their allegiance? Since they shall be fixed-salary staff, shall they have incentive enough to work in the interest of the society and not in their own interest? Will it be easy to trace hands who will be responsive to rural needs? Whose voice shall prevail—the voice of the technical personnel, of the State or of the members of the managing committee? With funds flowing in freely—funds not belonging to themselves—and with arrangements for bad debts in the form of Agricultural Credit (Relief and Guarantee) Funds, what is the certainty that our villagers shall not share the funds without the keenness to repay the loans quickly and punctually?

None is against the development of the co-operative spirit, but it would be too much to vote for it by decrying private action and private credit. Incidentally, although the Report has apparently left little place for private credit, one should like to read this passage twice—"to the extent they exist, rural savings are most likely to be made available where they are most useful for rural needs" and ask oneself, "Will these rural savings be made available through the co-operatives or through private lending?"

Let us hope that in its haste for co-operatives and cottage industries, the Government will not forget to promote and protect honest private credit. Let us not forget that under planning for a mixed economy—even if we call it to be of a socialistic pattern—private credit does not play an unimportant role and cannot be ignored. It would be wrong to assert that private credit has not played a rôle in the industrial sector. In the agricultural sector, it is too much to terrorise and scare away private credit by negative legislation and then expect it to play a scheduled rôle. In view of our doubt regarding an appropriate rapid expansion of co-operatives and their efficiency, private credit must be treated in a more realistic manner and given a more positive rôle.

New Villages in Malaya

(From Our Malaya Correspondent)

IN a recent court case reported in the Penang newspapers, a junior Malay policeman was charged with receiving a bribe from a Chinese in a new village. The Chinese came back after the gates were closed and the Malay guard, it was alleged, told him that if he gave this policeman \$10, he would let him through the gates even though it was after hours. The Chinese subsequently complained to the senior police official but the Malay guard was acquitted on the ground that there was no NCO in charge of the police post and the evidence was insufficient. Whether this charge is true or not, it serves to illustrate the sort of difficulties which those in new villages have to face. In a new village, the villagers always feel that at any moment their intimate private concerns may be thrown open to public gaze by some form of investigation in which they are not directly implicated. It is certainly true that in the early days of the resettlement of Chinese into villages surrounded by barbed wires and bright lights, the purpose was that of defence against the Communist terrorists. Feelings such as this were not to stand in the way of adequate defence measures. But that this aim in itself was not sufficient was early realised by the Government although the first comprehensive directive laying down Government policy was not issued until May 18, 1953 by which time the settlement policy in the Federation had crystallised and thoughts were being given to the next step.

GOVERNMENT DIRECTIVE

The directive was that a new village can be considered as properly settled when the situation is as follows:

1. The provision of at least a modicum of agricultural land preferably just outside the wire, though in any case close at hand, for the agricultural population of the village.
2. A reasonably adequate water supply.
3. A Village Committee, or preferably a Village Council, which functions reasonably well.
4. A reasonably friendly and co-operative feeling in the village towards the Government.
5. A school to accommodate at least the vast majority of the children and adequate teachers'

quarters.

6. A village community centre.
7. A reasonably flourishing Home Guard, ie, one that has at least reached stage 3 as defined in Director of Operations' Instructions No 9 dated August 14, 1952 with an adequate village defence scheme and proper arrangements for the security of arms and ammunition.
8. Long-term land titles covering house plots and agricultural holdings.
9. Efficient perimeter wire illuminated at night in the case of Priority A villages. In these latter cases, the inhabitants should be given a chance of having their own electric light in their houses at a fixed charge.
10. Beginnings of certain activities such as Scouts, Guides, Cubs, Red Cross, etc.
11. A reasonably friendly relationship between the police and the inhabitants.
12. A place or places of worship.
13. Trees along the main streets and round the padang and school.
14. Roads of passable standard with side drains.
15. Reasonable conditions of sanitation and public health.

From this directive it can be seen that the Government was not ambitious but that its aims were fairly reasonable and possible of attainment. After all there are many villages in India which have not yet come up to this standard. But when one actually looks at the new villages themselves, one can see that, because the Government did not put these aims in the forefront at the beginning but allowed other factors to intervene, many of the new villages are bound to disappear as soon as Government pressure is relaxed.

Before going into some of these factors, it is necessary to remember that the territory of Malaya is so varied that what may apply in one district may not apply to the adjoining district. Malayan villages fall under four broad types.

SUBURBAN TYPE

Those villages which are close to large towns and where the inhabitants travel to work in the town every

day. This is especially true of many of the new villages about Kuala Lumpur. In these villages there are a large number of professional people who were only too glad to move out of the overcrowded towns and take advantage of the loans on easy terms for building houses and of the community services. These new villages are already suburbs, there is no dearth of leadership and in most of them there are already no guards nor even home guards and they are becoming what in reality they are, city suburbs.

HOMOGENEOUS TYPE

Settlers who were united in occupation, religion and language before the emergency but who were made to live together for purposes of defence. One such village is in the Dindings, consisting of people all of whom came from the same part of Fukien late in the last century. This particular village has been burnt to the ground twice by the Communist terrorists but it still retains its unity and traditions. I do not pretend that all such villages will co-operate with the Government as this village has done, but the point is that whatever the village does, it will do it together and retain its identity. I should estimate that about 10 per cent of the rural new villages are of this type. Some of the tobacco villages of the Grik Valley are of this type also.

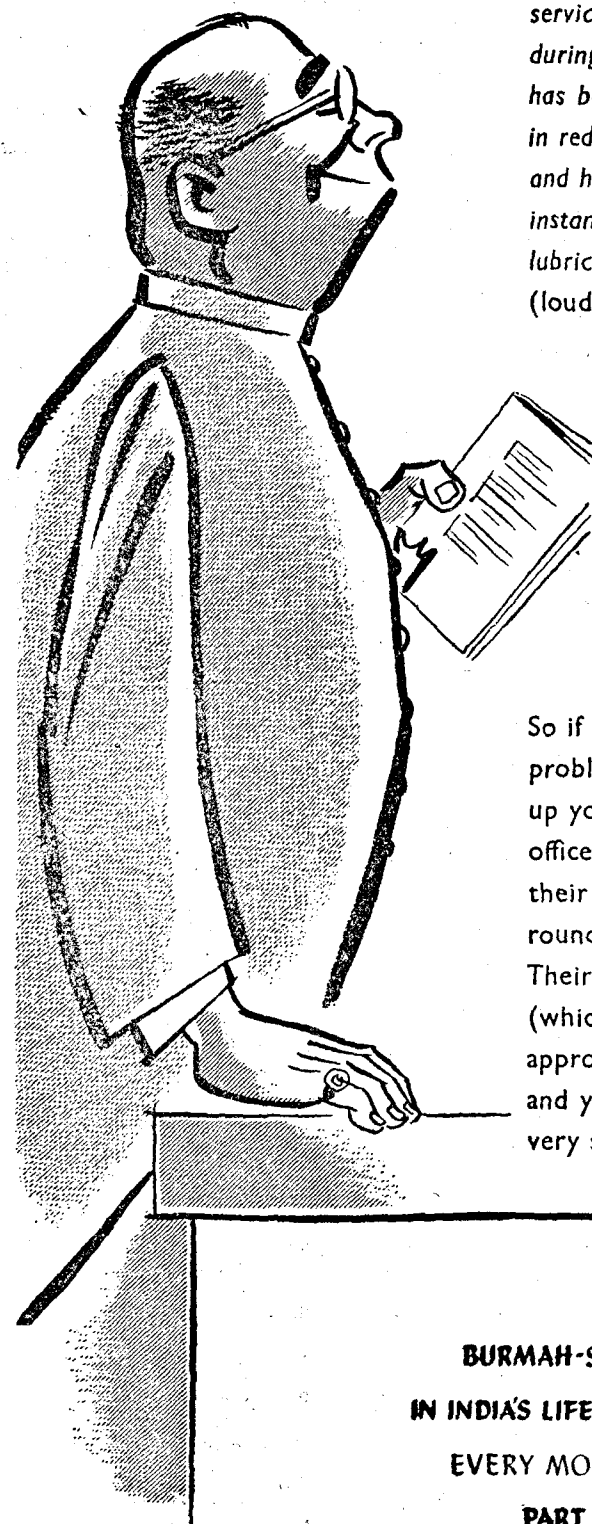
MIXED TYPE

Villages in which all the inhabitants undertake the same occupation but are otherwise divided among themselves, as they come from different districts and do not often speak the same language. In a small number of these new villages there are Indians and Malays who have been put behind the wire with the Chinese. The majority of the villages in the area south of Ipoh in the Kinta tin mining district are of this mixed type. Although most of the tin miners are Hakkas, this is not always the case and, of the villages I visited, there were few in which I could speak to all the inhabitants.

HOW NOT TO DO IT

These areas provide a good example of the Government's failure to put first things first. The rules about settling Chinese in this area were that no villages could be built near the forests where the Communists could get at the villagers, no

"Gentlemen! we are all agreed..."



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villages were to be built on any land which at that time or in the future were likely to be used for tin mining (which is of the surface variety requiring dredges) and no villages were to be built on land already used for agriculture or rubber if it could possibly be avoided. The result of this is that most of the villages are built on tin tailings which are almost uncultivable. Even the Chinese who work the tin mines, were also farmers. One goes to village after village in which the land surrounding the village allegedly for agricultural purposes is bare and untended. Tin mines now employ fewer people than when the price of tin was high and as the tin mines are continually shifting, many of the inhabitants are out of work or turn up late on account of the long distance they have to cycle to work after the gates are opened at 6-30. All these combined with the lack of community feeling make these villages depressing places to visit. I visited three of these villages at random and found in each case that the majority of members of the village committee were shopkeepers, the one group which has voluntarily moved into new villages for purposes of trade. From their point of view, of course, the coming together of the Chinese in these villages has been a godsend.

Other villages of this type are those which make a living from small holdings in rubber or pineapple cultivation. In the case of the rubber plantations, the price of rubber has, until recently, been too low for smallholders and owing to the fact that they all live together, it is difficult to supplement their income from pigs and vegetables. The Government has put restrictions on keeping pigs inside the village and in the case of vegetables, these are likely to be stolen with no one on the property to guard it.

TYPE. 4—FORCED CONCENTRATION

New villages also came up to which all the Chinese within a certain area were just told to pack up their belongings and move. No consideration was paid to their language or to their places of origin in China. A certain amount of money was paid by the Government towards their expenses in moving house. As one might have expected, even without any knowledge of sociology at all, since there was no common feature among the people so selected other than forcible common residence and common opposition to being shifted, dissatisfaction is rife. Since most of these new villages were under very severe

pressure from their relatives and friends in the jungle on the one hand, and very severe pressure from the Government to give all the information they could about other members of the village on the other, it is not surprising that no leadership of any sort was forthcoming and the barbed wire and electric lights around the compound were found to be essential. In the course of time, however, leadership was taken up by the shopkeeper group who needed peace in order to run their businesses and gained increasing confidence in the Government's ability to protect them. At this stage, the barbed wire, instead of guarding prisoners, gradually became an excuse for the inhabitants for not helping those outside. In the early days many of the new villages had populations of over 2,000 but the Government found that these numbers were too large in spite of the saving they made possible in the provision of essential services and the present intention of the Government is to reduce all these villages to a membership of about 800.

NO LAND FOR CHINESE

Not all Chinese are found in new villages. On Penang Island there are no new villages although many Communists, and in my part of Province Wellesley, on a flat plain well away from the mountains, there are no new villages. New villages are most numerous in Johore State where there are most of the Chinese. It is here that the problem of the alienation of land to aliens (Chinese) is most acute. Whether new villages will remain after the emergency is over is very doubtful in the more remote areas, where they have been badly sited and arranged. Those near the towns and where the location is convenient, have undoubtedly come to stay. There are certain advantages in new villages. School teachers are provided by the Government so that no school fees need to be paid. Medical attention is easily available. But on the other hand, it is difficult to supplement one's income by keeping pigs or growing vegetables and one is under continual supervision. In the long run I expect that the Chinese will gradually bring pressure on the Government to provide more social services for them instead of, as heretofore, being little interested in politics and depending on their own ability to provide for themselves. If the new villages had been planned from the beginning by those competent to do so, sociologists, agriculturists and other experts and less by the hit-and-run methods of the mili-

tary and police planners, they could be regarded as a courageous attempt to solve a difficult problem. But they will not solve any of the basic problems of the Chinese.

It is well-known that even the alienation to the Chinese of the land on which the villages actually stand was only brought about by the personal intervention of General Templer with the Sultans of the states. This problem has not yet been solved nor is it likely to be, until the Chinese are regarded as permanent residents in Malaya. In two villages near where I reside, the local English plantation owners refuse to sell to the Chinese, at a reasonable price, any of the land suitable for cultivation and the Government has refused to allow the emergency regulations to be invoked to force the owners to sell. If this is so in Province Wellesley where there are no complications with the Sultans, it is even more difficult for Chinese to obtain land in the Federated Malay States.

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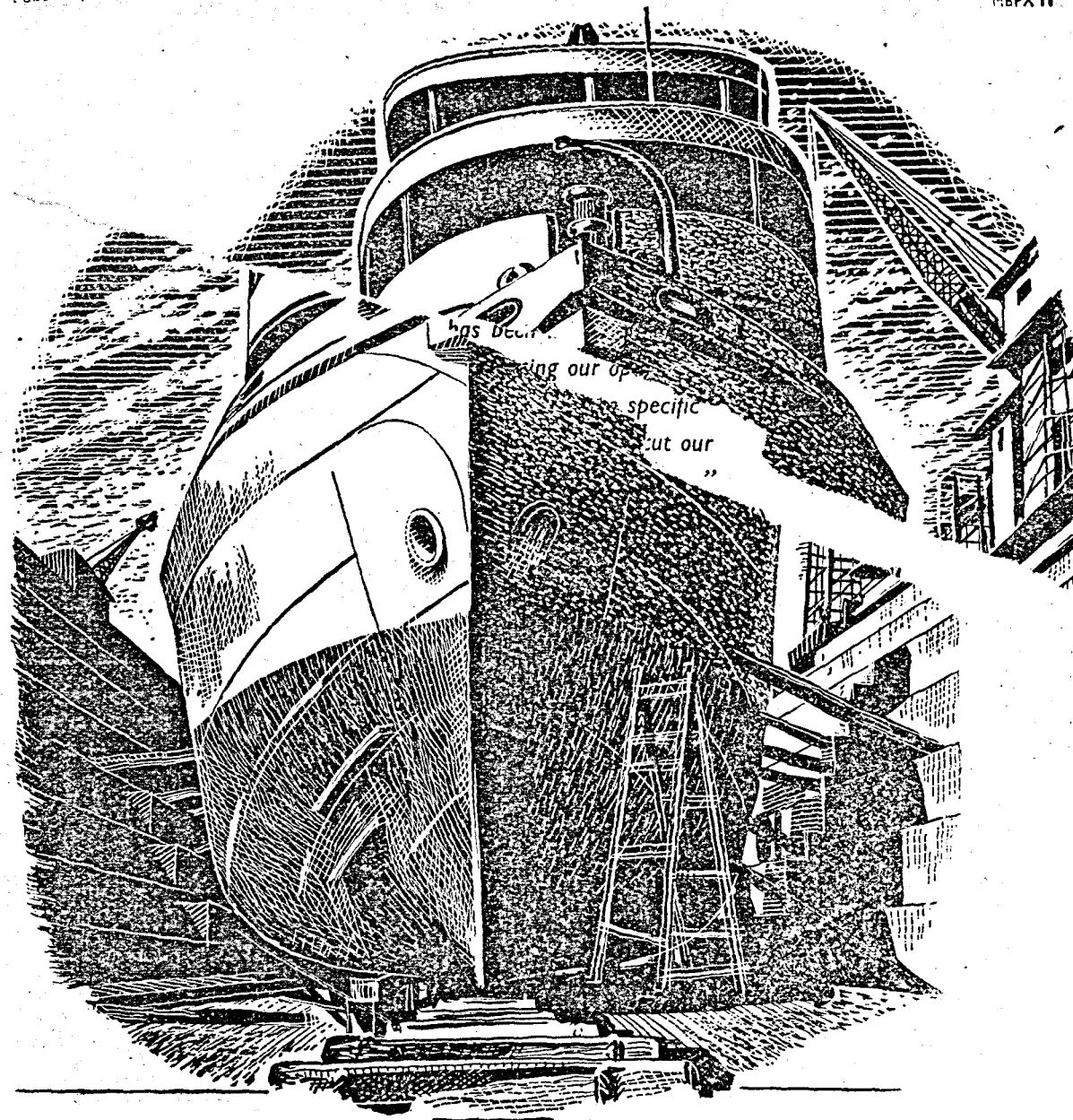
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Suburbs Across the Bombay Harbour

(Contributed)

AS SEA-SIDE RESORT

It has been suggested that if this port is developed, the lovely beaches of the area could serve as excellent sea-side resorts for Bombay. Many Bombayites already visit them as such. This is a good idea, but obviously it is not merely the absence of Mandva as an all-weather port that is preventing this from happening. The factors that go to make health resorts popular are many and some planned effort in the shape of provision of facilities and propaganda in the press is necessary for this purpose. It is apparent, therefore, that the case for the conversion of Mandva into an all-weather port is not strengthened in any way by the grandiose schemes for establishing suburbs across the harbour, though there is scope for the creation of health resorts and holiday spots at many points along the coast of the taluka.

IDEAL MARKET GARDEN FOR BOMBAY

Mandva should really be looked upon as an instrument for the conversion of the taluka into a source of food supplies for Bombay city. Vegetable gardening, fruit cultivation, poultry farming and dairying: these need to be developed in the taluka. The plan for Mandva must be linked with a plan for the development of the taluka in this way. At present, Bombay obtains its supplies of vegetables from Surat and Viramgam on the Western Railway and Nasik and Poona on the Central Railway. The trip from these places takes from five to fifteen hours. With all parts of the taluka connected by excellent motorable roads not more than an hour's distance from Mandva and with Mandva itself only eight miles from Bombay, the taluka offers excellent prospects for such development.

Such a programme would offer an excellent solution to the problems of this area. Alibag taluka is practically a single-crop area and that crop is a food crop. The rice-producing peasants of the region barely earn a subsistence living. Their low incomes from agriculture make them turn away from the soil and there is steady migration of population from the taluka to the nearby city in search of industrial employment. None of the standard commercial crops such as cotton or tobacco can be grown in this taluka. Yet it is

THE areas lying across Bombay's fine harbour have frequently attracted the attention of visionaries fired by the prospects of developing the city into a giant metropolis. The difficulties of establishing suburbs in these areas—so near and yet so far—have, however, been so many that so far expansion of the city has taken place mainly towards the north. Saket, to the north of Bombay island proper, is connected to the latter by two causeways at Mahim and Sion and the two railways passing over them have provided easy and rapid means of communication. The limits of Greater Bombay have, therefore, already been placed at Ghatkoper on the Central Railway and Jogeshwari on the Western Railway and the planned development of the area within these limits is being undertaken under the control of the Bombay Municipal Corporation.

The protagonists of the expansion of the city towards the east and the south-east across the harbour have, however, not given up their attempts to make the scheme popular. A proposal for the development of Mandva in the Alibag taluka as an all-weather port is now being pressed before the Bombay Government by the Mandva Port Committee, the Kolaba Jilha Vikas Sabha and the Kolaba District Development Board. It is suggested that such a step will make it possible to develop this taluka into a group of suburbs of Bombay.

DIFFICULTIES OF TRANSPORT

It is true that transport is the main difficulty in the way of establishing suburbs across the harbour. Earlier an attempt made by Shri Tyaji to establish a Parsi colony at Neri, even nearer Bombay, had failed because of this very difficulty. The Town Planning and Valuation Department of the Bombay Municipal Corporation, which had exaggerated the feasibility of the scheme, came to the conclusion that "the question of developing these suburbs into suburbs of Bombay hinged on the question of ensuring means of communication from Bombay to these places and vice versa in a cheap, regular and continuous manner."

The crux of the matter is that the means of communication must be cheap, regular and continuous. Con-

verting Mandva into an all-weather port may ensure the continuation of transport facilities during the monsoon, provided there are people who are willing to face the rigours of a boat journey even on stormy days. But, for a suburb to develop, it is essential that the transport services should be frequent and available at all hours. It is this factor, more than anything else that militates against the possibility of converting this area into a suburb. The failure of Uran, which has equal advantages with Alibag and does have an all-weather port, should be a warning against any facile reasoning about the prospects for Alibag.

When the Greater Bombay Plan was being drawn up, a tube railway under the harbour had been suggested. The cost of such a project was, however, found to be prohibitive as it ran into many crores on any estimate. There is little doubt that with the present shortage of resources, such a project cannot be undertaken, though it is not entirely precluded in the future. If ever it is undertaken, it will, of course, have to be combined with the planned establishment of colonies at various points along the railway route, if the economies of large traffic are to be achieved. This is not a practicable proposition, however, at the present stage.

ALL-WEATHER PORT FOR MANDVA

All this is not to detract from the merits of the case for making Mandva an all-weather port, provided the case is not based on the prospects of developing suburbs in the area. The existing pier at Rewas, at the mouth of the Dharamtar creek, is entirely unsuitable for the purpose, because it is subject to heavy silting. On the contrary, investigations carried out at Mandva by Shri S C Pastakia, a retired engineer of the Bombay Port Trust in 1949-50 at the instance of Shri B G Kher, then Chief Minister of Bombay, showed that there had been no silting in certain parts of the port since the last port charts were prepared by the Admiralty in 1882 and that there were 20 clear feet of water as a minimum under all tide conditions in certain parts of the port. More detailed surveys are necessary before a positive conclusion can be arrived at, but the cost of these will be justified in the light of the favourable results of the preliminary investigations.

only by enabling the people to commercialise their productive activities will it be possible to raise their incomes to a reasonable level.

LOCAL LEADERS SHOULD WAKE UP

Fruit, vegetables, milk, eggs, poultry and meat are what Bombay wants and Bombay is willing to pay a price for them. Alibag must take advantage of this and the leaders of the locality should concentrate on this aspect of Mandva. They should press for a rapid development of the taluka in this direction and should demand that plans should be made to ensure that this takes place with maximum benefit to the citizens of the region. A few isolated attempts have been made by educated individuals from Bombay to establish well-organised farms in the area with considerable success. But the local population has not taken to it in any measure so far.

Since the region is virgin in this respect, plans can be made to provide for co-operative marketing and processing from the very inception of the programme. In fact, such institutions should be organised initially and assisted in stimulating the acceptance of these activities by the people. It will be an interesting experiment in the conversion of a food-crop economy into a commercialised economy on a planned basis and on co-operative lines. If this is done, Mandva may be the instrument for levering up the standard of living in the taluka, while solving at the same time one of Bombay's most urgent problems. Visions of suburbs across the harbour will have to be kept aside in the meanwhile.

Groundnut Oil and Oilcake

THE Government of India have decided to release an additional quantity of groundnut oil for export through established exporters and crushers by March 31, 1955.

A quota of 10 per cent of best year's exports during any one of the four years ending March 1952, subject to a minimum allotment of 5 tons has been announced for established shippers of groundnut oil. Shippers will be given the maximum allotment to which they would be eligible on the percentage basis.

In addition, it has also been decided to give facilities to crushers to participate in the export trade. Exports by crushers will be licensed freely on shipping bills subject to a maximum allotment of 250 tons per shipper from all ports provided, however, that the crusher is able to pro-

duce a certificate from the Excise authorities showing that cess has been paid by the applicant during any one of the three years 1952, 1953 or 1954 on groundnut oil crushed by him.

It has also been decided to release a quota of 25,000 tons for export of groundnut oilcake (expeller variety). Licences will be issued freely on shipping bills for shipment by the end of March, 1955, provided the applicant is able to produce satisfac-

tory evidence of a firm contract and of freight having been booked and subject to a maximum allotment of 1,000 tons per shipper for shipment from all ports.

By a separate notification issued simultaneously the Government have imposed an export duty of Rs 230 per ton on groundnut oil cake and Rs 175 per ton on de-oiled groundnut meal (solvent extracted variety having less than 1/2 per cent oil content.)

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Profits on Foreign Capital in India

K N Raj

[In his article "Model-Making and the Second Plan" which appeared in the Annual Number of this paper, Dr K N Raj had made the provocative remark that "if the present policy in regard to foreign private investment continues, the rate of growth of this 'foreign' sector within the private sector of the economy will be faster than the rate of growth of the 'Indian sector'".

As several readers have expressed surprise at his findings, confirming, incidentally, the author's remarks about the "innocence of economists, no less than of politicians, about the facts of this 'foreign' sector", despite the amount of published material on the subject, Dr Raj has given in this note the basis of his estimates together with the sources of the statistics used.—Editor.]

THE total income of companies on which tax was assessed in 1950-51 was Rs 146 crores; the total tax paid by these companies, including tax paid on behalf of the shareholders in respect of the dividends payable to them was Rs 70 crores, leaving a balance of Rs 76 crores for payment of dividends (which actually amounted to about Rs 41 crores) and for retention as undistributed profits (which can be estimated, from the above figures, at about Rs 35 crores).

From the data published by the Reserve Bank after the Census of Foreign Investments for 1948, it will be seen that the total liability in that year on account of interest, dividends and profits payable abroad amounted to about Rs 39 crores, of which interest on securities and profits of partnerships accounted for only a little over Rs 2 crores. The profits here refer to 'net' profits, which exclude both tax and depreciation provisions; in the case of securities, shares and debentures also, the liability on account of interest and dividend payable is calculated after deducting income tax. A figure of Rs 37 crores, in respect of liabilities accruing on account of foreign investment in companies operating in India, can therefore be regarded as comparable with the figure of Rs 76 crores given above, except in that the former relates to the year 1947-48 and the latter to the year 1950-51. Company profits were probably higher in 1950-51 than in 1947-48, and so the difference in the reference period cannot affect the broad conclusion that the 'net' profits and dividends payable on account of foreign investment was roughly one-half of the total 'net' profits and dividends of all companies operating in India.

Of the amount accruing in 1947-48 by way of 'net' profits and dividends, only about Rs 27-28 crores were actually remitted abroad. The foreign 'plough-back' in this year was, therefore, probably around Rs

9 to Rs 10 crores.

Since 1950-51, company profits have been rapidly increasing, as can again be seen from the income-tax data:

	(Rs crores)		
	Assessed income of companies	Total tax paid (including tax on dividends of shareholders)	Income of companies after payment of tax
1950-51	146	70	76
1951-52	200	92	108
1952-53	200	102	98
1953-54	220	96	124

There is no reason to believe that the 'foreign' share of these profits has fallen, and yet, as is obvious from the balance of payments data published from time to time by the Reserve Bank, there has been no increase in the amounts remitted abroad, which suggests that the rate of foreign plough-back in the country has been steadily going up. On a conservative estimate, it would appear that it is probably now anywhere between Rs 15 and Rs 25 crores per annum.

It is obvious that foreign companies have to go through the Capital Issues Control if they are companies registered in India and wish to expand their authorised capital, but it is not clear whether there is any form of control, other than that exercised by the Exchange Control Department of the Reserve Bank from an entirely different standpoint, over remittances by foreign firms and companies to their branches in India. (Branches of foreign firms and companies, it must be remembered, account for the bulk of foreign business investments in India.) There is reason to suspect that such remittances have not been insignificant in the last few years, probably ranging anywhere between Rs 5 and Rs 10 crores per annum.

If, to the ploughed-back profits and to the remittances to India mentioned above, we also add the new inflow of capital (eg, into the oil refineries), it will be seen that the in-

crease in foreign business investments in India between 1948 and 1953 is likely to have been well over Rs 125 crores and possibly even nearer Rs 150 crores. There is a good deal of guess-work involved in attempting such an estimate, but it should be possible to verify it soon when the results of the Census for 1953 are published by the Reserve Bank.



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Lower Trend in Equities

Wednesday, Evening

Disappointing Tea Shares

For the first time in recent weeks, Tea shares disappointed Clive Street. There was no dearth of good interim dividend announcements. After a temporary easier trend in average export prices for one single week, export prices have begun to recover. Average prices at internal auctions have never faltered. Those who are competent to express opinion are unanimous that there is no possibility of any set-back in tea prices before June or July. At current prices, the yields on Tea shares may not be high. But the return on investment in Tea shares is not regarded unattractive because of higher dividend expectations.

Therefore, the reasons for the easiness in Tea shares must be sought elsewhere. It is generally believed that dividend buying of Tea shares is temporarily over. More significant is the tactical retreat of the parties who have been trying to accumulate shares in order to acquire controlling interests or managing agency rights. In the absence of such support, both Tea and Engineering shares have developed an easier trend.

Recent spurt in Tea shares may not be entirely due to this form of activity. But the rise in some selected Engineering shares in recent weeks has been mostly due to this activity. In one or two instances, the process has been completed. It may be of interest to note that, with the transfer of ownership, the shares of the company or companies concerned have shown a tendency to decline in prices.

Why Jute Shares Neglected

Jute shares have remained dull and neglected in recent weeks. This is mainly due to the growing fears that the industry is not likely to earn satisfactory profits as long as the parity prices between raw jute and jute goods remain at the present levels. Decision of Rallis to close down their Calcutta branch accentuates these fears. Strange as it may seem, jute goods prices remain firm despite the disclosure of an increase in stocks of both hes-

It would be a mistake to assume that this week's break in equities was due to ominous governmental charges in Russia, or to the implications of these changes. Neither did markets get the jitters because of the tense situation in the Formosa Straits. It would, therefore, be wrong to conclude that equities developed easiness because of fears that the replacement of M Malenkov by Marshal Bulganin would hasten a world war. Fall in equities was not due to precautionary steps that markets usually experience in anticipation of an imminent war.

Equities were falling in recent weeks. Despite a temporary effort to cheer up as Pandit Nehru, in his speech at Avadi, assured the private sector that it would have scope for expansion, stock markets had been uneasy ever since it became known that Congress was in favour of introducing a socialistic pattern of economy. This does not necessarily mean wholesale nationalisation.

But it implies effective State control over the strategic points of the economy. Industry may resent control on prices and distribution. But it resents more any policy of purposive direction by the State. It is natural that industry feels depressed that it will not have the initiative to do as it likes. It is the function of stock markets to reflect the varying moods of industry. At present, stock markets are reflecting the prevalent gloom in industrial circles.

T T K and After

In spite of the earlier emphasis by the Government on employment in preference to expansion in the organised sector of private initiative, industry had hoped that Shri T T Krishnamachari would succeed in converting New Delhi to his views. His resignation has deepened the gloom in industrial circles. He has been considered as industry's only friend in New Delhi. His decision to resign has caused fears that industry's case will now go by default. This has had a psychologically "bearish" effect on stock markets.

This is the wider background to stock market movements. There

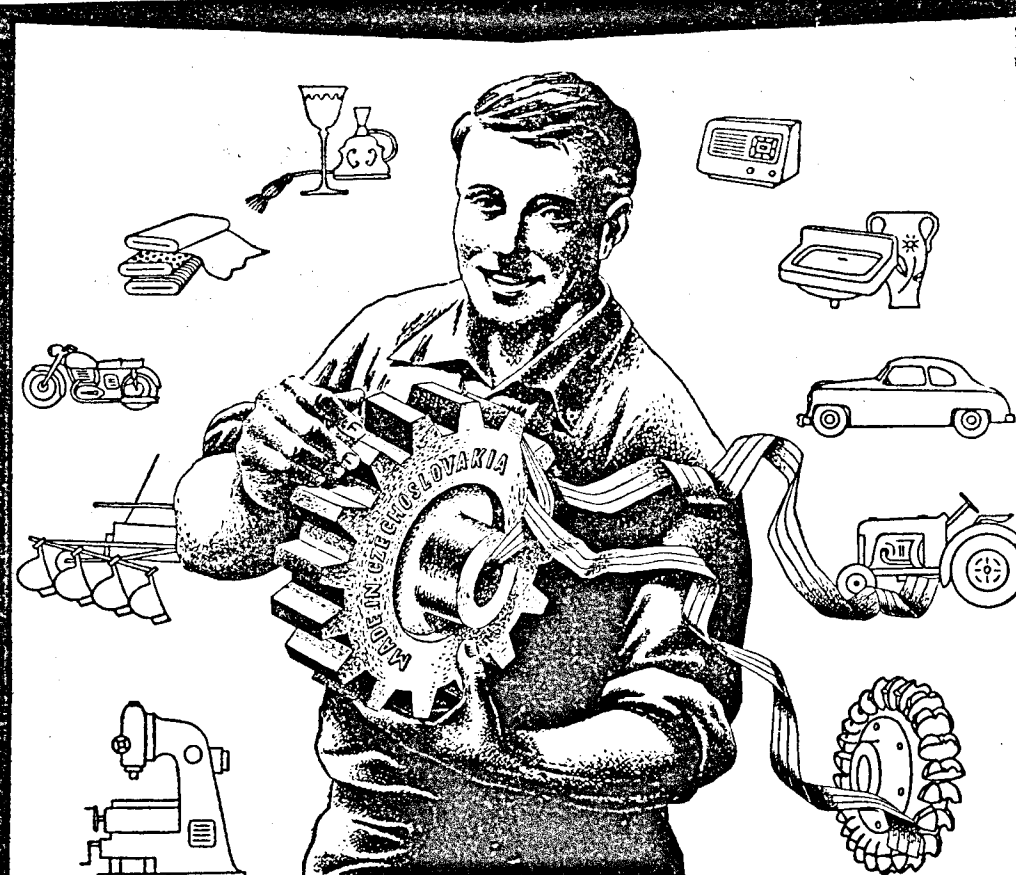
are other immediate factors which explain the drooping tendency in equities. Stock markets are invariably influenced by budget expectations in the period preceding the budget. In recent years, the budget has always had a neutral, if not a slightly, "bullish" effect on stock markets. Investors were secure in the knowledge that direct taxation could not exceed the limits introduced in the Liaquat Ali budget.

Tax Fears

This knowledge has had a mildly "bullish" effect on stock markets at the budget time in recent years. This expectation was fulfilled. In recent years, there has been minor reductions in the level of direct taxation. This year, however, there are apprehensions about the possible recommendations of the Taxation Inquiry Commission. It is known that its recommendations will be incorporated in the coming budget. It is also known that the expanded second Five-Year Plan would involve greater mobilisation of resources.

Stock markets have reasons to be apprehensive. At the moment, there are hopes that the Central and State governments will rely increasingly on indirect taxes. Recent increases in the tea export duty will replenish the exchequer considerably. But excise duties are in a different category. It is customarily argued that indirect taxes do not affect industry. There are limits beyond which this argument should not be stretched. Industry may be able to pass indirect imports on to the consumer. But, then, the consumer can retort by staging a strike.

These fears are not entirely without foundation. But, as has been emphasised more than once in these columns, there is a brighter side to the picture. Recent Reserve Bank returns are reminders that deficit financing involves currency inflation. Deficit financing will have to be stepped-up in the coming years. And stock markets cannot ignore that the experience of the last eighteen months can be repeated as long as the same underlying influence remains in operation.



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sian and heavy goods during January.

SPECULATION IN 'FATKA'

To a large extent, the spurt in jute goods is due to active speculation in *fatka*. Prices of heavy goods have been soaring because of heavy speculative buying in anticipation of overseas orders. Higher stocks of jute goods at the end of January are not expected to have any major adverse effect on the prices of jute goods as long as raw jute prices remain firm.

This raises a problem with which all commentators of commodity markets are familiar. Raw jute prices are rising because this season's carry-over is not expected to exceed 376,000 bales. This estimate may or may not be correct. But it is clear that raw jute prices will continue to be firm as long as imports of Pakistani raw jute remain low. It is of interest to note that the current near-boom conditions in raw jute has coincided with the decision of IJMA to continue longer working hours.

New Arrangement for Import of Soda Ash, Caustic Soda and Raw Silk

THE procedure for canalising the imports of soda ash, caustic soda, sodium bicarbonate and raw silk has been announced by the Ministry of Commerce and Industry.

It has been decided to continue to give a small quota of 7½ per cent to established importers of caustic soda. Licences will also be issued to actual users of caustic soda to meet half of their requirements.

In the case of sodium bicarbonate, a quota of 10 per cent has already been announced for established importers. In addition, a certain quantity of caustic soda and sodium bicarbonate has been reserved for being licensed on an ad hoc basis.

Applications should reach the Chief Controller of Imports by February 15, 1955 giving information *inter alia* regarding name of supplier, source of supply and cif price, etc. Licences when issued will be subject to such conditions as may be imposed regarding distribution, sale price and profit margin.

In regard to light soda ash, im-

ports will be canalised through importer-stockists who will be required to keep buffer stocks and effect sales in a manner so as to eliminate fluctuations in prices and supplies experienced by consumers in the past. The selling organisations of Messrs. Tata Oil Mills Co Ltd and Messrs. ICI (India) Ltd, have been selected for this purpose both of whom have agreed to procure soda ash from suppliers selected by the Government on the basis of offers which are being invited by means of Public Notice. Soda ash will be stocked at convenient centres and sold in accordance with the general directions that may be issued by Government from time to time. The sale price will be fixed by Government on for Port basis and the importer-stockists will be paid remuneration for their services at the rate of 12½ per cent of the landed cost, additional profits if any on the transaction being made over to Government.

In regard to raw silk, Government have decided to canalise imports through the Central Silk Board.

Around Bombay Markets

F EARS expressed in these columns last week about the ability of Tata Ordinary to retain its isolated gains have come true. Tata Ordinary which had gained more than 10 points during last fortnight, while the majority of the shares lagged behind, lost the entire gain within a couple of days. Tata Ordinary fell from Rs 238 to Rs 226 to hover around Rs 229.

The possibility of cease-fire in Formosa served as the pretext for the easier trend. A leading industrialist is reported to have liquidated his holdings to the tune of 20,000 Tata Ordinary shares, while both Calcutta and Bombay bulls who had entered the market in the middle of last month are reported to be holding on to their purchases. The technical position in Tata Ordinary seems to have been balanced by the latest fall.

Indian Iron followed Tata Ordinary sympathetically only. In the rise also, it had followed rather reluctantly.

Textiles continued to be dull, and even low rates could not attract bulls. The reluctance to buy may be due to forthcoming budget. Fears of heavy carry forward charges in some scrips eg, Bombay Dyeing and Swadeshi, their transfer books being closed, acted as further discouraging factors for buyers. It is rumoured that Swadeshi mill has not fared well this year. Century met with good inquiry.

It was but natural that fall in the majority of the shares was not as steep as Tata Ordinary because there had been no sharp rise either.

Miscellaneous section was sympathetically easy with the market leaders, and selling pressure was very much less at lower levels.

At the moment, the market as a whole is trying to stabilise. Budget rumours have started to pour in as is usual at this time of the year. In view of budget uncertainties, it is also usual in this period for bulls and bears to lighten their commitments and consequently, the market moves both ways. Tata Ordinary is meeting good support at lower levels and if textiles show signs of revival, the support may increase.

Tata Iron Shed Gains

Thursday, Morning

Bullion Firm

BULLION continued to be firm throughout the week. Excellent offtake, troubled international situation and firm grip of the bulls on the bullion market helped hardening of rates. The rise in gold price in Hong Kong made gold touch a new high in recent months.

Carry forward charges in both gold and silver continued to be against sellers. The trend appears to be bullish. Calcutta is the chief supporter for silver.

Stocks of silver and gold in Bombay market are approximately around 2,500 bars and 25,000 tins respectively. In London, silver prices eased slightly while gold firmed up.

	Feb 2	Feb 9
Silver (Fagan)	160-13	163-13
Gold (Fagan)	91- 6	93- 1

Cotton Recovers

THE downward trend in cotton seems to have been arrested. The market recovered sharply on bear covering and moderate buying by mills. Cotton traders' hopes of some Government measures to halt the downward trend have been partially in that, further quota have been announced for the export of cotton. It is difficult to say whether the improvement will last as upcountry advices continue to be easy. It seems

Government may announce further quota, in case the market declines further.

	Feb 2	Feb 9
Cotton (May)	Rs 567-12	Rs 573-12

Oilseeds Rally

GOVERNMENT measures helped groundnut also to halt the downward trend. Allowance of further export quota resulted in bear covering and market re-couped most of the losses of the previous week. Shippers, however, regard it as unfortunate that the Ministry of Commerce and Industry should impose the condition that export should be effected before March; this may bring down foreign quotations precipitously. The trend, however, appears to be steady. London quotations were around £101 per ton for groundnut.

	Feb 2	Feb 9
Groundnut		
April-May	Rs 20-2	Rs 22-4

The steadier trend in other oilseeds helped castor seeds to rally. Profit taking and bear covering led to a partial recovery of the losses suffered last month. It is generally hoped that Government will allow further quota for exports in the event of a further fall. Moderate business is reported to have been done by shippers. Trend appears to be steady.

	Feb 2	Feb 9
Castor seed May	Rs 75-4	Rs 79-4

Market Leaders during the Week

(In Rupees and Annas)

	Closing Feb 2	High	Low	Closing Feb 7
Tata Steel	238- 4	237- 4	226- 0	229- 8
Indian Iron	33- 8	33- 9	32-11	32-15
Bombay Dyeing	482- 8	482- 8	470- 0	475- 0
Century	378- 8	376- 0	366- 8	373- 4
Kohinoor	331- 8	330- 0	321- 4	223- 8
B'bay Burmah old	471- 4	470- 0	453-12	457- 8
ACC	174-12	175- 0	170- 4	171- 0
National Rayon	204- 0	203- 8	196- 4	199- 0
Premier Construction	156- 8	156-12	149- 8	152- 0
Scindia	16- 2	16- 2	15- 8	15-10
Tata Chemicals	17- 4	17- 2	16-11	16-14½
Bank of India	148- 0	148- 4	147- 8	148- 4
Central Bank	52- 8	52- 8	52- 0	52- 4
New India	54- 8	56- 0	54- 8	55- 4
3% Conversion Paper	81- 2	81- 2	81- 1	81- 1

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CURRENT STATISTICS

BANKING RETURNS

	(Rs Crores)			
	Latest Week†	A Week ago	A Month ago	A Year ago
Money supply with the public				
a) Note circulation	1231.82	1217.72	1219.29	1173.82
b) Rupee Coin	103.82	104.47	104.24	93.71
c) Cash on hand with the Scheduled Banks	33.94	32.95	35.90	31.74
d) Demand liabilities of Scheduled Banks (net)	569.73	572.12	567.17	512.43
e) Deposits with Reserve Bank				
i) Other Government	19.36	20.77	11.10	19.51
ii) Others	34.16	34.06	34.40	59.01
Reserve Bank				
a) Foreign Securities	663.15	653.21	663.15	628.15
b) Balances held abroad	71.72	76.40	66.90	108.14
c) Rupee Securities	437.63	437.63	427.69	421.38
d) Investments	69.59	70.07	74.50	71.72
e) Loans and advances to Governments	0.95	0.79	2.75	0.55
f) Central Government's Deposits	46.84	54.03	52.96	93.38
g) Banks' Deposits	54.89	58.14	63.83	38.08
Scheduled Banks				
a) Time Liabilities	370.43	368.61	368.71	327.97
b) Borrowings from Reserve Bank	8.15	6.71	9.63	13.11
of which against Usance Bills	3.57	3.14	2.90	1.10
c) Advances and Bills discounted	559.98	555.44	538.41	505.57
of which Imperial Bank's	105.75	102.93	100.88	119.32
d) Investments	352.79	352.36	348.04	322.72
of which Imperial Bank's	99.26	99.21	97.37	79.45
Cheque Clearances	155.79	108.47	142.73	141.85

† For Money Supply and Reserve Bank Scheduled Banks and Cheque Clearances week ended 28-1-55.

Bombay Money Rates	4-2-55	28-1-55	7-1-54	5-2-54
Inter-Bank Call Rate	2 7/8	2 7/8	2 7/8	2 7/8
3 months deposits	3	3 1/16	3	2 7/8
6 months deposits	3	3 1/16	3	2 7/8

Bombay Bullion	10-2-55	A Week Ago	A Month Ago	A Year Ago
Gold Spot (per fine tola)	93-11-0	92- 2	89-10	82-13
" Forward " " "	92-15-0	92- 1	89- 2	82-14
Silver Spot (per 100 tolas)	164- 8-0	161- 4	157- 1	155- 6
" Forward " " "	164- 4-0	160-14	157- 4	155- 2

JUTE STATISTICS

	Dec 1954	Nov 1954	Oct 1954	July to Dec '54-55
Production ('000 tons)				
Hessian	36.5	35.8	31.1	200.0
Sacking	54.4	49.8	41.5	278.7
Others	3.1	3.0	2.5	16.9
TOTAL	94.0	88.6	75.1	493.4
Total Production in the corresponding months of:				
1953-54	77.8	69.0	66.8	433.6
1952-53	78.8	72.2	76.8	455.9
Stocks:* ('000 tons)				
Hessian	23.3	27.0	22.9	—
Sacking	45.2	40.6	45.0	—
Others	1.3	1.4	1.8	—
TOTAL	69.7	69.0	69.7	—
Stocks at the end of the corresponding months of:				
1953-54	98.6	98.3	102.9	—
1952-53	115.0	104.4	95.0	—
Despatches:† ('000 tons)				
Hessian	39.8	32.9	34.6	214.5
Sacking	49.6	54.3	35.9	283.3
Rope, twine, etc	2.5	15.0	1.7	12.6
TOTAL	91.9	89.5	72.2	510.4
Total despatches in the corresponding months of:				
1953-54	75.5	73.5	81.8	468.8
Raw Jute Consumption: (lakh bales of 400 lbs each)				
1954-55	5.46	5.18	4.32	28.25
1953-54	4.53	4.15	3.88	25.12
1952-53	4.62	4.36	4.56	26.71
IJMA Mills' purchases of raw jute (lakh bales)				
Pakistani	0.36	1.10	1.02	5.10
In corresponding periods of:				
1953-54	1.12	0.94	0.45	4.71
1952-53	0.40	1.19	2.76	9.10
Indian	4.11	6.84	4.72	25.94
In corresponding periods of:				
1953-54	4.30	4.65	4.45	21.00
1952-53	4.01	2.48	3.84	21.78

* Stocks at the end of the month.

† Despatches include exports and sales for internal consumption.

Source: Monthly Summary of Jute and Gunny Statistics issued by the Indian Jute Mills Association.

INDEX NUMBERS OF WHOLESALE PRICES

WORKING CLASS COST OF LIVING INDEX

(Base: Year ended August 1939 = 100)

(Monthly average or calendar months)

(Base: 1939 = 100)

Group and Sub-group	Week ended 22-1-55	A Week Ago	A Month Ago	A Year Ago	1948	1949	1950	1951	1952	1953	1954:	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
I. Food Articles	308.7	313.6	319.3	386.3	288	292	298	314	321	346	346	346	331	332	338	338	350	349	345	347	346	344	—
Cereals	342	353	364	445	288	292	298	314	321	346	346	346	331	332	338	338	350	349	345	347	346	344	—
Pulses	241	240	231	424	292	298	314	321	346	346	346	346	331	332	338	338	350	349	345	347	346	344	—
Others	273	271	272	294	314	321	346	346	346	346	346	346	331	332	338	338	350	349	345	347	346	344	—
II. Industrial Raw Materials	430.9	437.4	432.4	484.3	339	348	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
Fibres	474	470	464	464	348	349	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
Oilseeds	361	376	385	560	348	349	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
Minerals	411	451*	412	442	348	349	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
Others	481	473	444	409	348	349	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
III. Semi-Manufactures	344.6	345.3	346.5	362.9	346	348	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
Leather	386	396	382	398	348	349	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
Mineral Oils	221	221	221	221	348	349	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
Vegetable Oils	411	412	406	551	348	349	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
Cotton Yarn	451	453	452	442	348	349	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
Metals	240	241	240	236	348	349	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
Oilcakes	301	301	356	422	348	349	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
Others	334	332	329	305	348	349	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
IV. Manufactures	376.8	376.1†	374.2	364.7	346	348	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
Textiles	421	420†	417	402	348	349	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
Jute	463	457	439	421	348	349	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
Cotton	411*	411*	412*	398*	348	349	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
Rayon & Silk	472*	472*	455*	428*	348	349	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
Woollen	310	310	310	313	348	349	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
Metal Products	340	340	340	337	348	349	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
Others	284	284	284	283	348	349	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
V. Miscellaneous	567.1	566.9	574.2	711.4	346	348	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—
All Commodities	363.4	365.9†	367.1	401.0	346	348	349	370	351	349	349	325	316	319	323	333	348	349	331	332	346	325	—

* Estimated

† Revised

Source: (1) Ministry of Labour (2) State Authorities

ALL-INDIA THIRD ESTIMATE OF COTTON

(Area in '000 acres and production in '000 bales of 392 lbs each)

	1954-55	1953-54	% Change
Long staple			
Area	5,262	4,722	+ 11.4
Production	1,278	1,043	+ 22.5
Medium ..			
Area	7,108	6,801	+ 4.5
Production	1,532	1,468	+ 4.4
Short ..			
Area	3,746	3,487	+ 7.1
Production	847	786	+ 7.9
Total			
Area	16,116	15,010	+ 7.4
Production	3,657	3,297	+ 10.9

Source: Ministry of Food and Agriculture

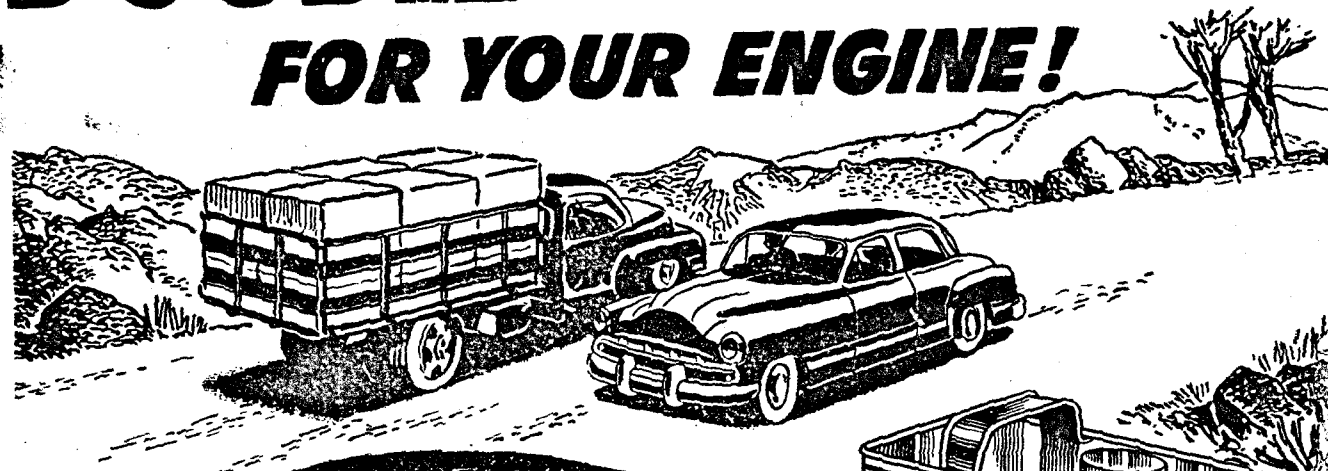
ELECTRICITY GENERATION AND DISTRIBUTION

(Monthly Average or Calendar Month)

(in million kwh)

Distribution											
			Generation	Domestic consumption	Commercial light and small power	Industrial power	Public lighting	Traction	Irrigation	Public works & sewage pumping	Total
1948-49	...	...	390.1	34.8	20.3	206.0	4.2	23.8	11.0	14.7	427.9
1952-53	...	...	525.1	51.5	29.2	275.6	6.0	27.7	19.2	19.4	464.4
1953-54	...	...	573.1	68.3	31.7	298.1	6.5	29.7	19.1	20.6	
1953	...	...									
July	...	...	588.0	57.0	30.7	307.2	6.4	23.0	20.2	21.5	471.0
August	...	...	587.9	58.3	31.0	305.2	6.5	30.8	15.2	21.5	468.9
September	...	...	576.5	58.8	30.8	303.2	6.5	30.1	13.6	21.1	464.1
October	...	...	583.1	59.2	31.2	304.0	6.8	28.4	17.5	21.6	468.7
November	...	...	563.1	58.0	31.1	293.9	6.9	26.6	18.4	20.8	455.7
December	...	...	603.6	59.8	32.8	312.4	6.9	28.4	25.4	20.7	486.9
1954 January	...	...	589.7	59.3	31.4	307.9	6.9	31.4	18.4	20.8	478.0
February	...	...	551.4	57.4	32.3	289.1	6.7	28.7	17.8	18.4	451.4
March	...	...	593.3	59.1	37.6	305.7	6.8	34.2	18.9	21.2	483.5
April	...	...	613.3	59.9	39.4	311.9	7.0	34.5	22.1	22.6	504.4
May	...	...	639.9	61.1	40.5	335.6	6.9	33.8	23.6	23.8	515.5
June	...	...	629.4	61.6	37.7	325.9	6.9	32.3	22.2	23.2	510.3
July	...	...	633.4	62.3	37.5	338.6	7.1	31.9	15.6	22.9	515.8
August	...	...	635.0	64.9	37.2	338.8	7.3	27.3	11.7	23.2	510.5
September	...	...	647.6	65.0	37.4	344.6	7.4	27.6	18.4	23.1	521.3
October	...	...	626.5	63.7	35.3	336.6	7.7	30.8	14.9	22.6	511.6

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The Economic Weekly

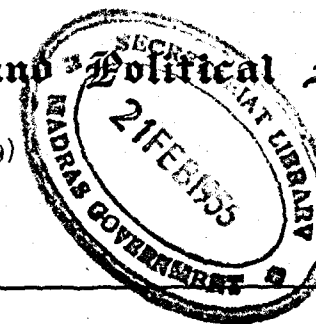
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Formosa

TWO deductions are permissible from the developments in the Formosa Straits. One is that the recent happenings in Russia do not imply that Moscow will now pursue a more aggressive foreign policy. At and since Geneva, the Communists have shown their willingness to resolve disputes through mediation. This is one of the arguments advanced by Pandit Nehru for his belief that the chances of peace are now better. Both Moscow and Peking had accused America of aggression in the Formosa Straits. Red China had rejected the Security Council's invitation to attend its discussions on the problem of a cease fire in the Straits. But Peking had made it abundantly clear that its rejection of the Security Council's invitation did not imply that it was opposed to a mediated solution of the problem. Moscow had promptly responded to London's request to Russia to use her good offices with Peking to prevent the start of war between Red China and America. By desisting from the use of her admittedly superior air power during the evacuation of the Kuomintang troops from the Tachen islands, Red China had demonstrated her anxiety not to rush to a point from which there could be no return.

Both Peking and Washington deserve thanks for not hastening a global war. Military maniacs in both the rival blocs may be in favour of provoking a world war. But politicians and responsible military leaders in either bloc are now acutely aware of the destructive consequences of an atomic war. There is growing realisation that an atomic war cannot be fought without total annihilation. This is a compelling urge to peaceful co-existence. Only those who analyse international affairs in pre-atomic terms can fail to realise this. So far as the Western Powers are concerned, this is an argument against the policy of "peace through strength". To the very limited extent that this policy may have relevance, the Western Powers already enjoy the strength to start negotiations for peace. Throughout the "cold war", it has been evident that the Communist States have nothing to gain by provoking a world war. Peace is an essential condition for their moral conquest of the world. And the efforts of the Western Powers since the start of the "cold war" deepen the suspicion that this is what they are afraid of.

With the completion of evacuation of Kuomintang troops from the Tachen islands, diplomacy now has the time and the opportunity to play its part. There is now a *de facto* cease fire in the Formosa Straits. Thus, the essential pre-requisite for a mediated solution of the problem has now been established. Even while the Tachen evacuation was proceeding, the Communist had made overtures. Russia had made a proposal for a ten-Power Conference to discuss the Formosa issue. According to this proposal, Britain and India should be the inviting Powers; the Conference should be held either in Shanghai or in New Delhi; all the interested European and Asian Powers should be invited, although the Russian plan excludes Kuomintang from participation. Neither Britain nor India has accepted the proposal in detail. But it is clear that both accept Peking's implied demand that dis-

cussions should be undertaken by the Powers concerned, and outside the direct auspices of the United Nations. America is evidently opposed to any repetition of the successful Geneva experiment. But, by deciding not to take any further action on the original proposal made by New Zealand, the Security Council has conceded, by implication, that it will be wise to hold a Geneva-like Conference if it could further the cause of peace.

America feels aggrieved that she has not been named as an inviting Power in the Russian plan for the proposed ten-Power Conference. This is an irrelevant objection, as Russia has neither included herself as an inviting Power. America did not approve of the Geneva Conference. She is not likely to encourage the Russian proposal for a Conference outside the direct auspices of the United Nations. Britain took an active initiative in the Geneva Conference. From her tentative suggestions to the Russian proposal, it would seem that there has been a shift in the attitude of the British Government to the Geneva experiment. But this is not likely to be a main obstacle to the proposed Conference to discuss the Formosa problem. It is difficult to appreciate how the United Nations can directly sponsor such a Conference as Red China remains outside the family of nations. This, indeed, is the crux of the problem. Once Red China's right to admission to the United Nations is accepted by Washington, America loses all justification to interfere in affairs relating to Formosa. Britain is conscious of the anomalous situation. That is why she is not opposed to repeating the Geneva experiment. To assuage America, however, she insists that Kuomintang China must be a party to the proposed Conference.

Because Britain is aware of Red China's opposition to include Kuomintang China as a party to the proposed Conference, Sir Anthony Eden is inclined to the view that secret diplomacy may have a better chance than an open Conference in solving the problem. Pandit Nehru seems committed to some of the British counter-suggestions to the Russian plan. He endorses the British suggestion that Kuomintang China should be a party to the proposed Conference. But he is also aware that there will have to

be certain prior commitments and declarations by the Western Powers before Red China could be induced to sit together with Kuomintang China around a conference table. There is one essential pre-condition to such joint participation in any discussions on Formosa. It is abundantly evident that the future status of Formosa and the Pescadores will have to be determined before Red China can concede Kuomintang China's claim to participate in the proposed Conference. A definite pledge by America that she will effect withdrawal of Kuomintang troops from Quemoy and Matsu will certainly help to create conditions in which the Formosa problem could be discussed.

Here is the dilemma. Once it is conceded that Formosa and the Pescadores are integral parts of China, Chiang's occupation of Formosa becomes illegitimate, and contrary to accepted international agreements. Pandit Nehru seems to be hopeful that Red China may tolerate Kuomintang China's participation in the proposed Conference once Red China's sovereignty over Formosa is openly admitted by America. This begs the whole question.

Vedantists All

THE Vedantist who has been lecturing to the secretarial staff on the right outlook in administration has been just wasting his time. The founder father of the clan did his job so well that there is nothing left for others to do. We are all born Vedantists in this country, and as a duckling takes to water without any preliminary course in swimming, we practise the difficult art of living in two worlds at the same time, with the same inherited quantity. Others may shy at it, or trip and fall if they ever try it at all, but why should we? The Westerners are amazed; some are swept off their feet when they see us perform in a more than ordinarily difficult situation; others can hardly believe their eyes and express scepticism. The Indian mind is too agile for them, Indian thought too subtle. Indian logic, we are assured by eminent Indologists, never accepted the law of contradiction. Aristotle did, but that is their undoing.

Not even the greatest ones amongst us have lost this inborn

Once America accepts Peking's sovereign claims to Formosa and the Pescadores, she ceases to have any right or justification to enter the Formosa Straits, or to take any political or military action to protect the Chiang regime in Formosa. Once Red China's territorial claims to the Far East are conceded, Far Eastern problems are automatically solved. So far as Formosa is concerned, it implies withdrawal of the Chiang clique from the island, if need be, under the auspices of the United Nations, and the gradual integration of Formosa and the Pescadores with the mainland of China. Is America prepared to concede these claims in the interests of world peace? America seems determined to sponsor a proposal for two separate Chinas. Some of Sir Anthony Eden's recent utterances would seem to imply that his Government is not unwilling to endorse such a solution to the Formosa problem. There is evidence that any such official endorsement of the tentative American plan by the British Government will end the era of bipartisan foreign policy in Britain. Informed opinion is convinced that the American proposal is no solution to the Formosa problem.

gift. Indeed, they have preserved it and improved upon it, whichever way they might have come up: Harrow, Cambridge, Burra Bazar or Kalbadavi.

As the legislatures meet for the budget session, Government will be announcing its policy through the Governor in the States and through the President at the Centre, setting out what "My government would be doing" in each case. The opposition is girding up its loins and will howl; but in packed houses, filled up with 'yes' men, Ministries need take no note. Of course, the two worlds are there, but what of that?

The Bombay Legislature has set the ball rolling; others will no doubt pass it on and finally at Parliament House in Delhi, we will hear more about falling agricultural prices and the distress of farmers. This is the simplest thing for the Opposition to pick on. The related problem of growing unemployment cannot be played up so effectively, for statistics are difficult to come by. And nowadays, lest one should quote

some figures, one does not get that respectful hearing.

In keeping with our national virtue, true to the kindred points of heaven and home, democracy works in the legislatures while democrats are gagged. Public participation in the nation's affairs, as in the execution of the Plan, is expected to run all along the line. But the focal point where one would expect to see it at work to best advantage could be on the legislative forum, where issues are debated and policies decided upon. In the debate on the Governor's speech in the Bombay Legislative Assembly, agricultural prices were the target of attack; but by a strange party convention, Congress members kept mum on this crucial issue, and talked about everything else under the sun. The Government, therefore, will have to proceed in the matter of agricultural prices, as in everything else, without being able to profit from the experience and first hand knowledge of, or seek guidance from, the majority of the legislators who, coming fresh from their constituencies, could certainly have contributed to the discussions. What prevents them from doing so? Why this self-denying ordinance?

True, though not in the open assembly, at meetings of the Congress Legislature Party which take place behind closed doors, even Congress legislators are allowed to whisper their respective points of view, though they are not able to press them. The difference between the working of democracy and of cameralist rule is the open forum where advice is tendered and views are put forward. At the legislative party meetings, the statements that are made run no risk of being controverted; not even facts can be elicited by an open and frank discussion. The experience, knowledge and understanding of, and insight into, local problems are not entirely lost, but the value of all these is greatly reduced by a parliamentary convention which in a virtually one-party State is not only unhelpful, but can be pernicious as well.

And the debate on prices goes on, without the benefit of expert advice either. The Economic Adviser continues to publish and Treasury benches as well as others have perforce to use, his price data, knowing all the time that these are not the real ones. Do not ask why the

Economic Adviser does not put up something which he can defend and which he accepts himself? Why should he? There are two worlds, one a world of make-believe, and another of reality. Surely, he must be keeping another set of figures into which he looks now and again, if only to ease his conscience. The Finance Minister is welcome to consult it, and probably he does. But when it comes to addressing Parliament, it is the Economic Adviser's Wholesale Price Index that he parades. It will be a pleasant surprise, if he uses another and a better index in his speech when he introduces his next budget.

Likewise, the agricultural extension worker in the villages goes on preaching the virtues of improved technique, and holding forth to the cultivators on the benefits to be derived from the use of better seeds, from fertilisers and so on, not bothering that such improvements cost money and that the investment may fail to bring in commensurate returns, in view of the fall in prices, particularly if prices keep on falling. But why should he bother? Has he not also imbibed the wisdom of Vedanta that is distilled in the Bhagvat Gita? He works, but expects no reward and looks for no returns.

The highest in the land are imbued with the same spirit; they have it in a greater measure. Falling agricultural prices are welcomed in the hope that costs are coming down and in due course, forces of competition, aided by monetary discipline, if need be, will bring about a fall in the prices of industrial products also. The Planning Commission presents two faces, one to the phenomenal world, which is here and now, and the other to one which is far removed. Here and now, it is progressive decontrol; the economy is still relatively free. So, the Finance Minister can keep his faith in free economy and work for international equilibrium, while talking about a Rs 5,500-crore budget for the Second Plan, of an expanding public sector and of a planned rise in the rate of investment to whatever point the importunate socialist-minded Prime Minister may demand. And why not? The Second Plan is yet to come, we are living only in the present, which is the period of the First Five-Year Plan.

Some day, the call will come and

we will all respond like heroes. The fight is never here and now. Why, then, shrink from physical planning? Policy has always been determined, more or less, on a physical basis, maybe without the benefit of input-output tables, of American origin, but surely in some vague way, on the basis of physical balances. How else does the Commerce Ministry issue import licences, or the Development Wing decide about permits or quotas? But there is also the ultimate in reality, the face of which no one has seen nor is likely to see. Here and now, it is the world of appearance, the inner reality is hidden behind.

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Weekly Notes

Gone Berserk!

EXPORT control as an instrument of economic policy has been operated by the Government of India for a number of years; so it cannot plead ignorance or inexperience. In the administration of such controls, there are always certain unsavoury features which appear to be inevitable, but these are shortcomings of the 'garden' variety—failure to act in time, susceptibility to pressure from individual or group interests, red tape which can be very confusing at times and is almost always tiring. The latest in export control, however, is quite different.

The Ministry of Commerce and Industry seems to have suddenly gone berserk. Oil seeds had been going down after the new crop began to move. Groundnuts had touched a new low in many years. Some export quotas were issued to arrest the decline, but the manner of fixing the quota was such that it brought down prices in the importing countries but produced little impression on groundnut prices here.

Now, it is very desirable that growers should get a fair price and that Government should assume responsibility for maintaining such a price. Though Government has been reluctant to commit itself and responsible ministers have made conflicting statements, there are indications in plenty to suggest that it is also the intention of the Government to maintain prices at a reasonable level. What that level is in the case of groundnuts, however, is a different matter.

The earlier announcement having failed to stop the decline in oil-seeds market, a fortnight ago the Ministry of Commerce and Industry suddenly went all out and offered export quota for 250 tons each to every oil crusher in the country who has paid cess. As there are some 7,597 oil mills in existence, according to the Central Oilseeds Committee, if all these quotas are utilised, half of the groundnut crop would be whisked away. Trade estimates put the figure of exports allowable under the recent announcement at 3,50,000 tons of oil to which has to be added another 10,000 tons allowed for shippers.

If the intention was to check falling groundnut prices, it appears to be well on the way to realisation. But the process has not been as smooth as it could have been, for the immediate effect of announcing this fantastically large quota was to bring down prices in London. At the time when the announcement was made, it was felt that the Government was indulging in a practical joke, for the exports would have to be completed within March 31 and of course so much shipping would not be available, even if the oil could be found for shipment. Things have turned out slightly differently, for shipping companies have come to the aid of the exporters and half a dozen vessels, it is reported, have been chartered to carry groundnut oil. Some 40,000 tons, on present showing, may be shipped out of the 3½ lakh tons so generously granted. Then, in due course, there will be pressure for extending the period of shipment and this will also be granted, as has been done in the case of bonus quota holders who have been given extension till June to fulfil their quota and with unvarying monotony, there will be complaints about shortage.

The end is the beginning, so far as the Commerce Ministry's experience of handling quotas is concerned.

Rehabilitation of Rubber Estates

THE price of domestically produced rubber has been raised from Rs 138 per 100 lbs for Group I fixed in October 1952 to Rs 150. Corresponding changes have been made in the prices of other grades. This has nothing to do, however, with international rubber prices, though the latter have been rising continuously for more than a year now, prices in the London market having risen up by 63 per cent during 1954. When the price of domestic rubber was fixed in 1952, it was well below the international level; it will continue to remain so even after the upward revision.

The reason for price revision is to allow an adequate margin for rehabilitation of rubber estates, particularly to help the small holders. It was estimated that after meeting the current cost of production, the statutory price fixed in 1952 would leave a margin of

Rs 6-8 for rehabilitation. As the average yield for small holders is 300 lbs per acre and as new plantings take 8 years to mature, the margin left for this purpose works out at no more than Rs. 166, as against the actual rehabilitation cost estimated at between Rs 1,000 to Rs 2,000 per acre. After the present increase, this rehabilitation allowance is expected to work out at Rs 18-8 per 100 lbs, or taking the case of the small holder, with his average yield of 300 lbs, Rs 444 per acre in 8 years. So if rehabilitation is seriously intended, something more has to be done, not only to supplement the growers' resources for meeting the balance of the cost of rehabilitation, but also to ensure that the price increment now allowed is actually utilised for the purpose for which it is intended. This calls for supervision, a workable scheme and its effective implementation.

The Rubber Board has also been reconstituted and as in the case of the Tea and Coffee Boards, it is now more an organ of Government than of the interests involved. The Board claims to have been doing extension work among rubber growers long before the Government of India thought of introducing it on an all-India scale. But with what results, no one seems to know. Why not an evaluation programme to check how best the rubber grower can be assisted to increase his yield and replanting?

As usual, the increment of prices that is expected to pay for rehabilitation has been challenged on the ground that costs have gone up and that the cost estimate taken for price revision needs to be revised upwards. How much will be actually needed for rehabilitation and how rehabilitation is to be ensured, both appear at the moment to be open questions; not so the need for raising rubber production. For, internal demand is bound to rise and rise fast, with the progressive growth of industries in the country.

Refuge in Prayer

IT seems highly appropriate that Shri Panampally Govinda Menon, the new Chief Minister of Travancore-Cochin, should have chosen to start work in a 'prayerful mood'. In a State where political fragmentation and fickle group-

ing have resulted in the succession of six Cabinets in seven years and where the general state of affairs continues to be fluid, prayer may yield better results than Ministerial initiative and enterprise. Shri Menon is no doubt reputed to belong to the 'strong man' species; but what the present situation in Travancore-Cochin appears to need is rather the acrobatic type.

The Tamil Nad Congress group that had broken away from the Legislature Congress Party may have for the time being merged itself again in the parent party; but its organisation outside the Assembly continues separate, and one does not know when the linguistic issue will flare up again in a repetition of recent history. Even if there should be no new agitation for some time to come, the aftermath of the old should be enough to cause serious embarrassment to the new Ministry. The question of the release of old agitators and the withdrawal of cases pending against them cannot be easily solved nor even brushed aside for long. If the Congress High Command was not prepared in the past to allow the Praja Socialist Ministry to deal with this problem sympathetically, as complained since by the General Secretary of the Travancore-Cochin PSP, it will call for a major feat of casuistry on the part of the present Congress Ministry to do what it would not let others do.

Then there are the controversial Land Bills, which the Congress was known to have shied at, though the Chief Minister has since been prompt to declare that their passage will be expedited. But whether they will come to be passed in a form that will meet with general approval remains to be seen. Against this cheerless background, there has, however, been one interesting development which, though not concerning Travancore-Cochin as such, may have immediate repercussions there. And that is the incipient tendency in the Praja Socialist Party or in certain significant groups within to eye the Congress with some favour in the light of the Avadi vote for a socialistic pattern of society. This may well lead to the new Ministry in Travancore-Cochin gaining strength and support from an unexpected quarter. Maybe, there is some power in prayer, after all—even when emanating from the rough and tumble of politics.

Hindustan Tools

THE Hindustan Machine Tool Factory at Jalahalli has commenced production after falling behind schedule by more than a year. It was initially expected to go into production towards the end of 1953. The date was then shifted to about the middle of 1954 on account of the delay caused by revision of lay-out and other details to incorporate improvements. The factory, which in the preliminary stage is to be limited to the manufacture of 400 high-speed lathes of 8½" centre annually, will start full production in three years, that is, somewhere at the beginning of 1958 instead of the initial date of 1955-56. The factory, it may be noted, is now not only assembling lathes from imported parts, but also fabricating some parts.

The history of machine tool manufacture goes back to the last World War when machine tool production rose from an insignificant total of 100 items to about 6,000 items. In 1947, there were 24 graded firms and 100 ungraded ones. But with the partition of the country, the industry was disrupted and its capacity reduced. The number of ungraded firms has no doubt remained at 100, but graded firms have dwindled to 16. The production, which in terms of value stood at Rs 92 lakhs in 1946, now stands around Rs 40 lakhs, meeting about 4 per cent of the total estimated requirements of the country. So far, production has been confined to simple and primary types of machine tools. And it was in view of the considerable demand for precision types of modern machine tools from essential services like Defence and Railways that Government entered into an agreement with Messrs Oerlikon Machine Tool Works, Buherle and Co, Zurich, Switzerland, in April 1949, by which the firm will provide the technical 'know-how' and experts, equipment, jig, tools, fixtures, duplicate patterns, etc. The agreement envisages the production of 900 high-speed lathes, 460 milling machines and 240 heavy duty drilling machines a year. The project, including a gear-cutting shop and foundry to be incorporated in it, was to be at the capital cost of Rs 8.37 crores, having an annual outturn of tools worth Rs 4 crores, which comes to about 40 per cent of the estimated annual requirements of the country.

It was in accordance with this agreement that the Jalahalli Machine Tool Factory was set up by Government in collaboration with the above-mentioned Swiss Company. The control and management of the factory was, however, transferred in March 1953 to the Hindustan Machine Tools Ltd, a private limited company. The Swiss firm has contributed 10 per cent of the capital, the remaining shares being held by the Government of India.

The scheme is to be executed in two stages. It is only the first stage of the scheme, costing Rs 5 crores, which is being executed now. A sum of Rs 3 crores has already been spent. While concentrating on the production of high-speed lathes in the initial stage, a part of its capacity will be gradually diverted to the manufacture of different types of lathes and milling machines. The production of different types of machine tools has come to have special significance now in view of steel expansion plans.

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Small Industries Corporation

THE newly-created Department of Cottage and Small-scale Industries has taken up the implementation of the Ford Team's recommendation energetically. The institutes of technology at Bombay, Calcutta, Faridabad and Madurai should soon start functioning to suggest improvements in the technique, organisation and marketing of small-scale industries in order to better their competitive position. A Small Industries Corporation, as recommended by the Team, has already been registered as a private limited company under the Indian Companies Act with an authorised capital of Rs. 10 lakhs to be entirely subscribed by the Government of India. The Corporation has been started on a small scale, but as it gains experience, it should be possible to expand it without undue delay.

The Corporation will take contracts for supplying goods to Government and issue sub-contracts to small-scale industries. It will assist small-scale industries in manufacturing articles of the type and standard required by providing technical aid and finance, the latter either direct-

ly or by underwriting or guaranteeing loans from banks and such other institutions. Another task assigned to the Corporation, which, however, was not recommended by the Ford Team, is to secure co-ordination between large-scale and small-scale industries to manufacture ancillaries, components and other articles required by large-scale industrial units.

In the purchase of stores, for quite some time past, the Supply Department has been giving preference to small-scale producers as a matter of policy. But it has been finding considerable difficulty to farm out its orders, as reliable producers who conform to the requirements of the Department are so few. Through the present Corporation, it should be possible to make positive and planned efforts to use Government purchases as an instrument for developing small industries. The experience gained by it and the results achieved should therefore be of very great value. Indeed, should ideas in the air at the moment take shape and increasing reliance be put on existing productive capacity in the country, wherever it may be found and in

whatever form, and its capacity developed with planned assistance in order to meet additional consumer demand expected from much larger spending in the Second Five-Year Plan, the present Corporation may provide guidance, if not a model, for future development on these lines.

But before much can be done or even planning in this field can take shape, it is very necessary to carry out a survey of small-scale and cottage industries. Without a better knowledge of resources in this sector and of existing productive capacity, no intelligent planning is possible. That goes without saying. Besides, in the absence of such primary data about the magnitudes involved, the minimum investment that would be necessary for strengthening the existing capacity and enlisting it effectively for purposes of the Plan will itself remain vague.

Though a very small beginning and a belated one, the Small Industries Corporation is to be warmly welcomed. There should be more institutions of this type, and that without delay.

Our Delhi Letter**The Socialist State in Making**

WITH the Prime Minister away, New Delhi was in an expectant mood last week. Politicians and officials here do not bother about the Formosan crisis. They are anxious to know who will succeed TTK. Shri Krishna Menon is being mentioned for what they call an 'Economics' portfolio. This, however, would involve quite a lot of reshuffling. Once the Prime Minister had an idea of establishing a Ministry of Economic Affairs under his own control, with either Vijaya Lakshmi, or Krishna Menon functioning as his deputy in charge of External Affairs. Nothing is definite except that the Prime Minister will probably strengthen his Cabinet by including somebody with leftist leanings.

While the Prime Minister has these matters to attend to, he is likely to get immediately busy about the Asian-African Conference. In his absence, a secretariat has already been set up. It has formulated the aims of the Conference—closer friendship and solidarity among Asian peoples—and its agenda: colonialism and foreign interference in the internal affairs of Asian countries, danger to Asia from military alliances, racial discrimination, preservation of national culture patterns, status of women, banning of nuclear weapons, development of regional trade, etc.

GRATUITOUS ADVICE

Meanwhile, the Finance Minister has been working on his budget for the last year of the Plan. The capitalist press is trying its best to persuade, bamboozle and even frighten the Finance Minister into presenting a budget that will not deviate much from the *status quo*. The nation will be thankful to him, so says the local press, if in exercise of his high and serious responsibilities, the Finance Minister could repeat last year's budget (with, of course, revised estimates). There is even justification for "a very generous relief budget" this time. In any case, heroism is to be avoided as being both unscientific and uncharitable, at least under the present circumstances when a fall in the general price level over the year might well have caused a fall in incomes! The press refers to the fall in the prices of food articles and industrial raw materials. The naivete of this argument is not sufficiently realised, for the fall in the prices of industrial raw materials must have meant a considerable sav-

ing in the costs of production. In any case, the sharp fall in the prices of food articles has had a moderating effect on the cost of living and brought down dearness allowances substantially at a number of industrial centres. The wages bill in cotton textile mills at Ahmedabad has gone down by 18 per cent in the course of the year. While industrialists generally have to pay a smaller bill for raw materials and wages, the price index for manufactures has risen over the year from 365 to 378.

Lest the Finance Minister should follow this line of analysis, particularly when it has been reinforced by the general recommendations of the Taxation Inquiry Commission, the long-term character of the latter's recommendations has been emphasized. In any case, the slackness in the economy is more than a sufficient argument for the Finance Minister relying on other sources of development finance: loans and deficit financing. If the Finance Minister is, however, determined to impose additional taxation, indirect taxes (such as the reimposition of the salt duty at Re 1-4 per maund yielding about Rs 8 crores) will be about the best; and then, there is the whole range of consumer articles. All this stuff is being dished out, for there is a fear, against the background of the Finance Minister's recent speeches and the socialist reorientation of economic policy, that the private sector might be subjected to shock treatment in the budget to be presented to Parliament on February 28. It is really difficult to imagine that a Finance Minister—one wedded to constitutionalism and a retired civil servant at that—would subject the nation's economy to shock treatment like the late Liaquat Ali Khan. It is, however, likely that there will be some inclination to the Left, after the price that TTK had to pay for softness towards the private sector.

SOVIET STEEL PLANT

The Soviet Union appears to be in right earnest about the steel plant, for its experts, immediately after getting the Agreement through, have proceeded to the site to work on the final project plan. And the State Government has taken steps to acquire land for the purpose. Obviously this is only the beginning. With the steel agreement fresh in mind, everybody is looking for signs of increasing Soviet influence on political and social life. There is a delegation

which has returned from an appreciative tour of Soviet railways. A Soviet football team with a reputation for invincibility recently played at the National Stadium at New Delhi. There is a Soviet cultural group going about the country.

In the field of ideas also, academics are taking a course in Socialism. Recently, under the auspices of the Delhi School of Economics, Professor Oscar Lange, Rector of the Institute of Statistics and Planning, Warsaw (Poland), gave an interesting lecture on the planned economics of Central and Eastern Europe. The main conclusions of his thesis have already been accepted by the Economic Commission for Europe, which, in its annual surveys, has paid compliments to the success of the economic plans of Eastern European countries and the achievement of what practically amounts to an industrial revolution. Prof Lange dealt particularly with Poland to which he belongs. Poland has quadrupled its industrial production, as compared with pre-war levels. (This is in sharp contrast to the 'ambition' of our Five-Year Plan to achieve pre-war levels and we were astonished when our economy achieved the physical targets within three years!) Another point made by Prof Lange was that though trade was mostly state-owned or co-operative, there was a private sector with its targets and incentives within the framework of the Plan. Incentives played an important role in the nationalised and co-operative sectors too. The main achievements of the Plan in Eastern Europe were: (a) immediate full employment; (b) agrarian reforms and (c) rapid industrial expansion. The ultimate aim was the establishment of a Socialist society.

"ECONOMICS WEEK"

Prof Lange's lecture indicates how under the sextonship of Dr V K R V Rao, the Delhi School of Economics is becoming an active centre of economic thought—a much-longed-for offset to the boring snobbery of official life in Delhi. We are presently in the midst of an Economics Week. In one of his lectures, Dr V K R V Rao asked school students to save a pice each from their pocket money and contribute it towards the success of the National Plan! What did Keynes say as to what would happen if we all decided not to have dinner? What the younger generation think of those at the

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The Fourth Republic after Mr France

THE passing of the twentieth post-war government in France was somewhat obscured by the Formosa crisis, the change in the Soviet leadership and the London Commonwealth Conference. The exit of M Mendes-France is, of course, very important—it marks the end of an experiment designed seriously for the first time to take the facts of life into account. The experiment itself signified a departure from the utter unreality of the international and national policies of previous governments. It was a recognition of the fact that France could remain a Great Power only if she devoted more energy towards reviving the internal economy, rather than live on American charity. But alas! This experiment too has gone by the board before it had time to prove itself—it has gone rather surprisingly via North Africa—and once again the turmoil of 'limited' and 'unlimited' policies and coalitions afflict France.

Fate has played two tricks on M Mendes-France. The first was when it obliged him to expend almost all his time and energy on the conduct of foreign affairs, though it was to economic problems that he had long been devoted, and it was to his promise of solving them that he mainly owed the National Assembly's approval of his candidacy for the Premiership.

The second was when it brought him into office at a moment when his country had already emerged from the economic stagnation through a partial recourse to remedies that he had laid down in his plan. Eight months were to pass before M Mendes-France could lay aside the Foreign Affairs portfolio and get the chance to concentrate on the task dearest to his heart. By then, he had lost the confidence of the Assembly and was soon out of office.

There is something like a nightmare logic about the Fourth Republic. This can best be explained by tracing the rise and fall of the Mendes-France government. Mr France, as he has come to be known throughout the English-speaking world, was swept into office by an emotional wave of disgust at the Indo-China war and of course the fear that the Geneva Conference would fail. The wave receded when the Geneva cease-fire was inter-

nationally agreed upon. From July onwards, the political divisions of the Assembly came to bear on his position and power. By refusing to support the EDC arrangements, Mendes-France lost the support of the MRP group under Robert Schuman and Georges Bidault. The fundamentally reactionary character of the Assembly was becoming visible and despite all his political skill, M Mendes-France never became a master of the Assembly. When he fought for the ratification of the London and Paris Agreements, he introduced a deep and virtually unbridgeable division between himself and the more progressive forces within the Assembly. By supporting Germany's admission into NATO, he drew upon himself the irrevocable hostility of the Communists and more important than this, weakened the support of his more serious friends. His popularity in the country waned and his enemies in the Assembly now had a lever which they could apply effectively to dislodge him from office.

By October 1954, when Mr France turned his attention to internal problems and made a frontal attack on the giant alcohol interests of France, the Opposition took the offensive. When the leakage of Defence secrets was debated in the Assembly, his majority fell to 37—the Right instinctively drew itself together and by the last months of the year, the only Right-wing members who were supporting him were those who were members of his cabinet. By the time the North African question came up, Mr France was walking on parliamentary tight-rope.

If the North African debate has shown anything, it has shown the power that French imperial interests still have, to break any government—the long, bloody war in Indo-China could not have plagued the French peoples for so long, had it not been for the influence of the French imperialists in the Administration and the Assembly. On January 6, the Mendes-France government transferred the responsibility of the Algerian police to the Ministry of the Interior, thus cutting off in a physical sense the supervision of the North African police from the Ministry of Overseas Territories, a Ministry most subject to the influence of the big banking and other imperialist interests in France.

Next Mr France appointed M Jacques Soustelle, a confirmed anti-colonialist, to the Governor-Generalship of Algeria. From then on it was clear that even the Mayer Radicals would vote against M Mendes-France.

The stage was set for an open fight when the Assembly came to debate the North African question. In the debate, Mr France repeated how important it was to start negotiations with the North African nationalists and the need not to lose the confidence of the Arabs. But this was of no avail. Mr France lost the Premiership and his plans for the economic revival of his country went with him.

For the North Africans, the future is one of police terror and unremitting persecution. M Rene Mayer, the leading imperialist and the dominant figure in the debate, was brutally frank about the intentions of his group and the interests they represent. They "will not pursue a policy of weakness which led to the evacuation of Vietnam and our establishments in India". He went on to explain his principle: "... we must oppose with intransigence any policy likely to lead to concessions". When an Algerian Deputy rose to protest about the brutalities of the police in his country, over half of the deputies walked out of the Assembly. When the vote was taken, the French Assembly by a majority of 46 had elected to pursue a North African policy which M Mendes-France had described as a policy of "repression and force".

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Book Reviews

A Depressing Report

Survey of the Indian Chemical and Pharmaceutical Industry 1954, Indian Chemical Manufacturers' Association, 13 Netaji Subhas Road, Calcutta. Pp 227 + 16. Price Rs 10.

THE Survey contains a brief history of the Indian Chemical Manufacturers' Association and its activities; an exhaustive analysis of the chemical industry in India, existing as well as planned; future trend of the industry; a blueprint of the target which should be achieved at the end of the Second Five-Year Plan and a review of the Government regulations, import policy, railway freight rate and scientific research relating to the chemical industry.

Basic chemical industry, fertiliser industry, heavy chemicals industry and the synthetic organic chemicals industry have been examined in great detail and at the same time all other important chemical industries have also been well covered in the Survey. Although new industries have been set up and more are in advanced stages of planning or erection, the over-all picture of the industry as drawn in the Survey is rather gloomy. The various causes for this have been analysed in the Survey. Among them are: shortage and/or low quality of raw materials, restrictive regulations, low capital equipment per employee, unimaginative Government policy, excessive railway freight, etc. There is no doubt that restrictive regulations such as the uniform State excise laws and burdensome Central tax on salt, tea, etc, required as raw materials in the industry are a great impediment to its growth. An example of how excessive the railway freight could be is given by quoting the freight on ether which 'is an essential commodity used by hospitals and medical men, the usual indents are for a few pounds, while the railways charge a minimum freight for 20 naunds irrespective of the actual weight'. However, in the opinion of the reviewer a very important factor responsible for the sorry state of our industry is lack of proper planning. To quote from the Survey—

"On the basis of high prices on raw materials as well as energy rates indigenously produced carbide is likely to be produced at about Rs 850 to Rs 900 per ton which is at least three to four times more expensive than American carbide."

In the case of carbide industry which has come up recently these factors surely needed consideration at the planning stage. As regards lack of capital equipment and scientific research the industry should instead of depending upon the Government pool its own resources as Government participation or help may bring in new restrictions and research carried out in the National Laboratories manned by people who are not tuned to the industry may not bring out immediate results.

A very important section of the Survey is the blueprint in which target for the Second Five-Year Plan has been fixed by the Association. A notable omission in the blueprint is sulphur—a very important chemical which, according to the Survey, would be needed in quantities of 100,000 tons per year within two years. More stress should have been given in the Survey for the winning

of this material from coke ovens, pyrites and refinery wastes. It may be mentioned that the Esso Refinery at Fawley, England, would be recovering 12,000 tons of sulphur per annum by processing its flue gases. The two new refineries at Trombay would be using crude petroleum from the same region from which the Esso Refinery is drawing its supply.

There are some mistakes in the figures quoted in the Survey which are obviously not the work of the printers' devil. The number of chemical factories in India in Tables I and II mentioned on page 11 are 233 and 244 respectively in the year 1950; the actual production of sulphuric acid in 1953 is given as 109,052 tons in the table, pp 15 and 107, 796 tons in the diagram on the following page. However, these are perhaps unavoidable in a country in which statistics vary with the source of collection. On the whole, it is an excellent Survey and the Association is to be congratulated for the painstaking and exhaustive work. The Survey should 'stimulate thinking in many quarters' and help in the proper planning of our chemical industry and its development.

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WHAT THE FIGURES SPEAK

SOUNDNESS AND SECURITY:	
Business in force as at 31st December 1953 ...	over Rs. 21 crores
Life Fund as at 31st December 1953 ...	" " 6 crores
Assets ...	" " 7 crores
INTEREST YIELD	
Interest assumed in Valuation as at 31-12-1951	2.7%
Interest earned during the years 1951-1953 ...	4.03%
ECONOMICAL MANAGEMENT:	
Provision of expenses in Valuation as at 31-12-1951 ...	18.92%
Expenses (Renewal) during 1951-1953 ...	14.67%
SERVICE TO POLICY HOLDERS:	
Lapse Ratio to Mean Business in force for the years 1951-1953 ...	5.1%

SHARE THE PROSPERITY OF THE COMPANY BY TAKING A POLICY WITHOUT DELAY.

V. C. SETALVAD
Managing Director

More Value, Same Bulk

Investors Encyclopaedia 1954 Compiled by Kothari & Sons, Share, Stock & Exchange Brokers, Armenian Street GT Madras.

THE *Investors Encyclopaedia* retains its slim look. But without any increase in its bulk, it continues to expand its coverage, through the judicious use of suitable thin paper. Among the features added in the latest issue is a Survey of State Enterprises which are run on commercial lines, a task attempted for the first time in a publication of this type, and undoubtedly a bold one for an investors' annual to undertake. Another is a list of managing agents, managers, managing directors and secretaries of the companies the working of which is reviewed in this volume. The feature should prove increasingly useful with the changes going on in the field of company management.

In typography, presentation and range of information provided, the publication continues to carry out improvements every year.

In compiling information of this type, the most difficult problem is to fix a deadline and to stick to it. It is easier said than done. The task becomes almost impossible if no date is fixed in advance for the publication to come out. In the present case, October 31 was fixed as the deadline and all the information which became available upto that day has been incorporated. The information compiled was therefor the latest available at the end of the year and in keeping with the usual practice, the volume could be entitled as one for 1955 instead of 1954. The fact that it is published in the beginning of 1955 should justify the use of a later year in the title though unfortunately—it is by no means the fault of the companies—the latest information in many cases relates to the balance-sheet year ending in 1952 and could not be brought up to 1953.

The analysis of the working of important groups of companies introduced last year as a supplement has proved a useful and popular feature. It deserves to be expanded. Comparability of balance-sheets is always a difficult matter but the value of the supplement would be greatly enhanced if some of the blanks in the tables, of which there are far too many, are gradually filled up. Conversion of balance sheets into a standard form runs up against obvious snags but the risks involved are par-

tially covered by the fuller and exact information about the companies tabulated in the supplement that is given in the body of the encyclopaedia.

Its standard of production and accuracy, wide coverage of the companies and the usefulness of supplementary information have made the *Investors Encyclopaedia* an indispensable book of reference for all those who have to deal with commerce, finance or industry.

Devkaran Nanjee Banking

IN keeping with the rising trend of banking profits, Dena Bank reports good progress during the year 1954. Deposits at the end of the year rose from Rs 10.37 crores to Rs 12.56 crores. The funds were profitably employed as indicated by

the rise in advances from Rs 3.64 crores to Rs 4.32 crores. Investments at the end of the year stood at Rs 5.69 crores as against Rs 4.94 crores in the preceding year. Reserve Funds have been strengthened during the year by Rs 2 lakhs to Rs 28.10 lakhs. Prudent management has yielded a profit of Rs 7.94 lakhs as against Rs 6.90 lakhs in 1953.

The income side shows an increase in interest and discount from Rs 30.47 lakhs to Rs 36.94 lakhs and in commission, exchange and brokerage from Rs 5.92 lakhs to Rs 8.16 lakhs; interest paid on deposits, borrowings, etc, have claimed Rs 3.4 lakhs more at Rs 13.73 lakhs.

The bank has not escaped rising wage spiral for the salaries and allowances and provident fund have swollen from Rs 14.84 lakhs to Rs 17.30 lakhs. It is, therefore, creditable that the Dena Bank has made a good headway despite several handicaps. The shares of the bank, Rs 50 paid-up, paying a dividend of Rs 2 per share, are currently quoted at Rs 34.

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Price of Tea

K Murti

THE dizzy heights reached in the Mincing Lane auctions in recent months has drawn the attention of even the British Parliament to the high prices of tea. The Minister for Food was asked if efforts are being made to purchase the ops early this year on a long-term bulk buying contract to forestall the excessive prices now being charged the growers. Though his reply was in the negative, and the Minister reiterated the Government's policy of relying upon the efforts of private importers to meet the country's demand, the abnormally high price of tea cannot be a matter of indifference to the governments of other tea producing and tea consuming countries.

Indeed, the change that has come over the world tea situation is as spectacular as it is sudden. It was only in 1952, that the Indian tea industry was in the grip of a vicious slump: in 1953, the pendulum had swung almost to the other extreme. It should be said to the credit of the Raja Ramrao Committee that its assessment of the situation was correct. The slump in prices was a passing phase and when the heavy stocks in the United Kingdom were depleted, prices did go up. Notwithstanding the voluntary restriction of production adopted by the industry in India in 1953, growers could not implement their policy owing to adverse weather conditions in that year. Indian production in 1953 was less than that in the previous year. There was, however, a marked improvement in the quality of Indian tea. The world supply, which upto 1951 had lagged behind demand, had in 1952 outstripped demand to the extent of 64-100 million lbs. However, during 1953 the world's tea supply was estimated to be 14 per cent short of demand and was met out of carry-over. Dur-

ing 1954, demand for tea continued to go up.

INDONESIA OUT FROM WORLD MARKET

Indonesia used to be an important marginal supplier of tea to the world market in the pre-war period when her annual production was between 160 and 184 million lbs. During 1942-45, Indonesian tea disappeared from the world market. Tea plantations suffered enormous war damages, estimated at 25 per cent in Java and 35 per cent in Sumatra, with the result that output dwindled from 194 million lbs in 1941 to 10 million lbs in 1944. When tea cultivation was resumed in Java in 1947 and in Sumatra a year later, it was expected that Indonesian tea would soon reappear on the world market. However, facts belied such anticipations. As late as 1953, Indonesia produced only 81 million lbs of tea, which is only one-half of the pre-war output. There was only a small rise in 1954 over 1953.

The combined output of India, Pakistan and Ceylon in 1953 exceeded the pre-war production of these countries by over 40 per cent. The Indonesian production declined during the same period by about 56 per cent. The increase in production in other tea producing countries of the world during the above period was not appreciable. No doubt, India and Ceylon have taken advantage of Indonesia's disappearance from the world of tea. With the increase in world population and a general rise in living standards, the consumption of tea has been going up. This would mean, even with the present increased production, the current supply of Indian and Ceylonese teas to the world market would fall behind world demand.

LONDON STOCKS—THE KEY

The trend in world demand and supply is reflected in the stocks of tea held in London, since the United Kingdom is not only the world's best customer, it is also the world's clearing house for tea. Stocks in London during the last few months were at a dangerously low level. Last year's floods in North India and the London dock strike further depleted stocks in London.

Table I—Stocks in London
[in million lbs]

Year	Highest	Lowest
1933	317.1 Jan	253.2 Sept
1934	302.0 Dec	231.9 July
1939	251.3 Jan	93.7 Oct
1952	149.4 May	93.2 Jan
1953	133.5 Jan	90.8 Oct
1954	130.5 Mar	64.5 Nov

As compared with current supplies, consumption has been increasing not only in the United Kingdom and Western Europe but also in the producing countries. From 441.6 million lbs in 1933, consumption of tea in the United Kingdom declined to 347.8 million lbs in 1946. During the post-war period, however, there has been a rise in consumption which rose in 1953 to 464 million lbs. A survey carried out by the Tea Bureau among British housewives suggests that the average weekly consumption per head in 1954 has risen to 3.3 ozs from 3.1 ozs at the time of the 1953 survey.

The cumulative effects of lower output in India owing to finer plucking, low stocks and rising world consumption sent tea prices skyrocketing towards the end of 1954. The rise was not confined to Indian teas, of course; all the principal tea producing countries experienced boom conditions in 1954. The comparative prices of tea at the London

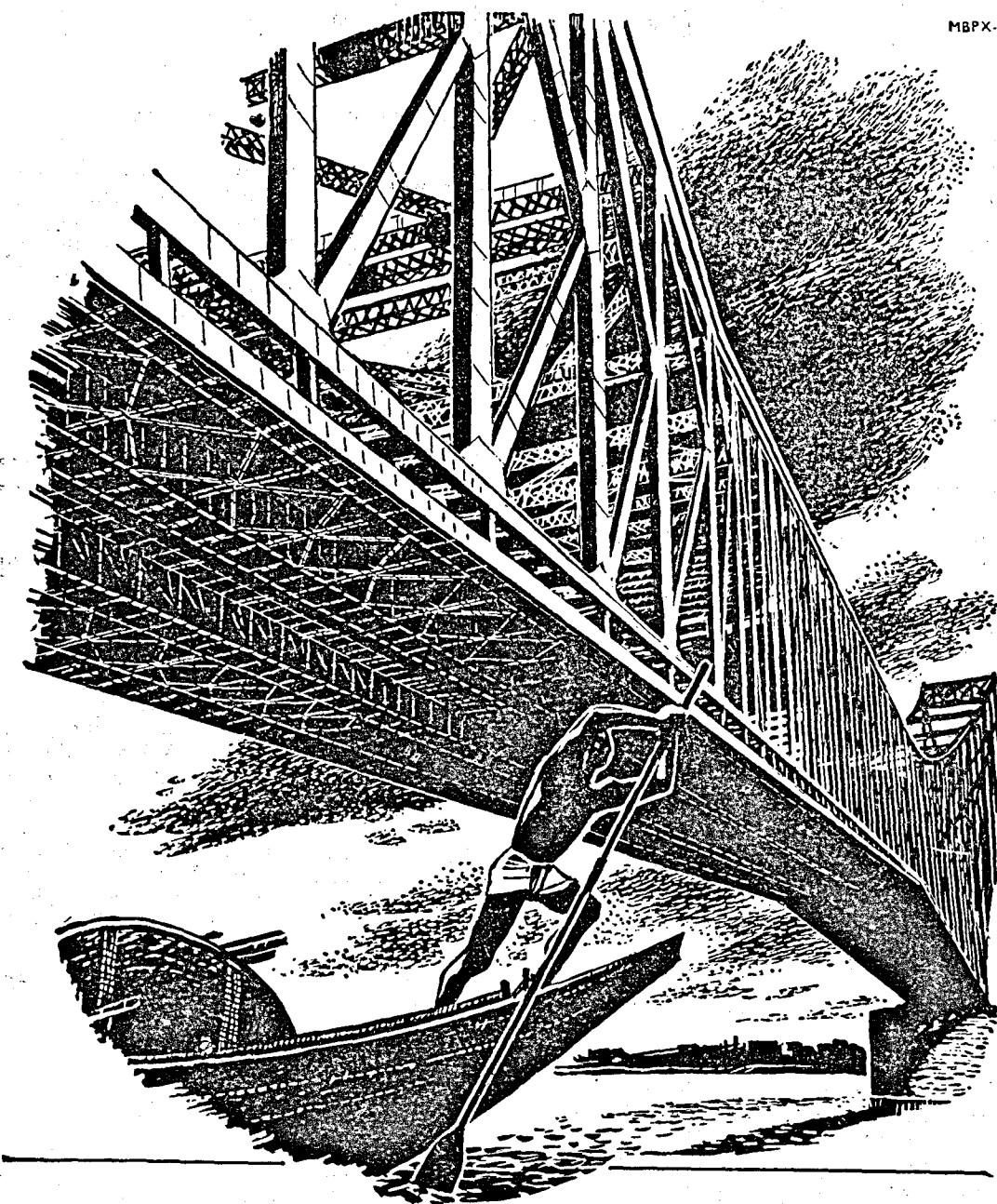
Table II—Prices of Tea at the London Auctions
Annual Averages

	1933	1938	1951	1952	1953	Nov 23, 1953	Nov 22, 1954
	s d	s d	s d	s d	s d	s d	s d
North India	11.66	1 2.22	3 7.90	2 11.94	3 7.42	3 9.9	6 11.2
South India	10.66	1 1.84	3 6.44	2 9.11	3 5.30	3 8.2	6 7.2
Pakistan	—	—	3 5.09	2 3.87	3 2.96	3 8.3	6 5.8
Ceylon	1 1.51	1 3.34	3 10.05	3 10.16	4 0.09	4 1.7	6 11.4
Indonesia*	8.06	1 0.85	3 3.97	2 10.74	3 3.24	3 6.6†	5 4.0†

* Annual averages of 1932 and 1933 relate to Java tea.

† Relating to November 16 and November 8 respectively.

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THE ECONOMIC WEEKLY

auctions given in Table II are illustrative.

It will be seen from Table II that while the prices of Indian teas increased sixfold, prices of Ceylon and Indonesian teas rose only fivefold at the November 1954 auctions, as compared with the 1938 prices. Besides the increase in demand, mounting production costs in all tea-growing areas were the principal factors contributing to the general rising trend in prices.

The prices at the Calcutta auctions show a similar tendency. While the average price of tea with export rights at Calcutta was ruling at Re 0-11-5 per lb in 1939, it rose steadily, to Rs 2-1-0 per lb in 1950. Although prices began to decline afterwards, they have recovered since 1953. The rising price trend in the London auctions, together with the dislocation of the transport system in the plantation areas in North India, gave a fillip to Indian tea prices which started attaining new levels in 1954.

REGULATION OF EXPORTS

Under the International Tea Re-

gulation Scheme, the four leading producers, viz, India, Pakistan, Ceylon and Indonesia, have agreed to limit their exports as also the expansion of their acreage under tea. The Agreement has provided for what are called "standard export figures" for the four countries as follows: India 348.2 million lbs, Pakistan 35.0 million lbs, Ceylon 251.6 million lbs, and Indonesia 173.6 million lbs. For the season, 1954-55, the countries have agreed to limit their exports to 135 per cent of the standard export figure which in the case of India would amount to nearly 470 million lbs.

Apart from the over-all ceiling factor fixed on exports, there is another factor which tends to have a restrictive effect on exports from India, viz, the Government's anxiety to keep the domestic market supplied with its full requirements of tea, so that sufficient tea might be available to the Indian consumer at a fair price. The annual consumption of tea in India is likely to be between 170 and 200 million lbs, and if the full quota of 470 million lbs of tea was to be allowed for export

without, at the same time, overlooking the domestic market, Indian production should be of the order of 640-670 million lbs. Although in 1954 the Indian crop is bigger than that of the previous year, it is quite unlikely that it has still a long way to go before it reaches the level of 670 million lbs. Increasing foreign demand together with the fear that exports might be restricted in case of a fall in the total outturn in India recently sent tea prices, as well as the prices of export quota rights, skyrocketing. Table III gives the trend in the prices of North Indian and South Indian teas since 1933.

EXPORT QUOTA RIGHTS

The question of tea prices is also related to the recent wave of speculation for acquiring export quota rights. Under the Indian Tea Control Act, every producer of tea receives an allotment of export quota, calculated on the best crop year basis of the estate, and these rights are transferable. It appears that while a large number of producers have utilised their export quotas and their export shipments are held up

Table III—Average Prices of Tea at Calcutta and Cochin
(In Rs As Ps per lb)

Period	With export rights					for Internal Consumption		DUST		
	Assam	Cachar	Darjeeling	Total India	S. India	Calcutta	Cochin	Calcutta	Cochin	
1933	0 10 5	0 8 7	0 12 8	0 9 7	—	0 4 10	—	0 5 7	—	
1939	0 12 3	0 10 1	0 13 8	0 11 5	—	0 4 4	—	0 4 5	—	
1947	1 10 8	1 4 0	1 12 9	1 9 5	—	1 3 7	—	1 4 8	—	
1950	2 2 3	1 11 10	2 10 3	2 1 0	2 1 4	1 7 8	1 11 10	1 11 3	1 10 3	
1951	1 15 5	1 8 5	2 2 0	1 13 3	1 15 6	1 3 9	1 13 8	1 11 1	1 12 8	
1952	1 9 2	0 14 7	1 13 1	1 6 5	1 9 8	1 1 6	1 5 8	1 5 8	1 4 11	
1953	2 0 9	1 13 6	2 6 5	1 15 10	1 14 6	1 12 5	1 10 6	1 12 10	1 7 10	
Last available week of Nov '53	1 14 5	1 12 6	2 0 0	1 13 9	2 0 11	1 9 7	1 12 3	1 11 5	1 9 4	
Last available week of Nov '54	3 7 4	3 4 8	3 6 2	3 6 6	3 12 4	2 0 4	2 1 11	2 4 8	2 6 2	

Table IV—Prices of Tea and of Export Quotas during 1954

Last week * of the month in 1954	Calcutta			Cochin			(Per lb)
	With export rights	For internal consumption	Export quota Pies	With export rights	Without export rights	Export quota Pies	
June	2 9 10	2 1 3	54	2 7 11	2 2 9	51	
July	2 13 10	2 1 5	94	2 7 11	2 0 1	92	
August	3 2 11	2 5 6	102	2 13 9	2 0 8	100	
September	3 4 1	2 6 4	134	3 2 9	2 9 9	130	
October	3 4 9	2 4 9	156	3 6 6	2 11 0	156	
November	3 6 6	2 0 4	324	3 12 4	2 1 11	325	

for want of quotas, certain other producers have not produced, or not produced enough, and they have sold their licences to traders who have paid as much as Rs 1-8 per lb. The result of the speculative buying of licences by non-producing interests is that if producers with surplus stocks want to export their teas, they have to buy the quotas at fantastic prices which means that the producers get the world tea price only after deducting the price of export rights.

A controversy was on in the latter half of 1954 among tea interests as to the efficacy of the system of quota rights. Fluctuations in tea prices and trading by dealers and speculators in quota permits are not new features. They caused particular concern recently only because of the very high price to which quotas rose. In the ad hoc com-

mittee's report on tea, it is stated that "during 1949, quota at one period was fetching 4 annas a pound; some years back, we were told, quota was selling at 10 annas. Two annas is a common price."

INDIAN TEA DRINKER PROTECTED

The quota system is a necessary evil. It protects the Indian consumer from fluctuations in world prices. With prices returning to the normal level, speculation in quotas is bound to decline. Indeed, the recent release of an additional quota of 2.5 per cent of tea on the basis of the standard export figure, bringing the total Indian exports to 457.9 million lbs in 1954-55, brought down quota prices early this year.

The latest additional release of tea for export has resulted in the price of the commodity for internal consumption hardening, since the

quantity available for the domestic market will be reduced to that extent. The oversea buyer may be prepared to pay a higher price, and consumer resistance in Britain to rising prices may not be considerable up to a limit, because tea still continues to be cheaper than other beverages. The Tea Bureau's Consumer Survey in Britain (1954) sums up the reaction of consumers to price increases in these words: "The majority (84 per cent) of housewives are aware of recent increases in tea prices, but so far, this has had no apparent effect either on the frequency with which tea is made or on its strength." However, in our anxiety to market our teas abroad at higher prices, we should not lose sight of the potential Indian consumer who is being slowly but steadily led into the tea-drinking habit.

How banking serves the COIR INDUSTRY

PC-438 (A)

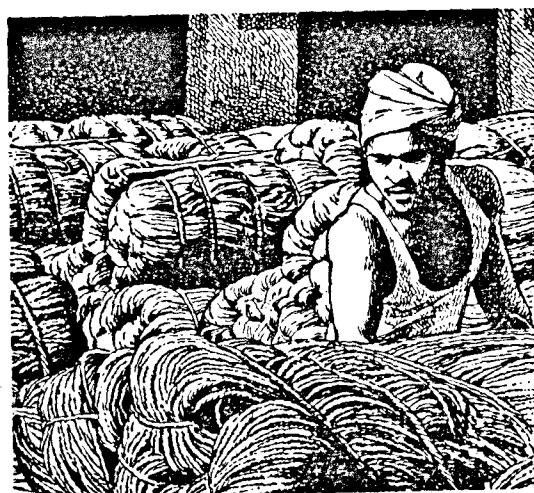
INDIA is the world's chief producer of coir and coir products, her yearly output being around 130,000 tons. More than half this output is exported, earning about ten crores of rupees in foreign exchange. The coir industry, which is exclusively South Indian, is concentrated in Malabar and Travancore-Cochin, and employs over six lakhs of workers.

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Recent Trends in Soviet Budget

M S Bhatia

THE budgetary system of the Soviet Union is different in many ways from the system prevailing in Western democracies. The Soviet budget is a consolidated central pool, comprising the budgets of the Union, Republics forming the Union, and local authorities. The revenue yield of the Union, however, forms a main part of the total. As in other federal governments, there is division of economic, political and social functions among the various governments. Article 14 of the Soviet Constitution reads as follows:

"The jurisdiction of the USSR as represented by its highest organs of State authority and organs of the Government covers:

- Establishment of the national economic plans of the USSR;
- Approval of the single State budget of the USSR as well as of the taxes and revenues which go to the all Union Republics and local budgets;
- Administration of banks, industrial and agricultural establishments and enterprises and trading enterprises of all Union importance;
- Direction of monetary and credit system;
- Raising and granting of loans."

The development of light industries is the responsibility of the federal units (Republics) and local governments. Expenditure on education, public health and other social and cultural services is shared by the Union and republic governments. Defence expenditure and the financing of national economic activities and heavy industries are the functions of the Union Government. The administrative expenses of the various authorities are borne by the Union Government. The function of tax collection is entrusted to the republics but in return they receive unconditional grants-in-aid from the Union. The surpluses and deficits of State-operated enterprises are accounted for in the federal budget. Large-scale enterprises are the complete monopoly of the Union Government. Prices of the commodities produced by the State monopolies are fixed according to national economic needs.

Capital investment in USSR is undertaken only by the State as there are only two economic sectors, the State and the household; a private industrial sector of any consequence no longer exists.

GROWING IMPORTANCE OF STATE BUDGET

In USSR, the State participates substantially in the collection and distribution of national income. More than 70 per cent of the national income passed through national budget in 1950, compared to only 42.9 per cent in 1931. An increasing share of the national income is thus going through the State budget. Except for consumption expenditure, a part of working funds and capital expansion of heavy industries, capital expenditure of non-socialized enterprises, all other items of income and expenditure are included in the Soviet national budget.

In recent years, the budget session of the Supreme Soviet has become more and more informative and a considerable volume of statistical data is released nowadays but frequent changes in method of tabulation make comparison with previous years difficult. Except for the unchanging Finance Minister, Mr Arseny Zverev, no other top-ranking leader used to participate in the budget discussions formerly. But in the last few years, particularly after the death of Stalin, top Soviet leaders like Khrushchev, Mikoyan, Kaganovich and Malenkov have been taking part in the budget debate and have provided in the course of their speeches comprehensive political, economic and statistical information. Mr M

Malenkov who resigned from Prime Ministership during the last budget session on the ground that his agricultural policy had failed, has further enhanced the importance of the budget session. The increased participation of the Soviet leaders in the budget session would have been better appreciated by economists and financial experts elsewhere, had less emphasis been given to propaganda while giving out statistics.

TURNOVER TAX

From Table I it may be seen that by far the largest source of revenue in the Soviet Union is the turnover tax which contributed 246.9 billion roubles in 1952; 243.6 billion roubles in 1953; and 234.3 billion roubles in 1954. The yield of the turnover tax is gradually decreasing, following the reductions in retail prices and increases in prices paid by the State to agricultural producers. In 1945, the yield from turnover tax accounted for 45.1 per cent of the total revenue but in 1954, its share went down to 40 per cent. Mikoyan says that retail prices in 1954 are 25 per cent below 1950 level but the decrease in the yield of turnover tax is more due to inaccurate method of calculation. Turnover tax is not levied as a percentage of wholesale or retail price; it is the difference between the factory wholesale tax-free price and retail price, or a fixed sum. In order to soften its regressive effect, there are more than 2,500 different rates of the turnover tax. It is imposed on almost all consumption articles. It has been estimated by A Yugow that the turnover taxes on food products account for three-fourths of the total yield of this

Table I—Revenue of the Soviet Union

(billions of roubles)

	1952	1953	1954
Turnover tax	246.9	243.6	234.3
Deduction from profits	58.5	70.3	92.8
Direct taxes	47.4	46.1	45.7
Loan revenue	36.3	17.3	15.9
Social Insurance Fund	21.9	23.2	24.7
Increase in Savings Banks balances	4.5	12.0	10.0
Other revenue	82.2	127.2	149.1
Total	497.7	539.7	572.5

tax. In the hands of the USSR authorities, it is a powerful weapon not only of fiscal, but of economic and social policy.

PROFITS OF STATE ENTERPRISES

The profits of the State enterprises were planned to reach a record total of 111.5 billion roubles in 1953; they actually accounted for 70.3 billion roubles only. The shortfall was due to failure to reduce costs in a number of important sectors of the economy. In 1952 and 1954, the yield under this head was 58.5 and 92.8 billion roubles, respectively. The Finance Minister of the Soviet Union explained that productivity in timber haulage was still some 4 per cent below pre-war, despite increased mechanization and that planned costs of construction of electricity generation, of manufacture of building materials, and in the food processing industry were considerably exceeded and that half of the coal mines did not fulfil productivity plans in 1953. These were responsible for a shortfall of 31.2 billion roubles in planned profits from State enterprises in 1953.

INCOME TAX IN THE SOVIET UNION

The principal direct taxes in the USSR are income tax and the agricultural tax. The rates of taxes on income rise progressively with rising incomes, but they also vary according to professions, i.e., workers, artists, engineers and professors. Individual enterprises have to pay a higher rate of income tax in comparison to socialized enterprises. Bachelors and childless couples have also to pay at a higher rate than heads of big families. Those who are exempted from military training have similarly to pay a higher rate.

FALL IN DIRECT TAXES

Agricultural tax is some percentage of the gross profits of the collective farms which is paid by the members of the collective. Direct taxes contributed 47.4 billion roubles in 1952 to the national budget. In the year 1954 it yielded 45.7 billion roubles. This downward trend in the yield of direct taxes is associated with reductions in the tax rates on the private plots of peasants which was one of the features of agricultural reforms in 1953. Mr A Nove says "the taxes had been deliberately set so high that they were forcing millions of peasants to dispose of their livestock and restrict savings". The yield

from the agricultural tax declined in 1954 to 4.23 billion roubles from about 10 billion roubles in 1952. The loss in direct taxes resulting from agricultural reforms had been estimated at 4.1 billion roubles; the actual loss exceeded estimate by two billion roubles. In order to safeguard the interests of collective farms, financial and other penalties have been imposed on individuals who fail to produce the required output. The minimum output which a peasant is required to produce has also been reduced in order to satisfy the discontented farmers.

CAPITAL RECEIPTS

The Soviet budget is not divided into capital and revenue budgets and the capital budget is mixed up with the national budget. Receipts from loans not accounted separately amounted to 36.3 billion roubles in 1952 and 15.9 billion roubles in 1954. Loans are of several

kinds. Firstly, there is mass loan which is raised compulsorily from all citizens. Secondly, there is lottery loan on which no interest is paid but a few lucky bond holders can be given 3 per cent interest if luck favours them. It is a voluntary transaction. Holders of lottery bonds can sell their bonds freely. Loans are also received from State enterprises and saving banks, as obligatory quota, as these institutions are required to hold Government bonds as a part of their funds. Total receipts from loans decreased from 36.3 billion roubles in 1952 to 15.9 billion roubles in 1954. The prices from the last few years are falling, therefore it was not thought advisable to raise loans since they had to be paid back in due course at their face value.

The Social Insurance Fund yielded 24.7 billion roubles in 1954 compared to 23.2 in 1953 and 21.9 in 1952. The revenue of this Fund is received from State enterprises as contributions, proportionate to their wage payments. Dr N Jasny estimated that this Fund amounted to 9.6 per cent of the total wage payments in 1952. The percentage of the wage bill that goes to it varies according to the branch of economy concerned. Though hitherto only whole-time employees of the State could be benefited by this Fund, about a million of tractor-men who were part-time workers in collective farms were included in the list of beneficiaries in 1954.

'Other revenue' includes premia received from insurance and the income of the machine tractor stations (MTS). Insurance is of two kinds, that for life and old age—this is obligatory—and endowment and other forms of insurance. The yield of the unspecified items increased from 82.2 billion roubles in 1952 to 149.1 billion roubles in 1954. 'Other revenue' included 6 billion roubles in 1952 from MTS. MTS service is provided to collective farms for which they are charged. It is

expected that the yield of MTS will increase because of increase in the volume of work and increase in the service rates. Taxes are levied on producers' co-operatives and collective enterprises. The yield of these taxes was 9.3 billion roubles in 1952. The collective farms have to pay taxes on their gross income. Local taxes and levies which consist of taxes on land, buildings and Kolkhon markets amounted to 7.2 billion roubles in 1951 (*Rural Taxation in the USSR* by Nove). Mr Plotnikov estimated that other tax revenue which also includes registration fee, fines, confiscated property and unclaimed postal packets received from these resources 13.5 billion roubles in 1949. Perhaps because foreign trade of the USSR is itself meagre, revenue from customs is insignificant.

INVESTMENT IN INDUSTRY

Turning to expenditure, it will be seen that the amount of allocation to national economy has been going up since 1952. In 1954 it amounted to 216.3 billion roubles while in 1952 and 1953 it was 178.8 and 180.5 billion roubles respectively. This item is composed of expenditure on investment, stock increase in the economy, subsidies, MTS outlay and experimental work. In the year 1954 expenditure on MTS rose to 30.8 billion roubles from 2.6 billion roubles in 1953. This was due to the extra expenditure on labour and extension work undertaken by MTS. The investment plans could not be fulfilled during the last few years. In 1953 construction plans could be executed to the extent of 85 per cent of the total estimated. The investment on heavy industry during the last few years has increased substantially and there has been a striking increase in the investment in light industry. Marshal Bulganin, the new Prime Minister, addressing the combined budget session of the two chambers of the Supreme Soviet on the 9th this month, said that the

heavy industry "which has developed by three and a half times since before the war" would be developed further. Heavy industry accounted for 90.5 billion roubles in 1954 and 81 billion roubles in 1953, while light industry could attract investment of 14.0 and 7.6 billion roubles in 1954 and 1953 respectively. In the years 1953 and 1954 the expenditure on the construction of houses amounted to 19.4 and 25.5 billion roubles, respectively.

Expenditure on cultural and social development has also increased substantially. This includes expenditure on education, health and social insurance, and social security. Out of the total expenditure of 141.4 billion roubles in 1954 under this head, education and health accounted for 67.2 and 29.3 billion roubles, respectively. The outlay on social security and social insurance amounted to 44.9 billion roubles in 1954 compared to 42 billion roubles in 1952.

Defence expenditure amounting to 100.3 billion roubles in 1954 accounted for 20 per cent of the total expenditure. Following reduction in prices and transfer of items of research from defence ministry to other ministries, the defence expenditure decreased in 1954 from the previous years. Due to the increase in international tension, however, the amount budgeted for defence for the year 1955 is higher at 112.1 billion roubles. Expenditure on atomic energy research, it is interesting to note, has been charged to the Ministry of Education.

Table III—Budgetary Position

Year	(billion of roubles)		
	Total revenue	Total expenditure	Surplus
1952	497.7	460.2	37.5
1953	539.7	530.5	24.9
1954(B)	572.5	562.8	9.7
1955(B)	589.6	562.9	26.7

Both revenue and expenditure of the USSR have increased substantially in recent years, as can be seen from Table III. While revenues have risen by 91.9 billion roubles from 1952 to 1955, expenditure estimated in 1955 budget exceeds that of 1952 by 102.7 billion roubles. The Soviet Union always seems to have surplus budgets though the surplus in 1954 amounted only to 9.7 billion roubles, while in the earlier years it never fell below 24 billion roubles. The reduction in surplus in 1954 has been due to increased expenditure on social services and developmental outlay.

Table II—Expenditure of the Soviet Union

	(billion of roubles)		
	1952	1953	1954
Allocation to national economy ..	178.8	180.5	216.3
Social and cultural expenditure ..	122.8	128.8	141.4
Administration	108.6	109.0	100.3
Defence	14.4	14.3	13.9
Loan service	6.8	9.8	10.5
Other expenditure	28.8	72.4	80.4
Total	460.2	530.5	562.8

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Social Welfare and the Plan

(From A Correspondent)

AT one stage, the need for building up the national economy from the village upwards was being emphasised, that accent has not been so evident in recent discussions on planning. The village and the villager and their prosperity and progress have an enormous bearing on national economic progress as a whole. This has been recognised and acknowledged in the Community Projects programmes and in the national extension service programme, and perhaps it will be argued and it is quite possible too that these schemes which are already there will take ample care of the village and rural welfare problems.

Nevertheless it is essential that the greater emphasis that is currently being put on industrialisation should not divert interest from the rural sector. The impact of industrialisation will be mainly on the urban areas and the increase in incomes which it is expected to produce will benefit mainly the industrial workers and others employed in industrial, commercial, transport, communications and other lines of business connected with industry. It does have an indirect bearing on the life of the villager—particularly the landless labourer—in that it may induce the landless labourer to migrate to the town in search of employment on higher wages if he finds the village does not offer him similar or equal opportunities. The agriculturist will benefit also, again indirectly, as some of his basic requirements like fertiliser or steel and iron or cement, will become available to him more easily than before, following the expansion of these industries.

At a particular stage in the determination of plans and targets for the second Five-Year Plan, the needs of the rural and urban areas, the needs of agriculture and industry and the relationship between large and small-scale industries will have to be examined with a view to bringing about a close co-ordination—if not integration—between the two areas and fields of development. Such co-ordination should have as its main objective the prevention of the migration of village talent and the village population generally to the urban areas, by seeing to it that the villages themselves provide ample opportunities for the utilisation of local talent in gainful employment. The employment prospects in the rural sector

will have to be vigorously canvassed in this connection.

RURAL WELFARE WITHOUT LAND REFORM?

In considering the problems of the second Plan, there is also the need—or should be—for simultaneous and continuous consideration of the problems of land reforms. Apart from the political aspects of the problem, there is ethical and moral justification for land reforms, including the imposition of a ceiling on land holdings, which can fill the vacuum created by the abolition of zamindari and other estates. The peasantry's benefits from zamindari abolition will be neutralised if further reforms regarding land are not undertaken by the state governments.

The Planning Commission has this matter already on the tapis and high priority is being given to land reforms like ensuring permanency and fixity of tenures, moratorium on agricultural debts and imposition of an agricultural income tax in some of those states in which estate abolition has become an accomplished fact. Land reforms are also an indispensable factor in the furtherance of the rural welfare programmes under the community development and the national extension service schemes, in so far as they would enthuse the villagers in general and the smaller agriculturists and tenant farmers in particular, to participate actively in local development works. Rural welfare and tenancy reforms, it is increasingly evident, cannot be separated.

SOCIAL WELFARE SERVICES

Lastly, there is the series of problems of social welfare and social services which require to be examined in connection with the formulation of the second Five-Year Plan. There is a general feeling that, while the first Five-Year Plan has made a notable contribution to placing social welfare problems in the picture, those problems had not received the attention which their importance deserved. The need for making a larger provision for social welfare activities, which should be at least twice if not thrice the amount appropriated for them in the first plan (that is to say, about Rs 1,500 crores out of the proposed outlay of Rs 5,000 crores) as well as for co-ordinating the activities now scattered in a num-

ber of Government and state departments and ministries, is incontestable.

WANTED: A PANEL OF SOCIAL SCIENTISTS

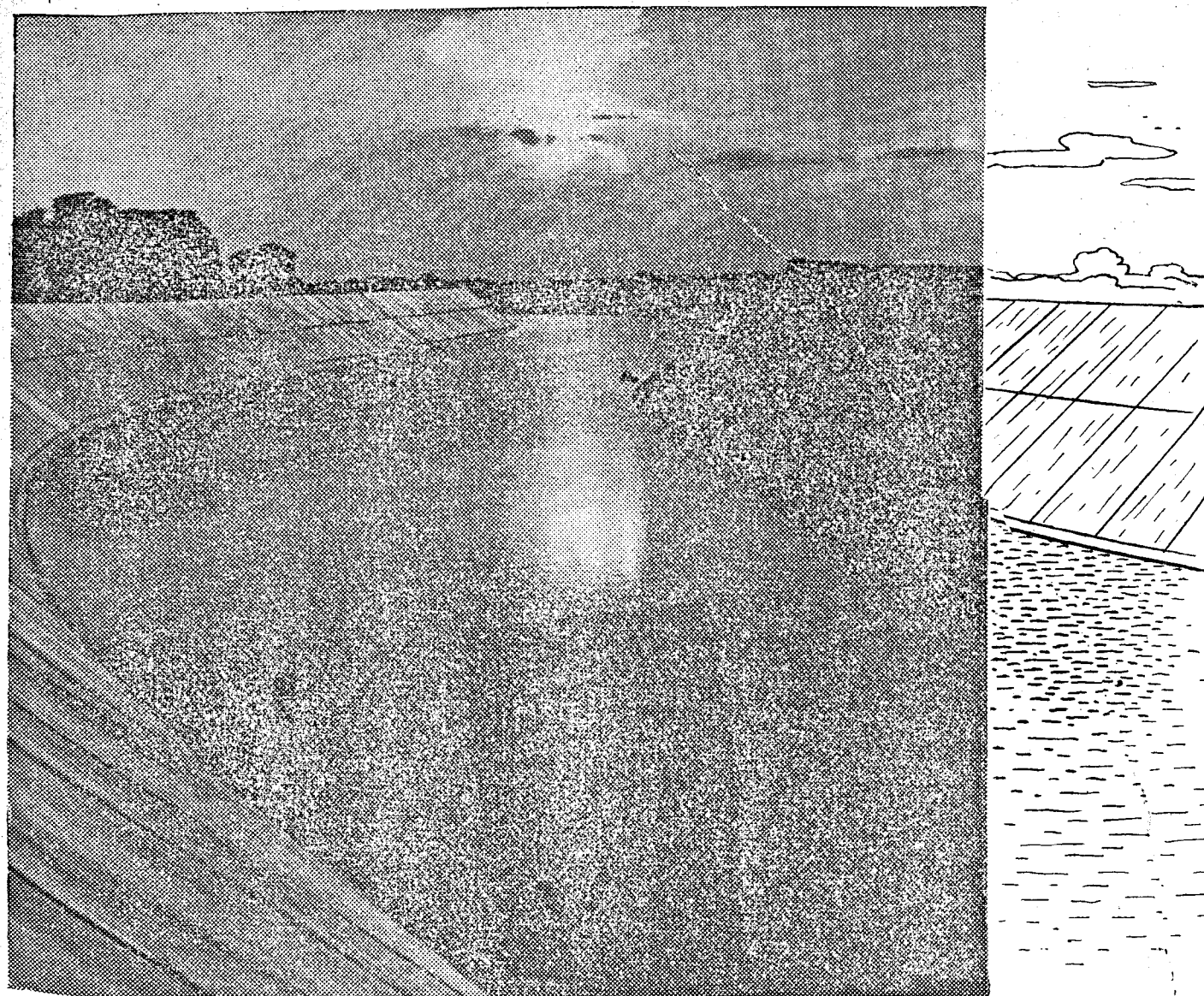
Social welfare work should go hand in hand with field surveys in the field of social welfare, social research and provision of more extensive welfare services, and the existing official agencies should be enabled to extend their helpful hand in this respect. Just as a panel of economists has been constituted to advise the Planning Commission in respect of economic planning, the appointment of a competent advisory committee of social scientists to assist in the formulation of schemes and programmes in this field is an imperative need. The Central Social Welfare Board can profitably extend its activities to cover assistance to various institutions and schemes for benefiting the socially vulnerable and defenceless sections, which are not already being covered in its programmes.

STRESS AND STRAIN

Social welfare problems arising out of the stresses of increasing industrialisation and progressive disintegration of the traditional pattern of rural and community life, are of paramount importance as also the problems of backward communities like the Scheduled Tribes and Castes and the backward classes. The beggars, the destitutes, the socially defenceless and maladjusted are among the groups which demand special attention if measures for raising the standards of living are to have any real meaning and permanent effect. The raising of the standard of life of these groups should be regarded as an important and integral part of the measures for raising the standards of living of the population as a whole. The socially backward, the socially unadjusted or mal-adjusted, the delinquent and the socially weak have to be brought up in the social scale and enabled to find their place in the structure of national life, from which social and economic inequalities and injustices are being progressively eliminated.

PROBLEMS OF WELFARE

The interdependence of social welfare problems and economic problems is apt to be overlooked, and indifference in the sphere is apt to



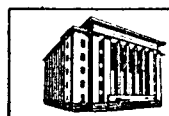
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“Cornering” of Shares

Wednesday, Evening

RECENT developments on the Calcutta Stock Exchange are true to type. Equities are drifting downward from the fear that the budget will raise the tax load. Experts are warning investors not to take any interest in stock markets before the budget. Buyers are scarce. Weak holders are liquidating. That is why, equities are gradually registering lower levels.

Tax fears prevail. But there are reasons to believe that the current phase of the stock markets is not entirely a reflection of ‘budgetitis’. It is, of course, obvious that an increase in taxation in the Central budget will have a further adverse effect on stock markets. It is equally clear that equities will rebound upward, if tax fears do not materialise. But it is, perhaps, not yet widely realised that equities may not reach the peak levels of the third quarter of 1954 even if the Central budget does not disclose any increase in the tax load. Basically, the current phase of the stock market is a reflection of the re-defined Congress aim of ensuring a socialistic pattern of economy.

Tea Auctions

To come to details, Tea shares are lower because of the uncertain and erratic trends in recent tea auctions. For the second week in succession, prices have been lower at export tea auctions. Internal tea auctions remain irregularly buoyant. But the realisation is growing that the peak of export prices and of demand has already been reached for this season. That is why, Tea shares are falling. Even so, there is occasional support for some selected Tea shares. This may be partly due to dividend considerations, but it seems to be a reflection mainly of, what is popularly known as, cornering of shares.

No such influence is visible in operation in Jute shares. These shares are going down because everybody is agreed that, at current high prices for raw jute, the industry cannot undertake simultaneous business in raw jute and jute goods with any profit. As raw jute prices rise, jute goods tend to move up. As jute goods prices rise, doubts arise whether exports will be maintained. From output data for

January, it would seem the industry is trying to resolve the dilemma by restricting output. This is a debatable recipe.

Legal Loophole

In and around Lyon's Range, the most lively topic for discussion now is the ethics or unethics of cornering of shares. Many shares were cornered during and immediately after the war. That was how foreign capital was disinvested. Then, as now, the monetary authorities did not deem it proper to exercise control over these operations. Transfer of ownership to Indian hands was initially welcomed. Later, the realisation dawned that it was unwise to effect such change of ownership at fantastically inflationary costs.

About three years ago, a related operation was initiated. It had more than one objective. Some managing agents in Calcutta manage too many companies. Since the publication of the Report of the Committee on Company Law Reform, it became known that the managing agency system would be re-adjusted. Some parties started buying shares of companies managed by some managing agents in order to acquire controlling interest in some of the better conducted companies.

To prevent such activities, the Government introduced legislation which required previous sanction for transfer of managing agency rights and ownership. Some of the companies' shares are now being, to use a popular though not accurate terminology, cornered on the argument that the amendment does not debar change of managing agents or company ownership if the new party or parties put the management of the company in the hands of a director. Evidently, this loophole is being exploited.

Director-Manager

From current discussions on the subject, it would seem that confusion is widely prevalent. What the Government's proposals relating to managing agents are, are not known clearly. It is, however, known that the Government is in favour of substantial modifications in the managing agency system. This should have discouraged the recent activ-

ities of some parties to acquire managing agency rights. It is argued that these activities are thriving because the law does not prevent any transfer of ownership or of managing agency if the change involves replacement of managing agents by director-managers.

This is a legal loophole which will have to be filled in. It will be recalled that the Company Law Reform Committee not only made certain recommendations relating to the managing agency system, but that it also suggested certain readjustments relating to the appointment and rights of directors. It will not be difficult for some of the present managing agency houses to bypass the law by perpetuating the present arrangement through appointment of family members or managing agency partners as directors of the various companies concerned. This is an aspect which will have to be seriously considered by the Government.

Strange Logic

Apart from these wider issues, an interesting episode may now be discussed. Shri B N Chaturvedi, President of the Calcutta Stock Exchange Association Ltd, has gone on record in defence of cornering of shares. One lives to learn. One had to live to witness the current phase of stock market activity in Calcutta, to know that the President of a reputed Stock Exchange like the Calcutta Stock Exchange Association finds nothing wrong in cornering of shares.

His explanation is ingenious. “Experience shows that, in most cases,” he argues, “shareholders benefit in that they obtain a better price than the prevailing one for equities which have been cornered.” On this reasoning, the President of the Calcutta Stock Exchange would seem to favour the activities of all “bull” gamblers or syndicates. Here, the question is not whether Calcutta's experience is that new managing agents have managed the cornered companies better than the replaced agents.

The basic problems that are involved have been discussed in an earlier issue of this journal. But it is strange logic that there is nothing wrong in cornering of shares, as,

ment will necessarily involve something of the latter.

REGIONAL DISPARITIES MUST GO

One last point may be mentioned in conclusion. It is that in the context of the geographical and topographical vastness of India's territory, a uniform pattern of either the planning or implementation of development projects cannot be regarded as easily attainable, even if it may be desirable. Problems and conditions differ with states and regions, and while attempting to fit them into a common pattern, their existence will have to be recognised and provided for. Thus in South India, the pressing need is for land reforms, and for utilising the vast natural resources of the region for economic development. Potentialities of an economic revolution lie imbedded in the effective utilisation of the lignite deposits, extending over a 100 square mile stretch of territory in South Arcot district, for generating life-giving power.

In the Andhra and Hyderabad states, the construction of an irrigation project by which the perennial waters of the rivers Godavari and Krishna can be harnessed for extend-

ing irrigation and cultivation is a matter of top priority. The mineral resources of this area, of which no precise estimate exists now, should be exploited and utilised as part of the national plan.

Again since the exploitation of the country's physical resources should have as its principal goal the advancement of the happiness of human beings and since social solidarity and community feeling have a vital bearing on the success of economic planning, another problem in the South which demands attention is the easing of social tensions. The deepening of these tensions among communities and castes is a distressing fact, which obstructs co-operative endeavour for social or economic progress, and have to be strenuously fought and eradicated. The path to that desirable goal should be through ameliorative agrarian and economic measures which alone can remove the root cause of social and economic disparities.

The conclusion to which what has been said above points is that planning on a regional and state basis should form an integral part of national planning and that an adjustment of both objectives and schemes in these two spheres is indispensable.

EMPIRE'S...

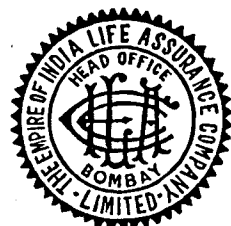
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bring its retribution by acting as a retarding agent to the progress aimed at. The first five year plan has spelled out the various problems of social welfare and relief to the socially weak and distressed, and has recommended the establishment of an autonomous social welfare board to implement the initial measures needed in that connection. These measures should be expanded and integration of social welfare with economic welfare measures has to be worked out in the second Five-Year Plan. The need for such integration is inherent in the basic fact that in both spheres the private sector has a vital role to play side by side with the public sector and that in both of them comprehensive, all-out and co-ordinated action, as distinct from action on individualised items or problems or isolated treatment of the different problems, is demanded if lasting results are to be achieved.

Far and away, the most significant consideration in drawing up the second Five-Year Plan, and in fact planning in general, will be the techniques that are adopted in achieving the twin objectives referred to above. It is probably too early to prescribe targets in specific fields, but when they are decided upon, they will have to be not in isolation from the financial and physical resources that are available or can be developed and mobilised even while the plan is being implemented in its different segments. It will also have to be based on public co-operation in general, and the co-operation of the particular section of the people affected by a particular programme. To enlist such co-operation, the expert advice of social scientists will be invaluable. The motives that stimulate men to purposeful activity are not listed in government files.

The political factor has to be constantly kept in view, and it cannot be forgotten that any wide divergence between targets fixed and actual accomplishment will produce most unfavourable reactions, which may upset the democratic apperception. Apathy and indifference will have to be fought with these weapons—increased employment, both urban and rural, a rapid increase in industrial and agricultural production through provision of necessary incentives for it and reduction of inequalities in incomes. This last mentioned objective is best achieved through a process of levelling up of the incomes of those in the lower income brackets and not by a levelling down of those in the higher income brackets, though the process of adjust-

ultimately, it is the cornerer alone who is likely to suffer. It cannot be overemphasised that cornering of shares is an activity which is not necessarily identical with an attempt to acquire a controlling interest in a company. Complex problems arise out of attempts to oust the existing managing agents. But cornering of

shares, as such, is a stock market activity which should be discouraged.

Admittedly, more than one motive is involved in the recent move of block buying of shares on the Calcutta Stock Exchange. It has some relation to issues of bonus shares.

But one must confess one's surprise at hearing arguments which imply that if the company concerned does not capitalise its reserves, some enterprising party has the right to make an attempt at cornering the shares concerned so that shareholders can benefit. This is strange logic indeed!

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Budget Fears

Thursday, Morning

BOMBAY Stock Exchange which was very steady till last Friday, suffered a sharp decline on Monday. Steels lost all they had gained in the previous month and all the sections suffered notable losses. Subsequently, however, the market steadied at a slightly higher level on bear covering and scattered support for steels.

Consistently discouraging behaviour of Textile shares was the chief factor to cause tired bull liquidation and speculative short selling. Budget fears and rumours further created nervousness and confidence was shaken.

The subdued working of the Textile section for the last four months has checked bullish activity in steels. Slow offtake in the cloth market, and the recent award on labour bonus have raised doubts about the future profits in textiles. The doubts have been confirmed by the results of some of the prominent textile units such as those of the Brady group who have cut their dividends. Lower profits are apprehended for Kohinoor and Swadeshi also. All this has discouraged new buyers.

At the moment, the market is thick with rumours about higher excise duties on cloth, and so no big support is likely to come before the budget is out. After the budget, the situation may change as the outlook for Textiles does not seem to be so gloomy as is thought now. Exports in textiles are conti-

nuing to be satisfactory and there is every reason to believe that they would continue at a reasonably high level. Some of the cotton mills are likely to issue bonus shares if no surcharge is proposed in the budget. The issue of bonus shares may change the outlook for textiles.

From the table of fluctuations during this week, it will be seen that Scindia, Premier Construction and ACC have maintained their values while the market as a whole declined. Selling pressure in Scindias was totally absent at low levels and this is worth noting. ACC made up lost ground on the news that the company will undertake the manufacture of capital goods in conjunction with a British firm. Banks and gilt-edged ruled steady. Delivery of Tata Ordinary at the last settlement amounted to 12,495 shares.

Free Imports of Gold Demanded

BULLION which initially displayed a strong tendency eased at the end of the week. Profit taking by Calcutta operators caused notable decline in gold. Selling pressure in silver was absorbed by short covering and on balance, prices did not decline, as compared with the previous week-end quotations, although the gains during the current week were completely wiped out. The fall, however, seems to be a technical one, and the tendency is steady.

All-India Bullion Traders' Con-

vention which met in Bombay last Sunday passed many resolutions, two of which are important—(1) Protest against amendment to Sea Customs Act, by which the burden of proof in case of smuggled goods is to lie on the accused and (2) Demand to remove the ban on import of bullion imposed in 1947.

	Feb 9	Feb 16
Gold	Rs as	Rs as
(Fagan)	93- 1	92- 4
Silver		
(Fagan)	163-13	163-10

Export Quota No Help

LAST week's notification announcing further export quota did not help the cotton market recoup its losses. Initial gains were wiped out by tired bull liquidation and upcountry advices continued to be weak throughout the week. As mills were buyers at lower levels, there was selling pressure at such levels. The tendency is quietly steady.

	Feb 9	Feb 16
	Rs as	Rs as
Cotton May	573-12	573- 8

Shippers are Happy

STEADY conditions were witnessed in groundnuts and the undertone appears to be firm. Shippers were happy as they could overcome the difficulty of shipping groundnut oil before March, thanks to the co-operation by shipping lines. This led to brisk advance in groundnuts, but the top gains were lost on profit taking.

London quotation for groundnut oil which had earlier eased to £96 per ton, rose to £100.

	Feb 9	Feb 16
Groundnuts	Rs as	Rs as
April-May	22- 5	22- 7

Castor seeds market moved both ways on alternate bouts of short covering and liquidation of long positions. Steady to firm conditions in other oilseeds, however, helped to keep short selling in check. Traders hope that export duty on castors will be removed at the time of the budget. The tendency is steady, and moderate shipping business is reported. Foreign quotations were unchanged.

	Feb 9	Feb 16
	Rs as	Rs as
Castor May	79- 4	78- 8

MARKET LEADERS DURING THE WEEK

(In Rupees and Annas)

	Closing Feb 9	Week's High Low		Closing Feb 16
Tata Steel	229- 8	231-12	223- 8	226-12
Indian Iron	32-15	33- 3	32- 9½	32-11½
Bombay Dyeing	475- 0	475-10	455- 0	461- 4
Century	373- 4	372- 0	358- 0	360- 0
Kohinoor	323- 8	323- 0	312- 0	315- 0
B'bay Burmah old	457- 8	457- 8	436- 4	441-14
ACC	171- 0	171-12	167- 0	171-12
National Rayon	199- 0	199- 8	189- 8	190- 4
Premier Const.	152- 0	154- 8	149- 0	153- 0
Scindia	15-10	15-12½	15- 6	15-11
Tata Chemicals	16-14½	16-15	16- 7	16- 8
Bank of India	147- 8	148- 0	147- 8	148- 0
Central Bank	52- 4	52- 4	52- 0	52- 0
New India	55- 4	55- 4	54- 0	54- 8
3% Con. Paper	81- 0	81- 0	80-15	80-15

CURRENT STATISTICS

BANKING RETURNS

(Rs Crores)

	Latest Week†	A Week ago	A Month ago	A Year ago
Money supply with the public				
a) Note circulation	1242.57	1231.82	1224.51	1179.56
b) Rupee Coin	103.10	103.82	104.09	93.43
c) Cash on hand with the Scheduled Banks	32.72	33.94	32.79	32.10
d) Demand liabilities of Scheduled Banks (net)	571.77	569.73	561.06	510.05
e) Deposits with Reserve Bank				
i) Other Governmentments	11.08	19.36	13.94	17.00
ii) Others	34.03	34.16	33.85	62.62
Reserve Bank				
a) Foreign Securities	663.15	663.15	653.21	638.15
b) Balances held abroad	69.30	71.72	76.56	101.43
c) Rupee Securities	447.74	437.63	437.63	421.34
d) Investments	64.05	69.59	71.93	71.21
e) Loans and advances to Governments	1.24	0.95	2.73	1.02
f) Central Government's Deposits	52.58	48.84	55.47	91.54
g) Banks' Deposits	48.78	54.89	60.32	40.31
Scheduled Banks				
a) Time Liabilities	369.17	370.43	367.34	329.45
b) Borrowings from Reserve Bank	9.53	8.15	6.68	17.34
of which against Usance Bills	4.59	3.57	3.35	4.40
c) Advances and Bills discounted	569.92	559.98	551.51	511.26
of which Imperial Bank's	109.66	105.75	104.19	122.50
d) Investments of which Imperial Bank's	354.47	352.79	349.04	322.20
of which Imperial Bank's	101.01	99.26	98.48	79.62
Cheque Clearances	131.19	155.79	127.98	116.1

† For Money Supply, Cheque Clearances and Reserve Bank 11-2-55, Scheduled Banks week ended 4-2-55.

Bombay Money Rates	11-2-55	4-2-55	14-1-54	12-2-54
Inter-Bank Call Rate	2 7/8	2 7/8	2 7/8	2 7/8
3 months deposits	3	3	3	2 7/8
6 months deposits	3	3	3	2 7/8

Bombay Bullion	17-2-55	A Week Ago	A Month Ago	A Year Ago
Gold Spot (per fine tola)	92-14-0	93-11	89-10	90-14
" Forward	92-1-0	92-15	89-2	90-1
Silver Spot (per 100 tolas)	164-3-0	164-8	157-1	170-10
" Forward	163-14-0	164-4	157-4	170-8

INDUSTRIAL DISPUTES

(Raesulting in Work-Stoppages involving 10 workers or more)

Year/Month	No of disputes Start-ing	In pro-gress	No of workers involved Start-ing	In pro-gress	Total No of man-days lost
1947	—	1,811	—	1,840,784	16,562,666
1951	—	1,071	—	691,321	3,818,928
1952	—	963	—	809,242	3,336,961
1953	—	772	—	466,607	3,382,608
1954 :					
Jan	62	84	34,049	51,973	325,514
Feb	61	85	26,419	41,351	344,295
March	70	91	21,496	34,202	331,419
April	78	101	30,062	34,963	207,247
May	56	60	27,806	40,073	216,064
June	60	81	14,723	21,349	204,838
July	105	120	22,529	29,931	275,506
Aug	59	78	36,262	57,072	322,545
Sep	74	94	34,633	49,885	383,138
Oct	59	81	28,741	39,787	272,944

N.B.—Figures for 1954 are provisional.

Source : Indian Labour Gazette

"ALL-INDIA" FIRST ESTIMATE OF KHARIF CEREALS

(Area '000 acres)

Cereals	1954-55	1953-54	% Change
Rice	62,630	67,823	-7.7
Jowar	26,366	67,009	-2.4
Bajra	25,174	26,629	-5.5
Maize	8,927	8,825	+1.2
Ragi	5,045	4,981	+1.3
Total ..	128,142	135,267	-5.3

Source : Ministry of Food and Agriculture

SUGAR STATISTICS

(Nov 1 to Jan 31)

(lakh tons)

	Production	Despatches	Closing Stocks	Imports
1954-55	6.49	1.53	5.53	2.19
1953-54	5.41	2.90	4.46	1.54

Source :— Ministry of Food & Agriculture

YIELD PER ACRE OF PRINCIPAL CROPS IN INDIA

(lbs)

	1953-54	1952-53	1951-52	1947-48
Rice	791	679	637	739
Wheat	669	681	582	599
Cotton (Lint)	91	78	76	80
Jute	1,046	1,014	959	1,017
Groundnut	744	545	579	758
(Nuts in shell)				
Tobacco	644	603	647	634
Sugarcane (Gur)	2,873	2,632	2,805	3,213

Source : Ministry of Food & Agriculture

INDEX NUMBERS OF WHOLESALE PRICES WORKING CLASS COST OF LIVING INDEX

(Base : Year ended August 1939 = 100)

(Base : August 1944 = 100)

Group and Sub-group	Week ended 29-1-55	A Week Ago	A Month Ago	A Year Ago	1948	1949	1950	1951	1952	1953	1954	1955
I. Food Articles	302.5	305.6†	318.4	379.8	146	132	137	168	137	166	137	166
Cereals	336	342	365	439	151	137	164	147	171	171	171	171
Pulses	246	241	336	411	153	137	165	163	193	193	193	193
Others	264	265†	269*	288	168	136	167	181	188	188	188	188
II. Industrial Raw Materials	427.8	430.9	431.3†	486.5	150	133	151	160	172	172	172	172
Fibres	473	474	460	473	151	139	147	157	155	155	155	155
Oilseeds	360	361	386	548	148	136	149	157	149	149	149	149
Minerals	383	411	402	452	146	127	149	151	139	139	139	139
Others	481	481	473†	402	144	127	151	149	141	141	141	141
III. Semi-Manufactures	341.7	344.3†	345.2†	365.2	144	127	151	149	141	141	141	141
Leather	382	382†	383†	398	144	125	151	147	138	138	138	138
Mineral Oils	221	221	221	221	143	126	150	146	133	133	133	133
Vegetable Oils	402	411	410†	542	144	129	151	146	140	140	140	140
Cotton Yarn	445	451	451†	452	142	133	150	146	141	141	141	141
Metals	240	240	240	236	141	127	149	149	137	137	137	137
Oilcakes	301*	301	325	428	141	127	145	147	129	129	129	129
Others	334	334	330	305	140	127	145	146	129	129	129	129
IV. Manufactures	376.5	376.4†	374.0†	364.9	137	129	147	149	133	133	133	133
Textiles	421	421	416†	402	134	129	145	149	134	134	134	134
Jute	464	463	441	423	135	130	145	147	134	134	134	134
Cotton	411*	411*	411*†	398*	135	130	145	147	134	134	134	134
Rayon & Silk	464*	464*†	455*	428*	135	130	145	147	134	134	134	134
Woollen	310	310	310	313	135	130	145	147	134	134	134	134
Metal Products	340	340	340	337	135	130	145	147	134	134	134	134
Others	284	284	284	283	135	130	145	147	134	134	134	134
V. Miscellaneous	571.8	567.1	570.5	708.9	135	130	145	147	134	134	134	134
All Commodities	360.0	362.1†	366.3	399.6	135	130	145	147	134	134	134	134

* Estimated

† Revised

CUSTOMS AND EXCISE REVENUE

(Rs lakhs)

	Dec 1954	Dec 1953	1954 (April to Dec)	1953 (April to Dec)
Customs Revenue	1,636	1,416	12,557	11,949
Import duties	1,141	1,075	9,590	8,735
Export duties	470	319	2,723	3,021
Land Customs and Miscellaneous	25	22	224	193
Union Excise Duties	902	829	7,587	6,937
Total	2,538	2,245	20,144	18,886

COAL PRODUCTION AND DISTRIBUTION

(Monthly averages or calendar months)

(in '000 tons)

	Raisings	Total	Indian bunkers & exports	Railways	Electric supply companies	Iron & steel works	Cement	Cotton mills	Jute mills	Engi-neering	Paper mills	Chemical industries	Brick burn-ing	Stock at pit-heads
1948	2,485	2,155	146	796	160	239	56	156	53	19	34	12	57	2,262
1949	2,621	2,339	127	844	174	279	62	150	48	23	36	12	102	1,427
1950	2,666	2,235	140	825	187	302	77	139	48	30	38	16	143	2,008
1951	2,859	2,626	213	865	195	320	100	134	41	28	40	14	112	2,646
1952	3,019	2,625	221	940	207	298	109	144	45	25	45	17	88	3,519
1953	2,982	2,563	148	956	232	290	121	146	43	29	44	19	134	3,411
1954	3,080	2,662	—	—	—	—	—	—	—	—	—	—	—	3,771
1954 :														
Jan.	2,903	2,424	132	911	214	310	126	158	42	21	32	22	23	3,474
Feb.	3,056	2,244	120	827	168	304	96	124	39	18	31	19	68	3,902
Mar.	3,071	2,594	131	927	204	300	115	145	29	16	38	18	181	4,003
April	3,037	2,599	137	963	191	309	116	150	30	21	46	15	199	4,051
May	2,977	2,621	148	948	237	297	111	150	43	20	45	17	196	4,093
June	2,885	2,576	181	902	222	302	116	148	29	17	44	17	117	3,950
July	2,966	2,810	171	985	247	331	129	162	47	22	46	23	144	3,693
Aug.	2,958	2,926	163	1,050	254	336	133	150	46	24	57	25	179	3,380
Sept.	3,171	2,887	136	997	248	324	143	147	49	28	37	26	138	3,210
Oct.	2,921	2,787	140	944	238	306	132	134	44	26	56	24	223	2,914
Nov.	3,322	2,728	—	—	—	—	—	—	—	—	—	—	—	3,161
Dec.	3,503	2,747	—	—	—	—	—	—	—	—	—	—	—	3,468

Source: (i) Monthly Abstract of Statistics.
(ii) Inspector of Mines.

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- 1916: Goodyear supplied the longest Conveyor Belt for a 735 feet centres conveyor at Zenith Furnace Co.
- 1920: Goodyear made first vulcanised splice with steam vulcanizer.
- 1924: Goodyear developed Electric Vulcanizer, eliminating mechanical splice.
- 1925: Splice Vulcanization enabled Goodyear install the world's longest belt 2,434 feet centres at H. C. Frick Coke Co.
- 1938: Goodyear supplied the world's longest belt installed at Grand Coulee Dam with 4,745 feet centres.
- 1940: Goodyear installed belts for world's longest over-land conveyor system at Shasta Dam; Conveyor length 9.6 miles.
- 1948: Goodyear supplied second longest over-land conveyor system at Bull Shoals Dam. Conveyor length approximately seven miles.
- 1949: Goodyear installed world's longest single flight Conveyor Belt of steel cable construction, total length of conveyor 10,960 feet centre to centre at Weirton Coal Company's Mine, West Virginia.
- 1950: Goodyear installed world's highest single flight lift belt for Chicago-Wilmington & Franklin Mine — total lift 868 feet.
- 1954: Goodyear developed and installed first Speedwalk belt at Hudson & Manhattan Railroads, Eire in Jersey City to unload and load 10,800 people per hour commuting to and from the city.
- We are pleased to announce that in accordance with Goodyear's world wide expansion policy, we can offer you conveyor belting manufactured in India in the quality that is expected of a product bearing Goodyear's name.

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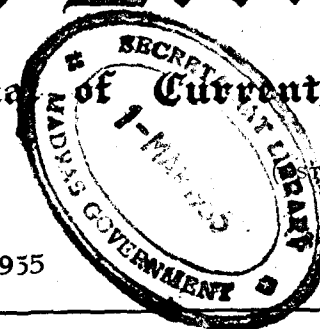
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President's Address

SOME of the observations with regard to the Second Five-Year Plan contained in the President's Address to the joint session of Parliament are worthy of note. That greater emphasis is to be laid on the capital goods industries, on the provision of employment and on a reorientation of the educational system during the next Plan—these are neither fresh revelations, nor sensationally new. But as a firm statement of policy in these matters, they are welcome. In view of the controversy that centres on physical budget and studies relating to the preparation of such a budget, the definite emphasis on capital goods should help clear the air. It is the reference to creation of more employment that will raise great hopes, especially when it is read with the great importance attached by Government to the growth of cottage and small scale industries, both from the point of view of production and of giving employment. But the hopes raised are not sustained by a clearer enunciation of Government policy on this important matter. In fact the address is silent on the steps that are being taken or are under contemplation for the realisation of these aims, beyond the statement that four regional institutes of technology are being established with a view to modernising the techniques in these industries. This, as is well known, is in pursuance of the recommendations of the Ford team of experts who reported on the subject some time ago.

Apart from the modernisation of cottage industries or adoption of improved techniques on an extensive scale, which can be attempted only at a later stage, the fuller exploitation of the production capacity of such industries at their present level of technology will itself require a careful and exhaustive study of physical resources, such as those of raw materials and transport. This has to be immediately taken on hand, if the oft-repeated assurances of Government regarding promotion of cottage and small scale industries are to carry conviction. Indeed, in no part of the economic field have past professions and current practice been at greater variance. From the Prime Minister downwards, every one has talked about cottage industries, but what has been done in these seven years of Congress Government? True, a number of boards have been set up, some financial grants have been made to the State Governments, emporia have been opened in selected cities and expensive shop sites scoured for them. In the press and on the platform as well as through publicity films, the same monotonous propaganda has been carried on and certain catch phrases repeated *ad nauseum*. But even in terms of expenditure incurred, the attention paid to cottage industries will not compare with that given to any other pet schemes of Government. Surely, this is not an indication that such industries are being given a high priority or any priority at all in the scheme of things.

Before anything worthwhile can be done to tackle the problem of cottage industries, a beginning has to be made somewhere and could there be a better beginning than the collection of basic data and sorting out of such data, classification being the first step in knowledge? No

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Weekly Notes

"Ship Indian"

SCINDIA has made a great contribution to Indian shipping. The history of Indian shipping and the history of Scindias were one and the same until the other day. Indeed, one may put it the other way and say that the Scindias made the history of Indian shipping. Not that Scindias want to rest on their laurels—far from it, but one would have liked Shri Dharamsey Khatau to linger less on the past and look more to the future. After all, Scindias have a very big programme of expansion that they have taken on hand. A better appreciation of the magnitude of this programme has impressed the stock exchange. Reports about poor working of the company during 1953-54, pin-pointed in the apprehension that dividend might be passed over, had led to a sharp drop in the quotation of Scindia from Rs 22-10 to Rs 15-8 within a period of four months. That the fears were not groundless was proved by the balance sheet and yet Scindias rallied on the stock exchange and rallied in a remarkable manner in a falling market when all the other scrips were tumbling down. They rallied with increasing appreciation on the part of investors of the magnitude of the programme of expansion that has been taken up by this doyen of shipping companies, and the earnest already given of its eventual implementation.

Scindia can and does speak for Indian shipping. This is what the public expected from its Chairman Shri Dharamsey M Khatau and the Chairman's speech which runs into 32 pages of print can justifiably claim to be not only the guide book for Indian shipping, but a charter. The Scindia chief charters the course. "Ship Indian" is the gospel. Fifty per cent of the overseas trade and cent per cent of the coastal trade is the legitimate and fair target for Indian shipping. The battle for coastal trade has been won. The struggle ended only in 1952-53. So Shri S N Haji, the "Father of Coastal Reservation" who introduced the first Bill for the purpose in the Legislative Assembly in 1928 can lay down his charge having fulfilled his task, after 35 years of devoted service to Indian shipping.

The fight for overseas trade, however, has hardly begun. For as Shri

Khatau points out, despite the much advertised expansion of her merchant fleet in recent years, India still does not have adequate tonnage to carry a fair proportion of her overseas trade and the pity of it is that such spare as is available, is not being utilised fully. As against the accepted target of 50 per cent of her own trade which is the legitimate share for the shipping of any country in the world, the tonnage that India plies in overseas trade is not enough even to carry 6 per cent of such trade. From 6 per cent to 50 per cent is a long way to go, but there is no stopping on the way, and that is the destination.

Worse still, Indian shipping has been worsted, in its initial onslaught on this closely preserved territory. Quiet a few zonal conferences which control the trades between ports in the India, UK/Continent sector have not, despite representations from Indian companies, admitted them as members. This results in uneconomic working of Scindia and other Indian vessels operating in this sector. They cannot carry intra-port traffic. The wide distance between India's actual share and the legitimate target to be attained also measures the distance that is to be covered before shipping can be a considerable foreign exchange earner.

Domestic Issues Facing Shipping

"SHIP INDIAN" has not been accepted as a principle, far from being made into a practice, even by the Government of India, and the Scindia Chief's suggestions that all indents for import made by the Government, or public bodies should, as a matter of course, be carried in Indian bottoms will be widely endorsed. The same principle should be incorporated in all trade agreements negotiated by the Government with other countries.

The heavy incidence of port charges, notorious delay in the loading of ships following decasualisation of dock labour, the hinderance to ship-cum-railway traffic caused by the liability of paying sales tax at two points, are matters that demand immediate attention. So do certain features of taxation that specially affect shipping. The inability to build up adequate reserves

to replace old ships at much enhanced cost, however, is not special to shipping alone—it is part of the general problem of replacement faced by all industries. Shipping companies engaging in overseas trade, however, suffer from a particular disability which virtually deprives them of the benefit of relief from double taxation to which they are otherwise entitled. That India-built ships should cost more is again a serious handicap. Equally taxing on such companies is the present method of payment which compels them to lock up their capital for purchase of ships which take so long to complete.

There may not be the same unanimity about the economics of tramp shipping that the Scindia Chairman offers for general acceptance. Here expert opinion differs. There are times and situations when tramps are obviously good investment. Chartering of tramps has its points; elasticity of operations vs rigidity of liner traffic can be debated.

It is in regard to the position of the Indian shipping companies inter-se, that the situation is more controversial, such as in the matter of their respective shares of the coastal trade. Is coastal trade to be regarded as a nursery or is it a nursing home also for the grown-ups, who may return battered from their adventures far afield? Whether the operation of a shipping company can be stabilised only by balancing home trade against foreign trade is again an issue which will be fiercely debated. Open to no such controversy, however, is the future of Indian shipping and the place of Scindias in it.

Slow Coach Building

COACH building has been on the cards ever since rehabilitation of the railways came up for serious discussion after the war. The proposal for setting up a coach-building factory was accepted in 1951-52. Chittaranjan was first mentioned as the proposed site for the factory and the *Explanatory Memorandum on the Railway Budget for 1951-52* had the following entry under this head.

"Coach Building Factory at Chittaranjan—It is proposed to construct a Coach Building Factory at an estimated cost of Rs 3.8 crores. Rs 50 lakhs have been provided in 1951-52 programme."

In subsequent budget statements, the entry appears under the head of "Integral Coach Factory at Perambur"; the estimated cost for the factory and the approximate cost incurred year by year has been given as follows:—

Year	(in lakhs of Rs)	
	Anticipated cost	Expenditure incurred
1951-52	380	6
1952-53	379	78
1953-54	373	144
1954-55	466	388
1955-56	734	228

The progress of the factory can be judged only from the progress of expenditure. But there is one unique and very creditable feature about Perambur. While, as in other Government projects, the cost estimates have gone up from year to year, whether because prices of materials have risen or because the plan of the factory itself had to be expanded has not been explained, the Railway Minister has all these years stuck to the end of 1955-56 as the approximate date for the factory to go into production. In view of this consistency on the point, one has to accept his statements at its face value that progress has been "according to schedule". No earlier date had been promised for the completion of the factory and no explanation had therefore to be offered why the time table could not be adhered to.

In his last budget speech, the Railway Minister repeated his assurance that construction was proceeding according to schedule and that procurement of machinery for the factory has kept pace with it. But while reaffirming that the factory was to go into production in 1955-56, he modified the earlier promise to the extent that the annual production will have to be "phased", from 20 coach shells in 1955-56 to 350 in 1959-60. So, after production begins, it will take the factory another five years to attain its full capacity.

Apart from imports, production of passenger coaches within the country has been considerably increased, from 120 coaches in 1946-47 to 479 coaches in 1950-51 and 806 in 1953-54. The Railway workshops are turning out many more coaches than before and the possibility of further expansion of their coach-building capacity is being examined by the Workshop Reviewing Committee. But even after all that, the annual requirements of coaches being put at 1,157 in the first Five-Year Plan period, and this demand being likely to increase substantially with expan-

sion of railways, until Perambur steps into the breach, no balance can be struck between passengers and coaches and overcrowding in trains will remain a permanent feature. To wait till 1959-60 for Perambur to get into full production appears to be too long a period to wait. Is coach-building a much more complex and difficult problem to handle than the building of locomotives? Members of Parliament casting their eyes about for a question to ask, might consider tabling this one.

Storm Over Tea

IN his well meaning attempt to pacify irate housewives in Britain who are pretty sore about soaring prices of tea, the Prime Minister of Ceylon has landed himself in a pretty mess. He had blamed the trade for pushing up prices, but quite inadvertently, it seems, he had also mentioned offhand a price which he said should be a reasonable price. Mincing Lane retorted by putting the blame squarely on the Ceylon Government for raising the price of tea by raising the export duty on it and made fun of him by starting its bid on the following day at the price mentioned by Sir John Kotelawala. This, of course, only raised a round of laughter. What people in Ceylon said about their Prime Minister is unprintable.

Though earlier, the Food Minister had told the House of Commons that the British Government had no intention of interfering with tea prices, a Labour peer brought up the issue in a poignant manner by urging the Government in the House of Lords to start a campaign to make the British people drink less tea. Indeed Lord Kalverly, the Labour peer, went so far as to suggest that the Prime Minister should ask all Government departments to stop the habit of having 'elevenses'—drinking tea at 11 a.m.

Considerable feeling has been worked up in Britain over the high prices of tea. Blenders and retailers have come out as angels by professing to withhold a price rise which they were on the point of announcing in order to help the consumers. This, they say, would mean a loss of 8d to a shilling per lb of tea that is sold in retail. But they sportingly offered to bear this loss in the hope that the Government would take note and that the hint would not be lost on Mincing Lane. Actually, after all these hulla-baloo, auction prices in London have come down but whether this is a tempo-

rary decline or not, would be known only in the next few months when shipments of India are seasonally slack.

Backward—Even in Crime

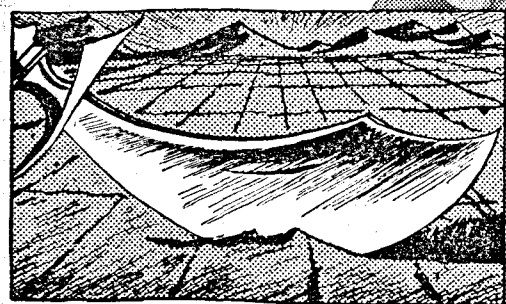
INDIA lags behind the civilised West even in cognizable crime. The incidence of such crime per 1,00,000 of the population in this country is only 165 according to the Secretariat of the International Criminal Police Commission, as compared with 1,342 in UK, 1,322 in USA, 1,484 in France and 2,992 in West Germany. The next backward country in this respect is Turkey where the incidence is 246 per 1,00,000 of the population. The figure for Japan, in keeping with its progress in other spheres is, relatively high, in fact, higher than in UK, USA or France. It is 1,605 per 1,00,000.

But why is crime against property so low in this country? Is it because the Penal Code is extremely severe on crime against property and less so in the case of crime against person? In respect of theft, India's figures are the lowest in the world. This may be as much due to the rigours of the law as to the efficiency of the police; but the point will not be cleared unless statisticians work out the incidence of theft recorded as against theft committed. Whether it is simple theft or serious theft, the figures are telling, the incidence of the former being 69 in India against 911 in UK and 986 in USA.

It is only in wilful murder that India holds her own against the rest of the world, the incidence of such murders being 2.9 per 1,00,000 of the population as against 0.8 in UK and 2.0 in West Germany. Whether wilful murder means premeditated malice or not, the subject must engage the serious attention of social scientists. On a superficial reading, the figures suggest that the economic and social transition through which the country is passing has not created such problems of adjustment for the individual as to provoke anti-social activities coming under the law. It may be that the pace of change is taken to be higher than what it is; but the higher incidence of wilful murder also suggests the reaction of an unsophisticated mind to a situation which it is not able to handle objectively. Suicide unfortunately does not figure in these records. It would probably be a better index to social adjustment than any other. But it may be that for the police in every country it is not a problem of serious concern.

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So everyone wants to know something about the railways, on what scale they have been operating, at what rate the services have been expanding, and at what cost. Are we getting full value for our money in the colossal capital investment on railways? Is there any measure for judging progress such as a layman can understand?

The public are certainly welcome to have a look at the working of the railways. The Railway Board is not secretive. The full budget is presented to, and discussed by, Parliament. There are white papers for those who want more exhaustive information. There is the annual report by the Railway Board, of which the latest issue now available is for 1952-53. But some time must elapse before all the returns can be put together and an exhaustive account presented.

The layman's understanding of this mass of data, however, is a different matter altogether. The impact on his mind of accounts of ton miles of goods moved, millions of passenger miles carried, total train miles run, gross earnings and working expenses is not unlike that produced by the reactions of the seven blind men of the fable sizing up an elephant. What do all these add up to? Are our railways getting the

best out of their existing resources; and if not the best, what percentage of the attainable total if the latter were to be expressed by a figure? In the case of industrial production we may not know, but we think we know, what the existing capacity is, and to what extent this capacity is being utilised in any one year. In respect of agriculture, we roughly know how much the yield has been per acre. Those who are attracted by such problems may look up the yields of other countries, figure out how our performance compares with the best of other countries and then detect the obstacles that stand in the way of our improving the yield and of ways of removing them. But in the case of railways there are no such ready reckoners.

Now such a statement may be dismissed as tendentious, if not as a downright travesty of truth when so much data is being published and so much trouble taken to make such data easily understandable to the meanest intelligence through charts and diagrams.

True, the railways have been among the very first to have an Economic Adviser all to themselves; and since last year, they have had the services of an Efficiency Bureau which must be working for the benefit of those who need such data as the number of hours that a railway wagon is on the move and the number of hours that it is standing idle, the ton mile per goods train, traction per locomotive and so on. Moreover, the railways, too, have had the Five-Year Plan and are going to have the second Plan for which a Planning Cell is being organised this year. Would it not be too much to ask for more?

At the risk of being considered importunate or worse, the honest layman must still confess his ignorance and express doubt. The aggregate figures do not tell everything. More passenger train miles run, or the impressive figure of locomotives contemplated or actually turned out from Chittaranjan or Telco may have their significance; but to the 3rd and Inter Class passenger who had only the other day to balance himself precariously on a miscellaneous heap of luggage, with end of a steel trunk projecting dangerously from the bunk overhead and the sleepy head of a fellow-passenger resting on one of his shoulders and

the leg of a sleeping passenger dangling on the other, will hardly be comforted by these figures. Safety of life and limb, sitting accommodation and the minimum of convenience such as a reasonably clean lavatory and free access to it, would any day be preferable to him than fans in the compartment or retiring rooms at wayside stations and better station buildings. What is the state of overcrowding in Inter and 3rd Class compartments? Is there a measure for it which can be readily conveyed in terms of the actual experience of such passengers? If there is one, a non-expert study of railway reports, however diligently pursued, does not reveal it. The Railway Minister refers to everything else, but not to this crucial figure.

To the layman, not familiar with the complexities of accountancy, the financial statements appear to be exhaustive enough. But to those who know something of the technical problems of railway operation, operational data such as shunting miles (unproductive engine miles) either in absolute figures or as a percentage of total engine miles and the statistics of locomotive or wagon usage are deceptively irregular. From these operational statistics one gathers no trend; so one cannot say whether efficiency has been going up or down in a significant manner.

It is no concern, of course, of the Financial Commissioner of Railways who signs the explanatory memorandum to the railway budget to say anything about the technical efficiency of railway operation; but it is rather surprising that the Railway Minister should leave it out altogether. So until some time next year, we will not know how these things worked out in 53-54, and we will have to wait for another year to know how the performance of the current year compares with that of previous years.

To put it rather crudely, the public has a right to know before all this money is sanctioned for capital development and buying more rolling stocks and the like, what effort is being made to get more out of existing equipment. In other words, how much more traffic can be moved, with what little extra investment? There is no criterion readily available to judge how well whatever development funds are sanctioned can be apportioned between rolling stock

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and expanding line capacity, for example, or among various segments of railway operation to get optimal results?

To begin with, there is the condition of railway tracks. Fast engines and soft tracks do not yield optimal returns. To buy expensive high-powered engines to haul slow trains does not appear on the face of it to be the best possible use of resources; and yet considering what one hears about the condition of tracks and the rate at which arrears of track maintenance are being worked off, the analogy that readily comes to mind is that of using race horses to draw goods wagons. It is possible that the situation is not as bad as all that; high-powered locomotives may not be used to speed up trains but they may draw many more wagons. It would be useful to know if that is so.

Then there is the question of full utilisation of rolling stock. By adding more sidings to existing tracks, so that trains may be moved quicker, by increasing the capacity of marshalling yards and effecting such other minor improvements, with a comparatively smaller investment than is needed to increase rolling stock, the idle hours both of engine and of goods wagons can be appreciably reduced.

The striking example of increased traffic without a commensurate increase in rolling stock was provided during the war years when Americans took over Assam-Bengal Railway and increased its carrying capacity far beyond what Indian railway authorities had considered feasible or practicable. This was done largely by introducing the follow-on system in place of the usual method of signalling on Indian railways, viz, that of passing a train only after a clear signal has been obtained from the next station. Whether or not a significant improvement in traffic can be obtained by changing or improving the present signalling system at comparatively small cost, is a question that occurs to the layman, to which again the Railway Board has not thought fit to provide an answer. In fact, even a cursory glance at the list of publications of the Railway Board highlights the conspicuous absence of studies on traffic problems and economics of railway operation in contrast to the plethora of studies on engineering and other technical problems.

Faced with the study of traffic problems in this inadequate manner, the lay mind finds it quite incompre-

hensible how the Railway Board fixes its targets and plans development. To begin with, there is no measure of the volume of traffic that is waiting to be carried and is not able to get transport. True, bottlenecks are reported and attention is focussed on some of them as in the movement of coal traffic or transshipment of metre gauge traffic between north and south. The Khandwa-Hughli line, taken up last year, is an instance in point; so are the works sanctioned or in progress during the current financial year for stepping up the movement of goods wagons in Mogulsarai from a daily average of 1500 to 2000. There are doubtless many others, but it would help us understand the situation better if against the investment in this direction could be put the results expected from such investment in such a manner that costs could be weighed against advantages.

In a way, the planning of railway development follows its own line. No more than a general growth factor need be assumed for giving cogency or precision to such a plan. After all, there is such a thing as a general rate of growth of population, of production and of movements of men and goods. But how is the planning for railways related to the general plan of development, either the First Five-Year Plan or the Second? Are traffic requirements related uniquely or in any predictable way to the targets that are set for the industrial and agricultural sectors? Is the growth of passenger traffic which the railways are presumably trying to provide for in advance taken as an independent variable that follows a standard rate of growth, or is it sought to be related in some way to the increase in money incomes aimed at in the Plan? Clearly for specific projects included in the Plan, such as the establishment of Steel Plants, more specific data must be available.

If railway rates have to be what traffic can bear, what decides the fate of new railway lines to be laid, doubling of track or expansion of line capacity? Is it the pressure of traffic crying to be carried, or does the final decision depend on public agitation for a new line and the technical feasibility of construction which is, after all, an engineering problem. The lack of a measure for weighing alternative uses of resources or the deliberate disregard of such a measure, where one is available, is seen at its worst in the case of passenger amenities. Here, many things are done with an obvious eye to publicity—sure eye on the main chance, if you like to put it that way—with

complete disregard of the superiority of the one with respect to another, real or fancied, and the real benefits of the uses themselves.

To be fair, however, one must confess right at the beginning that there is a hiatus in the psychological or objective estimation which cannot be removed. As a railway passenger, one may appreciate the allocation of Rs 3 crores for passenger amenities, however much one may differ about the right uses of this large amount. But how to weigh the relative merit of these 3 crores against 4 crores proposed to be allocated for the building of staff quarters? Those who have experience of long-distance travel by 3rd class train on particular routes belong to a different world from those who work on railways as menials or subordinate members. Here, the blind man examining the tail of an elephant is trying to relate his experience to those of others who had been feeling the trunk or the leg or the tusk. But about the use of amenities, something can be said without any fear of contradiction: the allocation of a part of these funds to a use, which the railways have not yet thought of, can greatly augment the value of the benefits provided. This is in the matter of social education. Amenities can be usefully combined with some measure of education to the passengers, specially the lower class passengers. This would be cheaper than vestibule cars, more easily understood as corridor trains.

If over-crowding is a matter for railways to handle, the discomfort and inconvenience of over-crowding can be greatly reduced if a sensible arrangement is made for the transport of passengers' luggage. No trip to the continent or even to the Soviet Union by railway teams, financed at the cost of railway passengers, can possibly bring alleviation, because in no other country have people to carry so much stuff, such as one's own bedding, for example. Past experience does not justify the hope that much can result from exhortations to passengers to carry less luggage or to put such luggage in the brake van. The arrangements for weighing and booking by brake van have to be greatly improved, but even this will not be enough since passengers on Indian railways carry so much load. Something far more convenient and practical has to be thought of such as fixing suitable racks at the end of the compartment or providing receptacles at convenient distances, specially on long-distance trains.

There are others, of course, where the railway service cannot be held to be at fault. The public have to co-operate, but such co-operation has to be developed by intensive training of a sort that comes under social education. In recent years, in pursuit of the laudable intention of providing better passenger amenities, at least the larger stations have provided bathing arrangements in the convenient form of rows of cubicles; but many of these cubicles are being used not for bathing, but as lavatory. That may be because enough lavatories are not being provided or because of the insanitary habits of the bulk of passengers.

Soap is as good as earth for washing one's hand and the use of twigs is just as hygienic as tooth brush, if not better. But in addition to wrappers, banana leaves and leavings from foods, if earth is piled up on the floor and muddy water thrown all over the place and ablutions are performed in the compartment, in preference to the lavatory, with demonstrative expectorations and audible gargling, surely, the railways cannot do anything about it except to teach and then, insist on the adoption of practices less troublesome to

other passengers.

Visitors to China pay glowing tributes to social education on the railways, of the passengers being told every two minutes over the microphone what to do and what not to do, of the aseptic cleanliness on railway trains and platforms. While the prospect of the microphone screeching at one all the time may not be liked by all, surely, some less irritating means could be found which, let us hope, would be equally effective in ensuring minimum decencies in railway travel.

I-Ching, the last of the Chinese pilgrims visiting India who left a substantial record of his tour, carried back with him glowing tales about our excellent hygiene: the use of earth for washing one's hands, and the clean lavatory arrangements then common in the country. That was in the 6th century AD. Alas, those hygienic observances will continue, much to the discomfort of many railway passengers, and what can the railways do about it except to tell the people that soap will do just as well, that every passenger who wants to keep clean should carry a piece of soap or better still, provide some soap themselves, and if necessary add

that the use of soap has also the sanction of the Shastras.

Anyway, it is not enough to put up a Board to say that the railways provide special staff to assist passengers. Shri Lal Bahadur Shastri has to think out an elementary scheme of social education, if the amenities now being provided are to serve the purpose. This is a long overdue measure. Gandhiji is on record as saying, "It needs a heroic effort to eradicate age-long insanitation". He was thinking of the village. Village sanitation, he said, is a vital part of village work and is as difficult as it is important, and the village worker who is not a successful scavenger cannot fit himself for village service. Neither can Lal Bahadurji run the railways successfully if he is not prepared to take upon himself this task enjoined by Gandhiji on the village worker. After all, India lives in the villages and the villagers also use the railways. In his budget speech, the Railway Minister devotes a paragraph to Khadi, but planting this emblem of purity on the Class IV staff will be a joke so long as cleanliness on the railways remains conspicuous by its absence.

The Parliament Opens

Wednesday, Evening

IT is really strange that the two outstanding events of the last two days—the President's opening address at the Joint Session of Parliament on Monday and the Railway Budget presented to Parliament on Tuesday—should have fallen flat on the public. The President's report on the state of the Republic, his Government's recognition of the People's Republic of China and its right to Formosa, the Pancha Sheela (the five principles of co-existence), the menace of the Hydrogen Bomb and a somewhat bald reference to the priorities of the second Five-Year Plan—threw little light on the past or on the future.

The President's address has become something of a routine matter. The common people, not interested in Parliament or President, came out to see the colourful procession, in which the head of the State goes out in a grand manner, preceded and followed by sawars in red and gold. This is now beginning to pall, and to some extent even to irritate the people, because of its association with the British Raj. It was only to be expected that the President of the common people would do away with this pomp, and a period of eight years was considered as sufficiently long to end these jarring reminders of the Viceregal period. It is said that the President and the Prime Minister have been anxious to end the show but for its adverse effect on employment! What will happen to the hordes of these people (and their families) whose only job for all these years has been to dress colourfully and to salaam! But didn't the Prime Minister say in his autobiography that work is only calling to be done? Can't these people be fixed up in some purposive occupation? Meanwhile, however, this yet 'Ma Baap' Government can't afford to throw these people on the streets. So let them remain with their dresses, their families and their horses and continue to pay their respects to the rightful successors of sovereign authority!

'BAG OF TRICKS'

Like the President's speech, the Railway budget presented to Parlia-

ment yesterday, broke no bones, nor made any. It is no use going over the railway statistics here, for these have been widely published all over the country. The reception to the railway budget has been somewhat cold. In one of the local papers, it is described as a bag of tricks. Really that is too much, for it is quite innocent—"innocent of ideas". It shows how we are still thinking in terms of "the values of '39"—small concessions and a little rationalisation. It is hardly realised here in New Delhi that people will not be satisfied with mere financial concessions: holiday tickets or an anna off platform tickets, etc. People are longingly looking for a real change that would make the railways, the people's railways. The departments of Government are not yet thinking in a big way and a sense of priorities is lacking.

The Prime Minister's arrival in New Delhi on Thursday last was an event of greater importance than either the President's speech or the Railway budget, which shows that he really constitutes the locus of sovereign power. Without him, Government was like a circle without a centre, if you can imagine one. It was quite a sight to see him being met by the President with a rose in hand, and a whole procession of beaming Ministers, whose careers and destinies depend on his will. How these 'colleagues' of the Prime Minister looked anxiously for his alternating smiles and frowns, is indicative of the beginning of a new, though strange, kind of dictatorship. It reminded the present writer of an article Pandit Nehru wrote on himself anonymously in the *Modern Review* some years ago. Writing in the third person, Pandit Nehru said in that article that though he might pretend, he had not in him the makings of a fascist (this is from memory). Since his arrival, the Prime Minister has been busy with Cabinet meetings, dealing with matters, big and small, which were awaiting attention in his absence. He has also delivered some speeches about the international situation and how to implement the Socialist resolution on the domestic front. In his opinion, the Formosan crisis, while sufficiently serious, will not

lead to an actual conflagration. Being humble by nature, he did not take any credit for pouring oil on the troubled waters of the China Sea.

It appears he has still his fingers on all the background moves being made for tackling this delicate situation. The Prime Minister has his due place in developments in the Middle East also. Probably there is a feeling in some circles that the Government of India is looking on complacently on the efforts of Pakistan to build up an Islamic bloc in the Middle East. The Turkish President is at the moment on a visit to Karachi. It will be recalled that our Prime Minister met Col Nasser on his way to India. This was preceded by a conference between Marshal Tito of Yugoslavia and Col Nasser on the Suez Canal. If you link it up with Marshal Tito's visit to India and Burma that preceded these conferences, you will have reason to believe that we are not lagging behind in the diplomacy that is attempting to build a house of cards on the sands of the Arabian desert. And then, are not preparations being made for the Asian-African Conference, which will bring together the peoples of these two continents and pit them against the colonial diplomacy of the Western Powers attempting to bolster up the defunct regimes of the Middle East?

BAIT FOR INDIA?

The SEATO Powers are meeting at Bangkok and at the time of writing, the principal figures are flying over or around this sub-continent for the conference. Incidentally, an interesting report has been received here from Pakistan that this conference is likely to debate the possible admission of Communist China to the United Nations, provided it accepts that position without permanent membership of the Security Council; and in order to attract India within the defence organization of the SEATO, India may be offered the fifth permanent seat on the Security Council! We shall, of course, not join any bloc of powers—truth to say, a third bloc, neutral yet active, has already emerged—but if this materialises,



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we shall be hitting two birds with one stone, securing China's admission to the United Nations and bagging the permanent seat for ourselves. The Prime Minister deserves it.

On the home front, the Prime Minister seems to be anxious to see that the Avadi Resolution on building up a Socialist society is implemented in some manner, immediately if possible. At the meeting of the Congress Parliamentary Party on Sunday last, he is reported to have remarked that that resolution was "passed in all earnestness, faith and sincerity and not for catching votes". Probably certain moves in this direction will follow the passing of the 4th amendment to the Constitution. At this party meeting, the Prime Minister also referred to the entry of Pandit Pant into the Central Government and described him as a tower of strength to the party and Government.

SOME KITE-FLYING

Incidentally, one does not know how the talk has revived of Shri Morarji Desai joining the Central Government to strengthen it. Probably the Central Government will be all strength then. But will Shri Morarji strengthen it in the Socialist direction? The speculation, however, appears to be a sort of kite-flying, attempted in connection with the return to New Delhi of Shri TTK. He came, saw the Prime Minister and went away on the same day. The main purpose of his visit seems to be that the Prime Minister, born gentleman that he is, wanted to part from his colleague in a friendly manner. At the interview, TTK is reported to have insisted on an integration of the Ministries of Commerce and Industry and Production with himself at the head of the combined Ministry in the interest of proper economic co-ordination. The Prime Minister is going to consult his colleagues about the change. If there is logic in integrating these two Ministries, then there is no sense in keeping apart the Department of Economic Affairs from a combined Ministry of Economics, with Labour as a subordinate office. We have, however, not reached this state of rationalisation in Governmental thinking. We are only anxious to rationalise large-scale industry without trouble, if possible.

This brings us to the really vital issue that hangs on the 4th amendment to the Constitution. It pro-

poses to make Parliament and State Legislatures the sole arbiters of compensation. This omnibus Bill has provisions concerning conditions in which the State may acquire land, set limits to holdings, take over the management of property, transfer undertakings and modify rights in public utilities. Frankly speaking, the Congress Party is against it. But what can the Party do, when every one of its members craves for the patronage of the Prime Minister and longs to become a Deputy Minister or at least a Parliamentary Secretary? As things are, it will not be long before almost every one of them will have a post of some sort or another, of higher or lower grade. After all, we have to prepare for Socialism and these great gentlemen of the business world, expecting the private sector to dry up with the expansion of the Socialist State, must be trained to man positions of responsibility in the new regime. How truly this fits into the Marxian analysis would be obvious only to the academic man, but the developments are interesting and we are on the road to Socialism.

Apart from these developments, New Delhi has been otherwise busy. There has been a conference of Chief Ministers desiring more powers for themselves. A beautiful flower show was held at the residence of Maulana Azad and a dance recital of the Triveni school at the Sapru House. Dr Helen Keller has arrived. A powerful personality, she is a reminder of what sheer spirit can achieve against all the disadvantages of the material environment. She made a close and affectionate study of the Prime Minister and the President and her presence reminded us of the problem of the two million blind among us. The Government of India proposes to start a full-fledged institute for the blind at Dehra Dun, with kindergarten, primary schools, training centre and workshop.

KEYNES PLAYED OUT?

Amidst all these happenings, however, the most interesting were the concluding lectures of Mrs Joan Robinson of Cambridge at the Delhi School of Economics. These dealt, in a broad way, with the economic theories of Marx, Marshall and Keynes regarding the nature of capitalism. Mrs Robinson emphasized the propagandist element, particularly in the theories of Marx and Keynes. She warned students

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to beware of the deceptive faculties of the economists. In her opinion, facts had knocked out the bottom of the Marxian theory—the facts of rising real wages and the attachment of the proletariat in Western democracies to capitalist methods of production and standard of living. She emphasized the limitations of the Keynesian theory; and though she did not say so explicitly, she clearly meant that the Keynesian theory had been played out. She did say in so many words that in its application to the economies of underdeveloped countries, Keynesian economics was plain nonsense. For a time, in her opinion, Marshall's theory of capitalism as a beneficent force over a long period, has been borne out by facts.

Dr V K R V Rao, who presided over these two lectures, said that the conclusions of Mrs Robinson's thesis amounted in a practical way to this, that Capitalism was a system that had succeeded and was likely to last with beneficent results in the Western world, but in backward economies, Socialism was the only practical method of achieving rapid development. This was, in his opinion, an argument in favour of co-existence. It is difficult to say whether Mrs Robinson agreed with Dr Rao's conclusions. It must, however, be considered a very significant fact that the academic lectures of Mrs Robinson, delivered in the University of Delhi—quite a world by itself and distant from official and business places—should have been so well attended not only by young boys and girls but by busy officers, business men, the clergy and others from almost every walk of life. Not long ago it was difficult to gather persons in any large number except for seeing an actress. Here was an academician using technical terms and dealing with intricate economic and political problems, being listened to by packed audiences overflowing into the corridors of the university. It must, of course, be confessed that besides the faculty of rigid economic analysis, Mrs Robinson has a sweet voice and an extremely witty way of presentation.

LEFT INTELLECTUAL

Kingsley Martin, of the *New Statesman and Nation*, has been here and spoken the international situation. A man of marked sincerity and firmly held convictions, he attracted the *elite* to a packed hall at Sapru House. The ideas

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presented are those with which we have long been familiar, as readers of the *New Statesman and Nation*. Unfortunately, the delivery was disappointing, though he spoke with obvious zest and humour. He said that the Americans are bluffing and the Russians playing a calculated game, as on a chess board. There was, of course, a contradiction in what he said, for while he seemed opposed to American diplomacy (and hitching the wagon of Britain to the rising star of Pandit Nehru), it was clear from his speech that the Russians could not be made reasonable except by a threat of war such as has been persistently presented by the Americans during the last few years.

Then the hoteliers have met in an international conference inaugurated by our Vice-President. Unfortunately, I am so allergic to all exhibitions of snobbery that I have not been able to read the many pages that have appeared about this Conference in the local press, much less attend its deliberations and feasting which were held at a place just across the road.

Following the Chinese exhibition, has been the inauguration of the Soviet Arts and Crafts Exhibition at the permanent premises of the Indian Arts and Crafts Society. This is really an impressive exhibi-

tion, probably the most beautiful exhibits being the oil paintings on boxes of papier mache. These, of course, contain the portraits of famous Communists both in Russia as also abroad (Saifudin Kitchlew among them). But most of them are without political significance, being the portraits of Russian poets and artists.

In the basement of the All-India Arts and Crafts Society building a different ideology is being presented. The MRA (Moral Rearmament) has organized a photographic exhibition, mostly portraits of principal statesmen with their statements in support of moral rearmament. MRA also staged "The Real News" at Sapru Hall on Feb 25. But none of them attracted many people. How is it that Moral Rearmament makes no appeal to the younger generation but Soviet art does? The Soviet Exhibition of Arts is to be followed by a Hungarian exhibition. We are being treated really in an ample measure to the artistic traditions and possibilities of the People's Democracies. The Communists are employing other methods too. On February 22, Czechoslovakia presented to the Prime Minister a model of a four-seater plane. Officers of the Chinese Embassy visited the Delhi Legislative Assembly and were entertained

by its New Chief Minister.

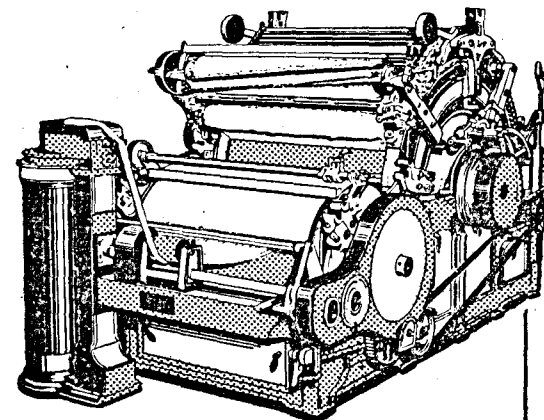
IDEAS IN THE AIR

This letter would not be complete without a mention of some brilliant ideas now in the process of gestation here. There is a proposal to municipalise cinema theatres in the State of Delhi. An MP desires that we should raise a memorial to the great poet, Kalidasa. Government is contemplating the setting up of a Central Planning Authority which would turn Delhi into a Greek City State. The Ministry of Housing, in collaboration with the Community Projects Administration, has prepared a blue-print for changing the very face of the six-lakh villages that constitute India. Not all these proposals and ideas will succeed in passing the test of the survival of the fittest. In the meantime, people are waiting for the budget (the people's budget) to be presented on Monday next, and expectations vary between a mountain in labour bringing forth a mouse and the emergence of a full-blooded Socialist state. Meanwhile, the budgets of some of the principal States have appeared with large deficits on revenue account to be made up presumably by Central grants and loans on the capital side. Not many are conscious—few even among the economists—that a revolution is currently taking place in Federal finance.

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Letters to the Editor

German Recovery and the German Worker

MAY I correct a howling error committed by your London correspondent in his otherwise admirable study of the German economy which appeared in your Independence Number, August 15, 1954? If the correspondent seriously believes that subjective opinions and objective facts must of necessity be blended together, he is of course entitled to the right in question. There is little to be done about it except to be very guarded in swallowing any arguments so presented hook, line and sinker. This applies to your correspondent's statement—nowhere proved or even attempted to be proved except in the trivial sense of state-aid to export industries—that the idea of the sensational German recovery as being based fundamentally on the "free market economy" is a myth.

But what about the obviously false statement that the living standard of the German workers has been going down? Mark well, the correspondent does not say that the rate of increase in real wages is very small or that the national wage-bill has in relative terms retained a constant percentage share. This is the stand which nearly all the important German trade unions took and take now—and one which I for one support. But it simply is not true that there has been any deterioration in the living standards of the German industrial or other workers. Taking 1938 equal to 100, the Real Weekly Earnings of Industrial Workers was a bare 83 in 1949; it rose to 106 in 1951; but in August last year, it was 126. This is computed by dividing the weekly wage index by the consumer price index. The real wage indices would thus be greater, had Labour Cost-of-Living index-series been used as the divisor.

If your correspondent has any other figures, I, as a keen student of the present German economy, shall be grateful to have them. My figures are taken from the *Handbook of Economic Statistics* prepared monthly by the Commercial Attache Division, Office of Economic Affairs, HICOG, Bonn. There are also a host of other German statistical sources, but I cite this one, as being in English, it is easier for non-German speaking economists to consult.

Lastly, your correspondent does not mention as a very essential part of the West German "miracle"—

its magnificent achievement in absorbing over 13 million refugees and displaced persons from the territories of Germany annexed by Poland or ruled by the Communists. There is, of course, the seasonal high unemployment, especially due to the stoppage of house-building activities. But, in general, the rate of unemployment has been reduced to about 4.6 per cent of the labour-force.

I do not want to sound malicious, but really your correspondent should consult the relevant authorities before committing himself to paper... Coffee-house discussions are another matter.

Freddie A Mehta

47, Fellows Road,
London, NW3,
February 20, 1955.

* * *

'Far East'

I MOST emphatically disagree with the suggestion in your editorial comment on my letter that "the United Nations went to war in Korea at the incentive, stimulus or spur of America". America was responsible only for putting the case before the Security Council. Had she not done so, Britain or another member would certainly have taken the initiative. America has no more votes on the Security Council than any other represented nation and thus the responsibility for what followed lies equally between all the nations who voted—including India.

The United Nations went to war on the recommendation of the Security Council and it will be recalled that Russia and her friends, in the classic political blunder of the age, had previously staged a walk-out on some other issue and were thus not on hand to veto the vital vote. Otherwise the resolution for action in Korea would never have survived. The United Nations could never "go to war" at the incentive of one nation alone. Mine was not a "quibble over words" as you choose to put it but a quarrel over the misrepresentation of facts in order to suit your editorial platform.

Referring to the second part of your comment, I agree that the British Labour Party opposes America's Formosa policy. But the degree of opposition varies from the moderation of Attlee to the extremism of Bevan and the fact that these and other Britons disagree with certain aspects of America's foreign policy does not mean that they all

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endorse an entirely opposite view. Moreover, were the Labour Party in power they would doubtless forget election-eve vote-catching and pursue a more responsible foreign policy as they did when the Conservatives were in opposition.

By coincidence, the day following your publication of my analogy between Neville Chamberlain's folly and today's co-existence, the *Sunday Standard* in reviewing Viscount Templewood's new book *Nine Troubled Years* made the following comment: "Some of the cherished beliefs and statements of Chamberlain appear so much like those of Pandit Nehru, that an Indian reader of this book will be irresistibly drawn to a comparison between Nehru's policies and those of Chamberlain, and will ask himself anxiously whether the same fate awaits Nehru. The issues of war and peace that face the world today are so much akin to those of 1936-40 that it would be worthwhile for us to analyse the reasons for Chamberlain's failure and the flaws in his policy."

Geoffrey Dempsey

Cote D'Azur,
Warden Road,
Bombay.
February 22, 1955.

(Continued from page 287)

the production of guided missiles, nothing is said about the defence against enemy ejected missiles.

"A POINT OF NO RETURN"

The conclusion is inescapable that Britain's and NATO's defence plans are based on nothing more than the "knock-out blow" or "push-button" mentality. On this mentality also rests the framework in which the army is to operate. The conventional use to which armies are put are, in current thinking, only appropriate to cold war tactics. The army is now to be armed with atomic weapons—in this capacity, however, it increases the risk of spreading local conflict into a general war. If full atomic power is used in a small conflict, world war must be the outcome. Field-Marshal Montgomery is not dismayed. He said, "We have reached a point of no return." The road to a fully armed world is being trodden with some abandon and peace lies precariously in the balance. And yet, the White Paper speaks with an alarming naivete that the search for a disarmament scheme will continue side-by-side with the manufacture of H-bomb and other modern weapons of warfare.

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From the Calcutta End

West Bengal's Second Five-Year Plan

DR B C ROY's budget speech as West Bengal's Finance Minister should have been interesting had he not stopped where he did. The economic problems of West Bengal were set out with admirable brevity but a Finance Minister cannot get away with a mere statement of the problem. It is his business to formulate a solution to the problems. Dr B C Roy did not even make an attempt to devise a solution. Probably, he will retort that the problem baffles solution. He will not be wrong. It is difficult to be optimistic about West Bengal's economic future.

Finance Ministers of States, one should have thought, have been deprived of one of their pet themes. Since the incorporation of the Deshmukh Award in the Finance Commission's report, the States Finance Ministers are not so aggressive as before on the issue of allocation of resources between the Union and the units. But they still clamour for a larger share in the pooled, and poolable, resources. Dr B C Roy repeats his last year's emphasis on the two financial paradoxes which impede progress. One is the paradox between wealth and the taxing power of the State. West Bengal is an urban, industrial State. Enormous wealth and income are generated within the State. But West Bengal does not reap the whole benefit. New Delhi takes a lion's share of the taxes on income and profits. There is that much less available to the State to finance plans for improving its economy.

Not only West Bengal, but all the States demand more resources. If New Delhi will not let them have their legitimate shares in the taxes on income and profits, they claim more Central aid to finance their development projects. West Bengal Assembly has passed a non-official motion seeking aid from the Centre to create and foster "industrial estates" in the State to solve unemployment. "Industrial estates" are to be developed in Durgapur and Kalyani. Readers of this page will not be unfamiliar with the tussle between Calcutta and New Delhi on the West Bengal Government's plans for industrialisation.

Bengal is the home of Permanent t. Many learned disserta-

tions have been written on its merits and demerits. At the time of its imposition, it was a burden. Gradually, with economic improvement, that load became lighter. Landlords grew rich. Bengal became the home of agricultural aristocracy. This may explain Bengal's rich tradition, culture and literature. But this also explains Bengal's relative poverty. This is, perhaps, all that an educated adult need know about this Permanent Settlement controversy. Zamindari abolition will, incidentally, augment the State's land revenue. That could have been done by abolishing the Permanent Settlement. There are many who are inclined to the view that zamindari abolition is a social and psychological necessity.

ZAMINDARI ABOLITION

But its economic advantages should not be over-emphasised. In partitioned Bengal, in West Bengal, the economic advantages of zamindari abolition are negligible. Scarcity of land is a major economic fact of West Bengal. Because the land-man ratio is so low, even zamindari abolition will not benefit the State much. West Bengal has the highest ratio of land utilisation. Cultivable waste land is scarce. There is already the problem of deforestation. Money is being spent on afforestation of waste land. Afforestation efforts should be speeded up. But all this means that there is not enough land to go by.

Here are some elementary data. After the implementation of the Estates Acquisition Act, 3.9 lakh acres will be available to the Government for distribution among the owners of uneconomic holdings. There are 8.65 lakh families who own less than two acres each. If the areas released through the operation of the Estates Acquisition Act are distributed to these uneconomic holders, the average size of their holdings will not increase by even half an acre. Seventy per cent of the owner-cultivators will still have uneconomic holdings. So, zamindari abolition is no solution to the problem of rural unemployment.

LAND IS SCARCE

Land cannot absorb more people. Here, the main problem is to help those who are dependent on land

to be on a subsistence level. This is where cottage industries come in. Rural, cottage industries must be developed, along with land reforms and improvements, to stimulate rural economy. Such a simultaneous plan for improvement is not only expected to solve rural unemployment, but is also recommended to check the population movement away from the village to the town and from the town to the city.

Dr B C Roy's statement of the economic problem, as well as his suggested solution, is based on three premises. Land is scarce. So the problem of unemployment must be solved through industrialisation. Small-scale cottage industries are to be encouraged with two objectives: they will create a balanced rural economy and help to provide a temporary solution to unemployment. Large-scale organised industries are to be expanded simultaneously to provide lasting employment and economic progress. No exception will be taken to this statement of the economic problem, as well as to the suggested solution of unemployment.

Dr B C Roy has emulated Shri Chintaman Deshmukh in supplying quantitative details about the unemployment problem in his State. He relies on the unemployment surveys undertaken by the State Statistical Bureau for his estimate that the unemployed employment-seekers in West Bengal number 10.1 lakhs. The annual net increase in the employment-seeking population is estimated at 1.2 lakhs. During the second Five-Year Plan, therefore, the problem is to create jobs for 16 lakhs of people. Almost the whole of this employment will have to be in the non-agricultural sector.

On the assumption that the average income per head in the non-agricultural sector is Rs 1,000 per year, employment of 16 lakhs of people will generate an income of Rs 160 crores. On the input-output estimates assumed by Shri Chintaman Deshmukh, in one of his discussions in Parliament on the objectives of the second Five-Year Plan, Dr B C Roy concludes that Rs 700 crores of additional investment will be needed to generate an income of Rs 160 crores.

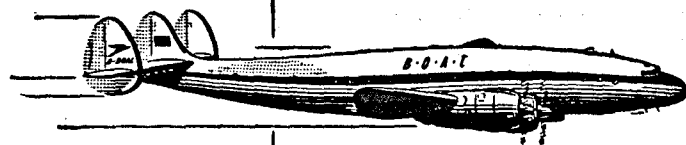
There are many non-Bengalis employed in West Bengal. Some of the expenditure will have to be incurred in foreign countries. Taking into consideration these two aspects Dr B C Roy concludes that Rs 1,400 crores will have to be invested to create full employment conditions in West Bengal in the second Five-Year Plan. Calcutta, New Delhi and the private investor

will have to assume collective responsibility to solve this stupendous problem.

It is where Dr B C Roy leaves that the problem becomes interesting. In the budget speech, he did not disclose the detailed plans for solving the problem. These plans are still at the blueprint stage. Many are sceptical whether the West Bengal Government's or the

Planning Commission's tentative plans for full employment will, or can, materialise. But even sceptics will concede that "the multi-purpose schemes like the Ganga Barrage, or the industrial projects like the Durgapur Coke Oven Plant, etc, are not mere attempts at a diversification of the economy of West Bengal, but are matters of life and death to her".

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From the London End

The White Paper on Defence

WAR under thermo-nuclear bombardment would be a struggle for survival of the grimmest kind... all should realize the magnitude of the disaster war would bring." That being a basic premise in the White Paper on Defence Policy published this week-end (February 18), it would have been expected that some concrete measures for the international control of nuclear weapons would be suggested as a logical step towards avoiding the threat of war. But no, Britain is to become the third great power to manufacture the hydrogen bomb. Its possession, says the White Paper, is a deterrent to war. This alone is the "way to peace". This type of argumentation is not new. In 1950 the world was given to understand that the 'peace through strength' policy of the West would require a systematic process of armament and military alliances. In the five years that have passed, armament expenditure has been pushed up at a rate unparalleled in peace-time and today, when one would have expected that the "position of strength" attained would have been such that peace may be negotiated, the world is still presented with the "urgent need" for German rearmament and increased possession of thermo-nuclear weapons.

TOP PRIORITY TO AIR POWER

Britain's defence spendings during 1955-56 will amount to an estimated £1,537.2 million. This is £102.7 million less than the estimate for 1954-55. The allocation between the services of these budget estimates is given in the following table:

Allocation to Services

	(£m)	1955-56	1954-55
Admiralty		347.0	367.0
War Office		484.0	561.0
Air Ministry		540.4	537.0
Supply Ministry		147.5	151.0
Defence Ministry		18.3	23.9
		1,537.2	1,639.9
Less US aid		43.0	85.4
Net cost to UK		1,494.2	1,554.5

It will be seen that the Air Ministry is to get the largest share of the estimated expenditure. This follows from what the White Paper describes as "strategic air power being the primary deterrent" to any would-be

aggressor. The main deterrent is the Royal Air Force whose primary task now is that of building up the V-bomber force with its nuclear potential. Apparently the first squadrons of V-bombers would be in commission this year.

Except for the allocation to the Army, no substantial change in expenditure is estimated for the Navy or for the Supply Ministry. The Navy is being supplemented with a number of heavy carriers though its conventional role is not disturbed; the White Paper considers the Navy to be essential for sustaining the country's foreign policy (this smacks of Gladstone's "gun-boat diplomacy") and for supporting the strategic reserve.

"OFFENSIVE" DEFENCE

The two most important aspects of Britain's defence policy, that of civil defence against nuclear warfare and production of nuclear weapons, are given some consideration in the White Paper. Should the current cold war be converted to a hot war, the primary task of pure defence would rest on the RAF. The expansion of Fighter Command has been completed; orders have been placed for air-guided weapons; the proportion of all-weather, radar-equipped fighters, are to be increased. A projected Mobile Defence Corps trained in fire fighting and rescue is under consideration. This corps is to serve as the link between the public and the armed forces. Deep shelters are planned and alternative ports are being constructed. Finally, reserve stocks of essential commodities are being built up. With regard to the H-bomb, the actual production has been reached and this achievement has apparently been accomplished independently of what the Americans have been doing.

The planning envisaged in the White Paper conforms closely to that agreed by NATO. Some three months ago Field-Marshal Montgomery had said in categorical terms that he wanted "... to make it absolutely clear that we at SHAPE (NATO's supreme planning staff) are basing all our operational planning on using atomic and thermo-nuclear weapons in our defence". The British authorities, having set their teeth into such a system of military planning, have to a large extent only

established the "offensive" aspect of defence. Their planning of pure defence—in particular, civil defence—remains insignificant, if considered in relation to what thermo-nuclear weapons can in fact do. Field-Marshal Montgomery himself in the same address claimed that "there is no sound civil defence organisation in the national territory of any NATO nation" and added that unless such security exists, "a nation will face disaster in a world war, since the home front will collapse."

HOME FRONT LEFT EXPOSED

It would seem utterly illogical that the military heads both at SHAPE and London should base all their operational planning on action which by any view leaves the home front exposed to the risk of collapse from enemy retaliation. Yet the statesmen of the NATO powers at their meeting in Paris last December and now the White Paper endorse this planning policy.

If we examine the actual civil defence preparations, it will be seen how appallingly inadequate they are against the known effects of H-bomb explosions. Rescue and fire fighters organised in a unit are utterly irrelevant to the magnitude of their task. On the subject of shelters, the White Paper can only plan for areas on the fringe and outside the circle of devastation by blast and heat by the H-bomb explosion. There is some talk of population dispersal, but consideration of the existence of concentrated centres like London, Birmingham, Manchester and so on, show how unhelpful this measure can be.

There is, of course, the attention which is given to interception of enemy aircraft. Fighter command is being strengthened and new equipment of various types is being installed. But even here, there can be little confidence. For, to avert the catastrophe Field-Marshal Montgomery had in mind, air defence would need to attain almost 100 per cent effectiveness at the outset and this is hardly conceivable. The most optimistic estimate of interception is about 25 miles. In any event, as the military commentator Liddel Hart recently pointed out, there is "no means in existence or in prospect of intercepting atomic missiles". While the White Paper speaks of Britain's own progress in

(Continued on page 284)



Not really. Everything has gone wrong with the village this morning. The rice mill has packed up. Perhaps the chukkiwalla left his fuel tank uncovered overnight, or he may have been fiddling about with the injector. (You'll never get him to admit it!) At all events, smoke is coming out everywhere and life in the village has almost come to a standstill.

GOOD MORNING BOKTARI !

It's on occasions like this that the engineer from Burmah-Shell's Technical Service enters into the nerve centre of Indian life. He takes his coat off and gets down to work. He's seen many rice mills and other machinery in his travels, and he's developed an uncanny knack of getting to the bottom of fuel and lubrication problems.

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BURMAH-SHELL... IN INDIA'S LIFE AND EVERY MOVING PART OF IT

Imperial Bank Compensation

Shashikant V Shah

THE scheme for nationalisation of the Imperial Bank has reached a very advanced stage and there is no point in arguing the pros and cons of such a policy. The possibility was first hinted at in 1948 by the late Shanmukham Chetty, the then Finance Minister. Strong objections to the proposal were voiced by both the later Finance Ministers Dr John Matthai and Shri C. D. Deshmukh at one time or another. But that is now ancient history and we need not spend time discussing it.

The proposal took concrete shape when the Rural Credit Survey Committee recommended the creation of a State Bank of India by amalgamating some State Banks with the Imperial Bank. Government accepted the recommendation and decided to take over the management and control of the Imperial Bank in the first instance.

Naturally, there arises the question of paying compensation to the existing shareholders. Government has indicated that it intends to take the average stock exchange value of shares over a period of time as the basis to determine the amount of compensation.

In order that compensation be just and fair, it must satisfy two requirements: (1) Compensation should be equal to the value of the assets taken over, and (2) the person to whom compensation is paid should remain as well off as before in terms of income after his assets are acquired. It is possible that both the criteria may not be satisfied simultaneously as in a case when the value of the assets may have risen while income may have remained stationary or even declined. But in that case, the benefit should go to the owner of the property rather than the State.

STOCK EXCHANGE VALUATION

Now let us see how far the stock exchange valuation basis satisfies the above requirements. Superficially, the solution is simple and an attractive one. However, this arrangement assumes in the first place that buyers and sellers know all the relevant facts. Unfortunately, in view of the obscurantist policy of the directors of Imperial Bank,

this is not so; stock exchange prices are based on what the directors have chosen to show of asset values and earning power. It is common knowledge that the bank had considerably understated in its annual accounts both its earning power and asset values. In doing so the directors acted quite sincerely in their belief that they were serving the interests of the investors by adopting such a course. As things have turned out, however, their action may result in a considerable loss to the investors.

Financial conservatism, highly praiseworthy in itself, has prevented any but a token amount of the profits from becoming reflected in dividends and consequently in share prices. The Chairman of the Imperial Bank in his speech at the annual general meeting of the shareholders in 1951 had observed:

"After full consideration of the accounts your Board has decided that there was justification for a more liberal distribution to shareholders and accordingly, the dividend for the six months ended the 30th June last was declared at the enhanced rate of 16 per cent per annum thus restoring in full the cut imposed in 1931." (Till that time the dividend was 14 per cent per annum.)

Voluntary dividend limitation has been scrupulously observed to further reinforce the innate conservatism of the directors. No one need infer that the progress of the bank during the period was negligible. The Imperial Bank is an ever-growing institution but because of the directors' policies, this progress has failed to be reflected in the market value of shares.

NOT A FAIR PRICE

Further, given the essential data for the assessment of a fair price, the argument in favour of market price of shares as a basis of take-over is valid only in a non-political market where prices are governed by purely economic considerations. However, in the case of the Imperial Bank the threat of nationalisation has been hanging like a Damocles' sword ever since 1948 and the stock exchange prices were never free from this fear. Moreover, the

bank was obliged by an agreement with the Reserve Bank to open a certain number of branches and convert Treasury offices into agencies where Reserve Bank had no branches. This was an added burden since most of these branches and agencies had to be worked at a loss. No doubt, the bank was paid an annual lump sum and enjoyed the right to use vast sums of Government funds interest-free, but these hardly compensated for the losses incurred by the opening of such unremunerative branches, especially when the cost and charges structure of the banks had got hopelessly out of alignment owing to the various labour awards. Given such risks, it is a proven fact that the investor over-rates them by demanding too high a yield.

BRITISH TUC REJECTED MARKET VALUE

Again, at the market price, only marginal buyers and sellers will be willing to exchange their holdings. To adopt this value as a basis of compensation is therefore manifestly unfair. Before concluding the arguments against adoption of stock exchange prices as a basis for compensation I would like to quote some extracts from the Report of the Trade Union Congress (UK) to the 77th Annual Congress held in 1945. They are as follows:

"(a) Market Value of Shares and Stocks:

This basis has the superficial advantage of providing easily ascertained figures whether taken as the quotation on one particular day or as an average of quotations on a number of days. It has however, serious objections... stock exchange quotations are only indirectly connected with the real value of any undertaking to the community. They are the price level at which there is a rough balance at any particular time between those holders who are prepared to sell and people who are prepared to buy in the light of their separate anticipations of income and capital appreciation during the period for which they wish to hold the shares or stocks. Such quotations may include capitalised estimates

of ability to exploit monopoly or subsidy conditions and on occasion can be manipulated. Moreover, stock exchange quotations can be affected by the official money policy of the country."

These are revealing remarks, coming as they do from a body that is all for nationalisation and State control.

INCOME NOT A SATISFACTORY BASIS

The shares of Imperial Bank occupy a unique position in that they have always been considered as near-gilt-edged and are widely held by widows, minors and trusts who look for a steady income and security of capital. If stock exchange value of shares are used as a basis for compensation, the incomes of many widows, minors and trusts will decline precipitately. It is on this ground that the Bombay Shareholders' Association has argued for compensation on the basis of income as adopted in case of nationalisation of Bank of England. This would satisfy the second requirement of our basis for just compensation, but not the first. As stated earlier, with considerable ploughing back, dividends have been voluntarily limited at levels which were considerably lower than that warranted by the profits of the bank. This method of compensation would not allow the shareholders to participate in the assets of the bank that have been built up at their expense.

VALUATION OF ASSETS—ONLY FAIR BASIS

The only satisfactory basis is, therefore, the valuation of assets taken over by Government. Indeed, this is not without a precedent because only recently the Air companies were taken over on this basis. In UK Coal and Road Transport have also been acquired on this basis. Shareholders are fighting shy of recommending this procedure after their disappointing experience in the case of Air companies. The valuation has taken almost two years and it is not over yet. Till such time, the funds of the shareholders will remain frozen. In order to avoid such difficulties, an interim compensation provision could be made as was made in UK when coal mines were nationalised. This would be infinitely better than adoption of the crude and unjust method of stock exchange valuation as the basis of valuation.

There is little point in working

out the asset values attaching to Imperial Bank shares from balance sheet figures, although even on such calculations stock exchange valuation will be found to be far lower. The least that the Imperial Bank can do is to come forward and give out the full facts about its assets. It can call in independent valuers

to value these assets. This will be of considerable help in future when stock exchange prices are made the basis of compensation.

Let not the shareholders find that the massive pillars of the Imperial Bank symbolising security are made of clay.

after strenuous work...



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our national drink



PST 128

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The Story of the Indian Press

Reba Chaudhuri

THE Press Commission had many things on its hands; to prepare a history of the development of journalism in India was not among its terms of reference. Nevertheless, it felt that such an account would help its deliberations by providing a background to the enquiry. Hence this handy volume of 287 pages, compiled on behalf and under the direction of the Press Commission by Shri J Natarajan, Editor of *The Tribune*.* Among the appendices to the Press Commission Report, there is varied fare, a sample survey of newspaper readership, a one-man survey of the quality of news reporting in the Indian Press, in the style of reportage, but spoiled somewhat by too many missing issues of the papers that are supposed to be studied and so on. The volume on history is not such fancy fare. It is a useful compilation, albeit a little staid and fills a gap since there is no other up-to-date account available today.

The volume records in brief the origin of the Press in India, its trials and tribulations, Government patronage as also the repression it had to face. To provide a background to the Press Commission Enquiry, it presents a concise survey of developments both in the English language and Indian language Press. The evolution of the Press has been very closely connected with national awakening in this country, so much so that up to pre-Independence days, the history of the Press can hardly be separated from that of the social reform movement and Nationalist movement.

TRIBAL ORIGIN

Taking the functions of the Press to be those of conveying Government policies to the public, keeping Government informed of public needs and reactions to Government policies, and keeping Government and the public informed of events, the author takes back his story to primitive times and to meetings of the tribal society which developed the method of modifying or ampli-

fying policies and of making the "will of the chief known to the tribe as well as of ascertaining the will of the tribe as a whole".

In a later era historical evidence shows the ruler making his will known to the people through edicts and proclamations. Another concurrent development was the agency whereby the ruler acquainted himself with activities which threatened in time to develop into a challenge to his authority. News letters from ministers, news writers and secret service men were also an early institution which kept the ruler regularly informed of developments in various parts of the country and among different classes of people.

In the Moghul period, news-writers were appointed to various administrative units in their territory, and were charged with the function of sending reports to the headquarters of the administration. The East India Company also requisitioned the services of news-writers for the same purpose as Moghul emperors.

THE FIRST NEWSPAPER

The first attempt to start a newspaper in Calcutta was made in 1776 by Mr William Bolts who had resigned from the Company's service earlier that year after censure by the Court of Directors for private trade. The notice of his intention to embark on the enterprise made it known that he had "in manuscript many things to communicate which most intimately concerned every individual", and this naturally gave rise to alarm in official quarters. He was directed to quit Bengal and proceed to Madras and from there to take his passage to Europe. For the next twelve years, no attempt was made to emulate Mr Bolt's example. In 1780, James Augustus Hicky started the *Bengal Gazette* or the *Calcutta General Advertiser*, in the first issue of which he introduced himself as "the late printer to the Honourable Company". Hicky's *Gazette* specialised in the exposure of the private lives of Company servants. This soon landed Hicky in trouble.

SUCCEEDING VENTURES

The ventures that followed were

promoted by men who benefited from Hicky's bitter experience. In 1780, Messrs B Messink and Peter Reed published the *Indian Gazette*. Four years later followed the *Calcutta Gazette*, published under the direct patronage of Government, and in the following year, came the *Bengal Journal* and a monthly, the *Oriental Magazine of Calcutta Amusements*. With the *Calcutta Chronicle* which was published in 1786, there were four weekly newspapers and one monthly magazine published from Calcutta within six years of Hicky's maiden effort. The new editors trod warily the trail which Hicky had blazed for them. The first newspaper in Madras, the *Madras Courier*, came into existence in 1785 as an officially recognised newspaper, founded by Richard Johnson, the Government printer. It continued without a competitor till 1795, when R Williams started the *Madras Gazette*, followed a few months later by the *India Herald* which was published without authority by one Humphrey who was arrested for unauthorised publication, but escaped from the ship on which he was to be deported to England.

Censorship was first introduced in Madras in 1795 when the *Madras Gazette* was required to submit all general orders of Government for scrutiny by the Military Secretary before publication. Free postage facilities were withdrawn, and on both newspapers protesting, it was decided to impose the levy at the delivery end. Bombay's first newspaper, the *Bombay Herald*, came into existence in 1789. The *Courier*, which was published a year later, carried advertisements in Gujarati. The *Bombay Gazette* was published in 1791, and the *Bombay Herald* was merged into it the following year, being officially recognised for purposes of official notifications and advertisements in the same terms as the *Madras Courier*.

ANXIOUS FOR OFFICIAL FAVOUR

In Bombay and Madras, newspapers do not seem to have come into conflict with Government in this early period. On the contrary, they were anxious to earn official recognition and to enjoy official favour. In Bengal, however, the

* Report of the Press Commission, Part II, History of Journalism. Compiled by Shri J Natarajan, Editor, *The Tribune*. Manager of Publications, Delhi, 1954. Pp. 287. Price not mentioned.

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position was different, and in 1791, William Duane who, in partnership with Messrs Dimkin and Cassan, acquired *Bengal Journal* and became its editor, walked straight into trouble by publishing the rumoured death of Lord Cornwallis who was then campaigning in the Maratha War.

In more than one sense, the turn of the century marks the end of a phase in journalism in India. During this period, there were no Press laws as such. If the person intending to start a paper was already *persona non grata* with Government or with influential officials, he was deported forthwith. If a newspaper offended and was unrepentant, it was first denied postal privileges; if it persisted in causing displeasure to Government, it was required to submit in part or entirely to pre-censorship, if the editor was 'incorrigible', he was deported. Another aspect of journalism in India during this period was that the journals contained material exclusively of interest to, and relating to the activities of, the European population in India. The early newspapers were started by ex-servants of the Company who had incurred its displeasure and their columns were devoted to the exposure of the evils and

malpractices of the time. The general features of the Press during this period were:

(1) The first newspapers were started by disgruntled ex-employees of the Company, and they were aided and abetted by servants of the Company who used these newspapers for the furtherance of their personal rivalries and jealousies.

(2) The circulation of newspapers published in this period never exceeded a hundred or two hundred; hence there was hardly any danger of public opinion being subverted.

CONTROL OF THE PRESS

The bureaucrat of efficiency, Lord Wellesley, imposed rigid control on the Press. There was difference of opinion at the highest level both in India and in London as to what the official attitude towards the Press in India should be. The provocation for issuing the regulation came from the Editor of the *Asiatic Mirror* who published some estimated figures, giving the strength of the European and native population. Strangely enough, the seven newspapers in Calcutta complied without demur. But soon it was found that newspapers were not submitting to pre-censorship with any regularity. Consequently, other restrictions were

imposed on the Press and all public meetings were banned by order of the Governor-General in Council (April 9, 1807). The rigid restrictions imposed on the Press led to the publication of a spate of pamphlets which bore neither the name of the author nor that of the printer. Some significant developments took place in the field of newspaper publication between 1813 and 1818. The first newspaper published by a native, Gangadhar Bhattacharjee, the *Bengal Gazette*, lived only for a year. In 1818, John Burton and James secured permission to publish a newspaper under the name of *Guardian*. The Serampore missionaries started three journals: *Dig Darshan*, a monthly magazine in Bengali, *Samachar Darpan*, a weekly Bengali paper, and *Friend of India*, a monthly periodical in English, followed two years later by a quarterly of the same name. *Samachar Darpan* continued publication till 1840. Press censorship was abolished by a regulation issued on August 19, 1818, and the responsibility for excluding matters likely to affect the authority of Government or injurious to the public interest was left to the Editors themselves.

(To be continued)

From the Chair

The Scindia Steam Navigation Company Limited

Extracts from the Speech of the Chairman Shri Dharamsey M Khatau
at the 35th Ordinary General Meeting of the Company held on Wednesday,
23rd February 1955, at Scindia House, Ballard Estate, Bombay.

UNFORTUNATELY, the over-all working result during this year has not been as satisfactory as that of the previous year; this has been due to a lower level of freight, poorer liftings of cargo, and lesser tonnage employed in some of the trades. On the Coast, the rates for the carriage of salt in 1954 were reduced by Rs 3 per ton, for cement by about Rs 2 per ton and reductions had also to be made in the rates for several items of general cargo. In the Adjacent Trades, where freights depended on open-market conditions, the rates at which freight was earned were lower during the year than in the previous year.

So far as our tonnage position is concerned, five 7300 dwt cargo ships are under construction for us in the Visakhapatnam Yard. I must mention at the start that the quality of the ships built at Visakhapatnam is in no way inferior to those built abroad. In fact, foreign experts have opined that they compare favourably with those built in foreign yards.

As regards operating expenses, while expenditure has remained more or less at the same level as in the preceding year in the case of most of the items, there was a noticeable increase in marine dues, stevedoring and transshipment expenses and particularly in repairs, because of extra expenditure incurred in providing passenger comforts as per Deck Passenger Committee's recommendations accepted by the Government.

As sanctioned by the Extraordinary General Meeting of the shareholders held on the 29th March 1954, the share capital now consists of shares of Rs 20 each fully paid instead of Rs 15 per share.

Over Rs 3 crores stand invested at present in a form that brings practically no return to us. I refer to our investments in the shares of The Eastern Shipping Corporation Ltd, and Hindustan Shipyard Ltd, and to the amount due from Government of India in respect of payment for the Shipyard. Further, the payments made by us to Messrs Hindustan Shipyard Ltd on account of steamers under construction, which, as on the 30th June 1954,

amounted to over Rs 216 lakhs, have been locked up for abnormally long periods owing to considerable and continuing delays in the delivery of the ships. Thus, it will be noticed that over Rs 5 crores of our resources bring us no return.

As regards Scindia Workshop Ltd, this subsidiary company has enabled us to carry out repair work on our ships at reasonable costs. The old Workshop is being modernized in accordance with the advice of experienced experts.

Coastal Coal

Gentlemen, as you know, the carriage of coastal coal is the mainstay of coastal shipping. Government have indicated in recent months their willingness to divert larger quantities of coal cargo to the sea-route; but they have at the same time been pressing for reduction in freight rates as a condition precedent to doing so. In this connection I wish to emphasise that it is the carriage of substantial volume of cargo at an economic rate of freight and not merely the volume of cargo, that would enable the coastal shipping to stabilize and develop further.

The current sea rates, as a matter of fact, are not high or unreasonable and it is necessary, in the interest of the recognized objective of assisting the shipping industry by diversion of more coal to the sea-route, to increase at least some of the rates of freight on coastal coal. In this connection, it will be recalled that soon after World War II the British Government paid during 1946-50 a Coastal Shipping Subsidy of about £450,000 a year to 14 Coastal Companies under their Freight Equalisation Scheme in order to prevent diversion of cargo from sea transport to the less expensive but overburdened inland transport system.

Rail-Sea Co-ordination

This brings me to the allied question of rail and sea co-ordination. The Merchant Navy has always formed an integral part of a Nation's Transport. If the shipping companies are to contribute their share in building up the Merchant Navy, there should be cargoes available for

lifting at paying levels. The Coastal Conference have been pressing the Government to co-ordinate the two modes of transport by suitable adjustments in rail rates, arrangements for through bookings, etc.

This subject of rail-sea co-ordination has moreover a wider application. The use of preferential rates on Indian Railways for cargoes meant for or coming from overseas, if they are shipped by national tonnage, provides an elastic method for securing its legitimate share in the carriage of our Overseas Trades. I therefore trust that Government will be good enough to explore this avenue for encouraging Indian Shipping. In such an investigation the shipowners will be prepared to play their part.

Owing largely to immigration restrictions in Burma, the traffic on Madras/Rangoon passenger service has been falling from year to year. As against 32,000/35,000 passengers carried in 1948-49, passengers carried in 1954 were about 10,000. There is also a heavy decline in the movement of cargoes between the two ports. Thus this service continues to be a losing proposition. We have approached the Government for adequate assistance that would enable us to cover the losses and earn a reasonable margin of profit. Unless a reasonable solution can be evolved, we shall be compelled to stop this service altogether.

Indian Coastal Conference

Gentlemen, I informed you at the last meeting about the growing malpractices on account of which we decided to resign from the Indian Coastal Conference.

On a pressing appeal by other members of the Conference we agreed to withdraw our resignation and to give a trial to a machinery for prevention and detection of irregular practices. I am glad to say that the Coastal Conference has therefore recently appointed a Committee to evolve a suitable pooling arrangement under which Member Lines would be entitled to carry their respective quotas of the coastal trades. Under a well-conceived quota system with provision for deterrent

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penalties, there would be no restriction on legitimate expansion of tonnage; it would also ensure observance of Conference rates and practices, thereby promoting healthy development of national shipping on the Coast.

Charters on the Coast

In the purely Coastal Trades Indian shipping companies have already reached a position where they can fully cope with all coastal traffic with their own tonnage. We therefore welcome the decision reached at the last meeting of the Consultative Committee of Ship-owners held in November 1954 that no foreign chartered vessel should be allowed to operate on the Coast from 1st April 1955 except that any charters which have already been sanctioned would be allowed to run out their unexpired periods. While in the present conditions it would be necessary to continue to permit chartering for Adjacent and Overseas Trades, the ships chartered for this purpose should not be allowed to operate on the Coast except only for the purpose of positioning a chartered ship between one voyage in the Adjacent or Overseas Trade and another such voyage. Further, the substitution of owned tonnage transferred to an Overseas Trade by chartered tonnage on the Coast should not be permitted as it would defeat the basic purpose of coastal reservation.

Tonnage in Adjacent Trades

As regards Burma-India and Burma-Ceylon Trades, at present Indian companies are entitled to carry only 50 per cent of these trades, the remaining 50 per cent being catered for by non-national lines. In this connection, it is important to note that the Union of Burma Shipping Board is already operating two large ships specially designed for the carriage of rice and coal. Ceylon also has begun to develop its own shipping. We fully appreciate the aspirations of our neighbours to build up their own national shipping and we welcome their entry into these trades. It is only in the fitness of things that the cargoes emanating from or terminating in India, Burma and Ceylon, should be carried increasingly in the national bottoms of these countries to the mutual advantage of all of them. Trade relations between India and Pakistan are an important feature of our West Coast trade. I therefore hope, particularly in the prevailing more cordial atmosphere of today, that these relations will improve to our mutual advantage.

Tankers

It is a well-recognized fact in transport economics that a national fleet is incomplete without its appropriate quota of tankers. The question has now assumed particular importance in view of the fact that three oil-refineries are being established in the country. As India possesses no oil-wells so far, this question has a two-fold aspect: (1) the carriage of three million tons crude oil from overseas to the refineries, and (2) the movement of about a million and a half tons of refined products along the Coast of India. Not only no provision has been made for India's participation in the carriage of crude oil to her shores but, for the thirty-year period of the agreement the oil companies have been given the right to operate their own or chartered tankers on the Coast in spite of the fact that the coastal trade of India has been reserved for national ships. However, it should not be difficult with good-will on both the sides to modify the terms of the agreement entered into with foreign corporations and, when that happens, the Government should hand over the operation and management of two coastal tankers they propose to buy to a company operating along the Coast with a view to forming a nucleus of a tanker fleet and its expansion in due course.

India/U.S.A. Trade

We were compelled to pull out of the India-USA cargo service during the year under review, as we found that the voyages performed during the year showed unsatisfactory results, with no prospects of improvement.

India/U.K.-Continent Trade

Ships withdrawn from the India-USA Service have been diverted to the India-U.K.-Continent trade. Notwithstanding abnormal delays, with the employment of the full number of 12 ships which we are at present entitled to employ in this trade, we were able to consolidate our position by suitable programming of our vessels.

I shall now refer to certain handicaps the Indian Lines experience in normal trading operations by being denied membership of some of the Conferences. You may be surprised to learn that, while our vessels loading on the Conference berth for UK-Continent can accept cargo, say, at Calcutta for Colombo or Aden, they cannot accept export cargo from Colombo to UK-Continent ports. Similar is the position in the trade from UK to Aden, UK to Colombo,

etc. This restriction affects the economic working of our vessels. We are pursuing this matter with the Conferences concerned and I only hope that they will see the reason and force behind the Indian Lines' contentions and redress their longstanding grievances at an early date.

A further and a more important restriction which comes in the way of Indian Lines providing a much more efficient service in this trade arises from their being limited to employing not more than 12 vessels. We thus have no rights similar to those enjoyed by our non-Indian colleagues. In this connection I may inform you that the Cargo Preference Act recently put on the Statute Book of the USA and legislative measures adopted by quite a number of countries in the Middle East and of the South and Central Americas in the year adequate cargoes emanating ensure to and from their respective countries to and from sub-rail shipping. In view of this position, I hope that the progressive realisation of our claim for 50 : 50 share in the India-U.K.-Continent trade left in the hands of our other confreres conferences.

Liaison for Government Cargo

Now that national lines provide number of established services between India and many other countries, it is essential that these lines should be able to provide space for all cargoes ordered from other countries by or on account of various departments of the Union and State Governments and semi-Government or Government-controlled bodies or Corporations. All such cargoes should, for the purpose of shipping arrangements, be canalized through one central co-ordinating agency, which should be established under the Director-General of Shipping.

India/U.K. Passenger Service

The TSS "Jal-Azad" and TSS "Jal-Jawahar" were withdrawn from this popular service for reasons mentioned in my speech last year. The Scindia Company has long experience and reputation in operating a number of passenger services on the Coast and in Overseas routes and they have operated this particular service at considerable sacrifice. It is our sincere hope therefore that, should Government at any time decide to resume this service with new vessels, their operation and management will be entrusted to this Company. The same remarks will apply

in toto to any vessel that Government may wish to put into the Haj Service in future.

An attempt is made in some quarters to misinterpret the objective of Coastal Reservation, and it is suggested that old established companies should progressively go out of the coastal trade. Such a concept of the coastal reservation policy is entirely unwarranted, as it ignores the historic background of the long struggle put up, at considerable sacrifice, by Scindia with the co-operation of other National Lines to achieve this objective under which new-comers find themselves safe in home waters. The coastal sector must therefore realise that it is protected from foreign competition while the overseas sector has the Damocles' Sword of a rate-war all the time hanging over its head and has often to face the unequal competition of tramp tonnage. The Coastal waters must always remain the sheet anchor of Overseas tonnage.

Tramp Ships

There is recently apparent in some shipping circles an interest in tramp tonnage as a basic constituent of a well-planned national mercantile marine. The utility of this approach will be realised if the history of the subject is borne in mind. Tramps were no doubt an important section, almost 50 per cent, of British tonnage before the first World War. Tramp tonnage which had already fallen to about 30 per cent of British tonnage in 1935 was reduced in 1953-54 to about 15 per cent according to the annual report of the Chamber of Shipping of the UK. Germany, Italy and America, have made no special efforts to develop their tramp tonnage. It is thus abundantly clear that it would be prejudicial to an early growth of a national marine if India today proceeded to encourage tramp tonnage as a matter of definite policy, particularly as bulk cargoes of coal and ores, regularly shipped from India, are generally low-rated and their normal destinations are countries from which we do not obtain dry cargo in substantial quantities.

Second Overseas Corporation

It is reported that the Government are considering the launching of a second Shipping Corporation. Properly conceived, it should help in adding to our mercantile marine; otherwise it might set the clock back. We would therefore urge Government to take the shipowners into their confidence by discussing the scheme with them prior to its finalization.

Floating Staff

We are glad that the Government of India, foreseeing an expansion of the Merchant Navy, reorganized the system of training with a view to turning out a larger number of persons for service in the Merchant Navy. The result has been that at present there is no dearth of duly qualified navigating officers and engineer officers in the lower grades. The position as regards engineer officers in the higher grades is also fairly satisfactory. This has enabled us to send a number of engineer officers to Germany for training and practical experience in diesel machinery before they are placed on the diesel vessels which will shortly be added to our fleet.

Unfortunately, however, owing to an unusually large number of navigating officers in the higher grades having been attracted to shore employment in the port and pilotage services, we are suffering from an acute shortage of such officers. In this connection, I wish to appeal to the authorities concerned to revive, in common interests, the healthy convention that was established during the last War but which has ceased to be operative, whereby officers in such an essential service should be recruited only after obtaining the consent of their previous employers.

Dock Labour Situation

Ever since the introduction of the scheme of Decasualization of Labour—introduced in Bombay in 1952, in Calcutta in October 1953 and in Madras in 1954—labour output has kept deteriorating continuously. Indeed the Dock Labour Board Scheme lays it down in specific terms that the primary function of the Board is to take measures, *inter alia*, for "ensuring the full and proper utilization of dock labour for the purpose of facilitating the rapid and economic turn-round of vessels and speedy transit of goods through the port". The facts speak otherwise. The receipt of benefits of minimum wages, attendance fees, leave, etc, the cost of which is borne initially by the stevedores but ultimately by the shipowners and consumers, has been answered only by a deliberate reduction in output by resort to "go slow" tactics. The output has been reduced to almost half, and in some cases even less. Nor are the immediate employers, i.e., stevedores, in a position to control the worker, because the daily worker has under the Scheme ceased to be the direct employee of the stevedores. You would better appreciate the enormity

of the loss involved by the following example. An average loss of about five days on account of poor discharging and loading operations in a round voyage—by no means a high figure in the present conditions of labour in various ports—would amount in the case of Scindia fleet to an aggregate loss of the order of 800-900 voyage days or equivalent of 2½ vessels. In other words, these delays result in a virtual immobilization of 2½ vessels, the maintenance cost of which would approximate to over Rs 20 lakhs. Government have at last realized the gravity of the labour situation and have appointed an Enquiry Committee to report on the working of the Decasualization Schemes. We await the recommendations of this Committee and hope that they will remove the difficulties encountered by all concerned.

Prospects for the Current Year

As regards the future, I wish I could make an optimistic forecast for 1954-55; but disturbing tendencies which characterized the working of the year under review have unfortunately continued into the current year. Labour costs are still rising; delays in ports still continue. Our operating difficulties increased considerably owing to the entire shipping on the West Coast—be it Coastal or Overseas—experiencing the worst of a continuous heavy monsoon. The dock labour having refused to handle ships calling at Mormugao and Diu, the cargo-cum-passenger services to and from these ports had to be suspended, which will considerably affect the earnings during the current year of this Line as well as those of Bombay Steam Navigation Co (1953) Ltd. In the various trades liftings of cargo have shown no advance on the previous year. Whatever increase we had in our liftings of Burma rice for India has been achieved at heavy cost. Our tonnage position will not improve until almost the end of the current year when two diesel vessels out of the five we have ordered will be received from the Vizag Yard. The main factor to offset these adverse circumstances is the fact that the downward tendency in freight rates has now been arrested. In the Overseas Trades from early February an increase of 10 per cent has been made in freight rates. As regards labour and port delays, it is hoped that, as a result of measures following the enquiries now in hand, improvement will begin to show itself before long. Neither will fully offset the losses already incurred due to various adverse circumstances mentioned above.

Taxation Policy

I wish to deal with certain important questions of taxation policy which seriously affect the replacement and expansion of shipping. In the case of shipping, new capital equal to about four to five times the pre-war costs has to be found for replacement of old ships and for additions to the fleet. This is rendered particularly more difficult by the high rates of taxation and the manner in which some of the provisions of the Income-tax Act operate.

In 1946, Section 10(2) (vii) of the Income-tax Act was amended. By this amendment, the sale-proceeds and the amount realized from underwriters for marine mishaps are being taxed. The shipping industry in particular has been hard hit by this amendment by the very nature of its assets and business. In shipping, unlike other industries, there is a higher frequency of accidental total loss and of disposal of fully depreciated ships. It is therefore imperative that shipping be exempted from the operation of this clause subject to the amounts realized from sales or from underwriters being utilized for further acquisition of tonnage.

The only provision that has so far been made in order to assist expansion of industry is to allow Initial and Double Normal Depreciation in respect of new assets. And, in the case of shipping, they are allowed on secondhand ships also. This concession, however, does not give any real relief because it merely defers the payment of the tax to a future date. In respect of shipping, this so-called concession acts adversely, particularly to those operating in the Overseas Trade. Nearly 50 per cent of the freight and passage earnings directly accrue or arise abroad and taxation of profits so accrued abroad by the Governments of countries concerned cannot be avoided or resisted. It is, of course, true that under Section 49(D) of the Income-tax Act, unilateral relief from double taxation in India is available. However, such unilateral relief is denied to the shipping companies because, due to Accelerated Depreciation Allowances, the assessable profits in India are nil and will continue to be nil for several years to come. During these years, Indian shipping companies will continue to pay taxes on profits which have accrued or arisen in foreign countries without receiving any corresponding relief in India. The payment of these taxes will be a dead loss to the shipping companies. Further, in the hands of the shareholders the dividend is

not grossed up and the shareholders with lower incomes are deprived of their refunds. This, in a nutshell, is the problem the shipping industry has to face at present where the concession acts most harshly. Representations made to the Central Board of Revenue to make this concession optional have been turned down on legal grounds.

In the United Kingdom and other maritime countries shipping is given favoured treatment in the matters of taxation. As a matter of fact, the Indian National Steamship Owners' Association have represented to the Taxation Inquiry Commission the question of granting Investment Allowance on UK lines and I do hope that the Finance Minister in his next Budget proposals will grant such an Investment Allowance to the industry in general or, at any rate, to the shipping industry by way of an exception.

Tonnage Programme

I wish to take this opportunity of referring to the question of pricing of the ships built by Messrs Hindustan Shipyard Ltd for Indian shipowners. So far, the price charged to Indian shipowners for ships built at Vizag has been based on the UK parity price. However, the UK parity price, at present, is higher than the price ruling on the Continent and elsewhere for comparable ships. In my view, therefore, if the Shipyard is to develop fully and secure good business in the future, it is only proper that Indian shipowners should be charged a price that compares favourably with the price ruling in the most competitive country at the time when the order is placed. I am sure this suggestion of mine will be considered quite fair and will receive sympathetic consideration of the Government. It has also to be remembered that the time taken for building a ship at Vizag Shipyard is much longer than in the UK and the Continent, with the result that our moneys are locked up for a considerably longer construction period.

The total finance required for the 10 fast ships is estimated to be about Rs 10.5 crores. Your Directors have decided to provide, from the Com-

pany's own resources, approximately half of this amount for financing the entire cost of the 5 diesel ships under construction at Vizag and to the extent of 15 per cent of the cost of the other 5 ships that will be built abroad. The balance of the finance required, estimated at about Rs 5¼ crores, will be raised by taking a loan from the Government. I am glad to inform you that the Government have decided to give us the loan at 2½ per cent per annum. The loan in respect of each ship will be repayable in 10 equal instalments, the first of which will fall due at the end of the third year from the date of delivery of the ship. I wish to thank the Government for providing assistance in this manner for financing new tonnage.

After our modernisation programme outlined above has been implemented, we shall have a total fleet (excluding our B S N Line ships) of about 2,14,000 G R Tons consisting of 37 ships for the requirements of our various trades. The present is the opportune moment to review the progress which your Company has made since the termination of the War. Assuming that our fleet will be modernised according to plan, its growth during the post-war period of ten years can be seen from the table below.

Thus over a period of eleven years, new capital to the extent of nearly Rs 20 crores will have been invested in additions to and modernisation of our fleet, out of which only about Rs 5.5 crores will have been borrowed from Government. I have no doubt that this is an achievement of private enterprise of which any Company may well be proud.

The Scindia Company, from its very start, has shown daring enterprise and forthright initiative at a time when, under the domination of foreign rule, there was nothing but opposition not only from alien interests but also from the then Government of India itself. This enterprise and initiative we were able to put forth because we knew that we could always rely upon your co-operation and encouragement, particularly when we were fighting single

Coastal and Overseas Fleet

	at the end of		
	1945-46	1951-52	1956-57
Number of ships	15	34	37
Total G R T	69,934	2,00,348	2,15,000
Total D W T	1,05,065	2,95,338	3,30,000
Average Age	23	13	11
Approx Cost Value	Rs 1.42 crores	Rs 12.36 crores	Rs 21.5 crores

handed to establish national shipping in this country. The economic history of India records the fact that in an era of crippling losses when British shipping interests offered to buy your shares at four times the market value, you stoutly refused to barter away national independence for mere cash. At immense sacrifice, your Company fought its way in the carriage of the Burma rice trade, the coastal passenger and the Haj trades. Not only did it go to the rescue of Indian passenger-carrying companies on the East and West coasts of India but, on the West Coast, it "Indianised" the non-Indian company which was fighting the entry of Indians in its domain. We were also largely instrumental, at sacrifice to ourselves, in the promulgation of the Bhor Award which enabled the small Indian companies on the West Coast to survive then and to prosper later. In an age when the concept of Indianisation was just beginning to manifest itself, the Scindia Company was not merely owned and controlled but also managed by Indians. The part that we played in the days of the alien Government in making the principle of Coastal Reservation popular among the public and in securing its acceptance by the Legislative Assembly, came to fruition on the establishment of the National Government. Before the establishment of the Indian Mercantile Marine Training Ship "Dufferin", the Scindia Company used to provide facilities for the training of Marine Officers and Engineers. It is the pioneering efforts of your Company that has brought into existence the National Shipbuilding Yard at Visakhapatnam. Soon after World War II, it carried the flag of Indian shipping in the Overseas trades by starting the services to U S A in 1947 and to U K and the Continent in 1948. We have been the pioneers in establishing a passenger line on the international route between India and the United Kingdom. As you will doubtless recall, this was the first service operated by the Company with our first steamer, s s "Loyalty" and later resumed with our T S S "Jal-Azad" and T S S "Jal-Jawahar". We are also carrying a large number of passengers between India and East Africa and India and Malaya as Managing Agents of the Eastern Shipping Corporation, Ltd. In the sphere of insurance allied to shipping, it was at our instance that in 1952 there was established in India the Hull Insurance Market to which the Government have since diverted all hull insurance of Indian Shipowners. Finally, we have now a programme of reaching the target

of about 2,15,000 G R T by 1956-57. These vignettes from the history of the Scindia Company I have given here, not in any attempt at self-praise, but only to show how that history is resplendent with the courage, perseverance and self-sacrificing devotion to the country that have characterised the shareholders of the Company from its early days. Reflecting the appreciation by Mahatma Gandhi of Sheth Narottam Morarjee as combining "patriotism with commercial ambition", the Company and its shareholders have played a prominent part in laying the foundations and helping the development of the Indian Mercantile Marine which, it is hoped, at the end of the second Five-Year Plan, will exceed one million gross tons—a record of which you, forty thousand shareholders of the Scindia Company, representing private enterprise, can well be proud.

Gentlemen, before I close my address, I wish to express our thanks to the Ministry of Transport, the

Director-General of Shipping and his Secretariat, for their assistance and advice at all times. In the very sad and untimely demise of the late Mr N M Buch, the last Director-General, we have lost a good friend of Indian Shipping. He brought to bear on his work his considerable experience as an administrator and took keen interest in the problems of Indian shipping.

I also wish to express our appreciation of the manifold services rendered by Shri S N Haji who retired from service in June last and by Shri N Dandekar who is no longer with the Company. Shri Haji may rightly be called the 'Father of Coastal Reservation' as he sponsored the Coastal Reservation Bill in the Indian Legislative Assembly as far back as 1928. During his association with the Company, Shri Dandekar showed outstanding and versatile ability and devotion to duty in all fields of our activities. Both these officers have served your Company truly well.

Finally, I should like to mention that the Management, the Officers and staff, both ashore and afloat, and the agents of the Company at various ports have discharged their responsibilities diligently and efficiently in spite of adverse conditions that prevailed during the year. To them all I wish to convey the thanks of the Shareholders and Directors.

Railway-Shipping Co-ordination

"Needless to say, it is essential to promote maximum co-ordination among the various means of transport and this matter is already engaging the attention of the Transport Ministry which has constituted a Study Group. Railways are also represented on it. As the Study Group might take some time to produce its report, I have considered it desirable to examine one of the aspects shortly.

"I refer to the possibility of co-ordination between the Railways and the coastal shipping in order to promote the development of the latter on sound lines. I intend setting up shortly a Committee in order to examine certain specific suggestions that have been put forward. The Committee will also undertake a comprehensive examination of the comparative costs of operation on competitive routes by rail and by sea and advise on the steps to be taken to promote transportation by coastal shipping of commodities which are specially suited to this type of transport."—Shri Lal Bahadur Shastri.



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Dull and Listless

Wednesday, Evening

FOR the second week in succession, the Calcutta Stock Exchange continued to be under the influence of the budget. Investors are out of the market. Even speculators are reluctant to enter into fresh commitments. There is not much of selling pressure. But, in the absence of support, the market has developed an irregularly lower trend. By all current indications, dull conditions are likely to prevail until the presentation of the budget by the end of this month.

Fears about increased taxation persist. But there are reasons why equities are not declining further. For one thing, the belief is spreading that the Central budget may not include proposals for higher direct taxation, but that it will contain proposals to increase indirect imposts. From the prevailing mood of the market, it would seem that equities may move up if the Central budget does not raise the level of direct taxation.

There are some other reasons for the subdued optimism in the market. It is evident that TTK's resignation has not yet been accepted. Stock markets do not endorse the interpretation that TTK has left New Delhi never to return there. Market circles are inclined to the view that Pandit Nehru may persuade TTK to continue to be a Cabinet member in order to assuage industry. All this may be wishful thinking. But this is what the stock markets are hoping.

TTK and Equities

To appreciate why TTK's membership or otherwise of the Union Cabinet should be of so much interest to stock markets, it is necessary to recall recent history. TTK is regarded as a friend of industry. He is known to be in favour of private enterprise. According to reports, one of the reasons why he had tendered his resignation from the Cabinet was his support for the Birla steel plant at Durgapur, which was rejected by New Delhi. It will be recalled that equities never looked up since it became known that New Delhi was opposed to the Birla iron and steel proposal for Durgapur. This was interpreted to mean that the Government was opposed to expansion of

the organised sector of industry.

A few days ago, TTK went to New Delhi, at the request of Pandit Nehru, to discuss the whole situation. There are reports in market circles that Pandit Nehru is not unimpressed with TTK's arguments. If TTK finally stays on in the Cabinet, it will be interpreted by market circles as a triumph for private initiative. Industry suspects the Finance Minister to have acquired socialistic leanings. It, therefore, hopes that TTK will remain in the Cabinet to counterbalance the Government's avowed aim of introducing a socialistic pattern of economy.

Nor are stock markets unduly alarmed over the President's Address to Parliament. Investors will welcome the assurance that capital goods industries will be developed and expanded. This is interpreted to mean that, in the interest of temporary employment, cottage industries will not be over-expanded at the cost of heavy industries. Current stock market steadiness is a part reflection of this belief among industrial circles.

Tea Corners

Besides these influences, there are other factors which are responsible for the comparative steadiness in Tea shares. Interim dividend announcements continue to be a sustaining influence. It has been in operation for more than a month. As long as this influence remains in operation, bargain-hunters will remain interested in Tea shares. This is a part explanation of the occasional spurt in selected Tea shares.

Interested buying, in order to acquire controlling interest in tea companies, continues unabated. Evidently, the authorities do not seem inclined to discourage such transfer of ownership or of managing agency rights in rupee tea companies. This has fostered an interesting argument. To such block buying of shares, the main objection is that it involves transfer of ownership in companies at unduly inflated levels. Tea prices and Tea shares have gone up appreciably. Even so, the prospects are not supposed to be gloomy.

One argument is that the rise in Tea shares has not yet discounted the rise in tea prices. The relative increase in the latter is advanced as

an argument that those who are buying Tea shares today are not paying an unduly high price. Maybe. What of the future? It is argued that neither London nor internal tea auction prices are likely to decline in the near future to levels which will make current purchases of Tea shares uneconomic. There is something in these arguments.

Jute Parities

Jute shares remain neglected. It becomes increasingly evident that the industry cannot make much profit by buying raw jute at current prices and selling jute goods at prevailing market rates. There is not the least shadow of a doubt that the statistical position in relation to raw jute is extremely "bullish". This means that raw jute prices are not likely to decline appreciably in the near future.

If raw jute prices do not go down, jute goods are not likely to move down. But, even at the current prices for jute goods, the American demand is not heavy. Burlap consumption in America to date is rather poor. American off-take is not likely to improve unless the prices of jute goods decline. But jute goods prices are not likely to fall as long as raw jute prices remain steady to firm.

These factors explain the stalemate in Jute shares. It is clear that Jute shares will not rise even if equities in general move up after the budget. Not only the immediate future, but long-term prospects also do not seem optimistic to investors. This, perhaps, explains why there are not many attempts by interested parties to acquire controlling interests in jute companies.

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Not Unnerved

DALAL STREET moved both ways during the week to close on steady-to-firm note. The week commenced with hopeful outlook following the announcement by the Union Minister of Production of the Second Five-Year Plan target for iron and steel at 6 million tons. Steels tried to recoup last week's losses, but textiles again pulled back the trend, following the Government's notification revising classification of exportable cotton textiles according to the average count. Hitherto, the count of yarn was the only criterion for classification. This revision would result in extra duty of 10 per cent being charged on the cloth which used to be exported free of duty due to the loophole in the old classification.

At first this news had a bearish effect on the textile shares. But the fact that these shares are already placed at low levels and the revision of the classification is not going to affect tangibly the overall export position accounted for scattered bear covering and halted the downward drift in textiles.

Thereafter the market remained more or less steady throughout the week, and on the last day, ie, Wednesday, market ruled firm following the purchase of about 1,000 Tata Ordinaries by one of the reputed brokers. Favourable rumours regarding the budget also helped the sentiment. Entire section followed the rise in steels. Calcutta advices also were much better. Textiles not only partially re-couped the previous week's losses but showed some definite signs of resistance at lower levels.

Among Miscellaneous Section, Scindias were in demand on hopes of a favourable speech by the Chairman. They changed hands at Rs 16-3-6 from the week's low of Rs 15-11. However on Wednesday the Chairman made a speech which the market is likely to take as discouraging. The current year's working has not improved yet. But the expansion plan—modernisation of India-UK fleet and the plans for augmenting tonnage—should help in toning up the long-term outlook. The share has already lost more than 30 per cent of its value from the peak of 1954. It is also about Rs 4 below the revised paid-up capital of Rs 20. Technically it seems that

most of the adverse factors have been discounted around present levels.

The market has begun sizzling in the pre-budget warmth. The ensuing budget is perhaps going to be the most exciting one after Liaquat Ali's. While the Liaquat budget came as a bolt from the blue and caught the market unawares, this time the market is bristling with expectations of all sorts. And for very sound reasons, too. There is first the statement of the Finance Minister that he would implement at least some of the measures recommended by the Taxation Enquiry Commission—a factor which is obviously bearish. Then there is the Avadi resolution on the Socialist Pattern. More bearish. So what? Again and again, ministers of the cabinet rank as well as others have been assuring the private sector that they have no reason to be bearish. And TTK, the darling of the private sector, is making a spectacular re-entry, evidently on his own terms. This is a pretty bullish factor. But above all, it has to be remembered that 1955-56 is the last year of the First Five-Year Plan; and the Congress is facing the General Election in 1956. If the Five-Year Plan were to make any impression on the public, the tempo of spending has to be so high as to make up for all the slackness of the past years. No wonder there are rumours of a 500 crore deficit financing. If this were to be true, nothing could be more bullish. By and large, the budget appears to be bullish. But then one never knows!

Bullion, Cotton and Oilseeds

Bullion market eased further during the week on slackening of demand, and enforcement of special margin. Bombay Bullion Association on Monday decided to enforce special margin in view of the unhealthy speculative manipulated rise. Bulls in both the metals will have to pay Rs 7 per tola on gold and Rs 500 per bar of silver. This led to un-loading to some extent, but most of the long positions seem to be unchanged from the fact that they paid the margin of about Rs 41 lakhs in silver and Rs 11 lakhs in gold! Payment of the margin resulted in halting the decline as these bears were eager to cover. On balance, though rates show

some decline, the market ruled steady.

	Feb 16	Feb 23
	Rs as	Rs as
Silver (Fagan)	163-10	163-1
Gold (Fagan)	92-4	91-6

The cotton market ruled very steady during the week. In view of the budget, transactions were not big but the general sentiment was distinctly better. Low tenders in maturing February contract and acceptance by ETCA of the principle of fixing room-rates on the basis of spot market, completely discouraged short-selling. All these factors and higher ready quotations (about Rs 60 per candy higher than forward) caused scattered support and rates tended to harden. Commitments, however, were moderate. The gap between May and February widened to about Rs 40 in view of the thin tenders in February Contract. This gap had one time narrowed down to even position last month.

August contract is likely to commence after the Bye-Law is changed to implement the above mentioned proposal regarding room-rates.

	Feb 16	Feb 23
	Rs as	Rs as
Cotton—May	573-8	579-12

Quietly steady conditions prevailed in groundnut as operators had to adjust their business in view of the budget. There was moderate enquiry from UK, Burma, Hong-kong for groundnut oil. Shippers did some business, but experienced some difficulty as regards shipment. Groundnut arrivals were slightly smaller and upcountry advices were steady. Foreign quotations were more or less unchanged.

	Feb 16	Feb 23
	Rs as	Rs as
Groundnut	22-7	21-15
April-May		

Dull conditions prevailed in castors also as in other oilseeds. The market is trying to stabilise at around current levels with the hope that export duty will be totally abolished in the coming budget. There was no significant news during the week to affect the trend either way. Evening of positions by speculators caused both way movements. Sentiment was steady at the close and minor shipping business was reported. Foreign quotations remained around previous week's rates.

	Feb 16	Feb 23
	Rs as	Rs as
Castor seed—		
May	79-8	79-0

CURRENT STATISTICS

BANKING RETURNS

(Rs Crores)

	Latest Week†	A Week ago	A Month ago	A Year ago
Money supply with the public				
a) Note circulation	1241.16	1242.57	1219.47	1173.90
b) Rupee Coin	103.29	103.10	104.30	93.88
c) Cash on hand with the Scheduled Banks	32.00	32.77	32.25	32.60
d) Demand liabilities of Scheduled Banks (net)	571.14	571.77	563.24	506.72
e) Deposits with Reserve Bank				
i) Other Governmentments	14.12	11.08	16.18	21.79
ii) Others	34.07	34.03	33.74	62.29
Reserve Bank				
a) Foreign Securities	663.15	663.15	653.21	639.15
b) Balances held abroad	68.59	69.30	80.08	103.99
c) Rupee Securities	447.74	447.74	437.67	421.34
d) Investments	68.25	64.05	70.63	70.76
e) Loans and advances to Governments	1.20	1.24	1.77	0.30
f) Central Government's Deposits	51.74	52.58	53.36	87.24
g) Banks' Deposits	51.08	48.78	63.64	41.01

Scheduled Banks

a) Time Liabilities	370.95	369.17	367.14	330.41
b) Borrowings from Reserve Bank	10.26	9.53	8.16	22.96
of which against Usance Bills	4.92	4.59	3.54	10.86
c) Advances and Bills discounted	575.16	569.92	551.70	515.24
of which Imperial Bank's	112.62	109.66	104.19	91.54
d) Investments	355.24	354.47	351.13	320.61
of which Imperial Bank's	101.45	101.01	98.48	79.73

Cheque Clearances

	137.06	131.19	133.76	133.42
--	--------	--------	--------	--------

† For Money Supply, Cheque Clearances and Reserve Bank 18-2-55. Scheduled Banks week ended 11-2-55.

Bombay Money Rates

	18-2-55	11-2-55	21-1-54	19-2-54
Inter-Bank Call Rate	2 7/8	2 7/8	2 7/8	2 7/8
3 months deposits	3	3	3	2 7/8
6 months deposits	3	3	3	2 7/8

Bombay Bullion

	24-2-55	A Week Ago	A Month Ago	A Year Ago
Gold Spot (per fine tola)	92- 9-0	92-14	91-12	86- 8
" Forward	92- 1-0	92- 1	91-12	86- 1
Silver Spot (per 100 tolas)	164- 9-0	164- 3	161- 9	162-15
" Forward	164- 5-0	163-14	161- 9	162-15

WORKING CLASS COST OF LIVING INDEX

(Monthly average or calendar months)

(Base: 1939 = 100)

	Bombay	Calcutta	Madras	Kanpur	Delhi
1948	288	339	315	471	344
1949	292	348	330	478	344
1950	298	349	332	434	344
1951	314	370	341	451	370
1952	321	351	337	441	373
1953	346	349	358	453	366
1954	342	327	348	408	360
1954:					
Jan	346	325	360	442	363
Feb	331	316	350	432	363
March	332	319	352	416	360
April	338	323	348	426	368
May	338	339	348	416	370
June	350	332	349	396	352
July	349	331	346	400	349
Aug	345	330	343	408	352
Sep	347	332	342	406	357
Oct	346	336	345	404	368
Nov	344	325	344	387	363
Dec	341	321	344	369	351
1955:					
Jan	—	—	340	—	343

Source: (1) Ministry of Labour
(2) State Authorities

LATEST ALL-INDIA CROP ESTIMATES

(Area '000 acres)

	Estimate	1954-55	1953-54	Change
Cereals				
Rice	first	62,630	67,823	-7.7
Jowar	"	26,366	27,009	-2.4
Bajra	"	25,174	26,629	-5.5
Maize	"	8,927	8,825	+1.2
Ragi	"	5,045	4,981	+1.3
Pulses				
Tur or Arhar	"	5,526	5,459	+1.2
Other Kharif Pulses	"	10,146	10,539	-3.7
Oilseeds				
Groundnut	second	10,833	10,050	+7.8
Sesamum	"	4,540	4,534	+0.1
Linseed	first	2,441	2,501	-2.4
Rape and Mustard	"	2,244	2,185	+2.7

Source: Ministry of Food & Agriculture

COAL STATISTICS

(in Million tons)

	Production	Despatches	Stocks at pitheads†
1954	36.80	32.0	3.5
1953	35.24	30.8	3.4
1952	36.22	31.2	3.0

Source: Chief Inspector of Mines

INDEX NUMBERS OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-group	Week ended 5-2-55	A Week Ago	A Month Ago	A Year Ago
I. Food Articles	303.4	302.5	312.0	376.1
Cereals	340	336	347	438*
Pulses	244	246	233	404
Others	262	264	277	282
II. Industrial Raw Materials	429.4	427.8	437.4†	475.2
Fibres	473	473	467	465
Oilseeds	358	360	383	534
Minerals	411	389	435	425
Others	482	481	475†	362.5
III. Semi-Manufactures	340.8	342.1†	345.3	362.5
Leather	388	387†	383†	398
Mineral Oils	221	221	221	221
Vegetable Oils	397	402	410†	517
Cotton Yarn	444	445	452	452
Metals	241	240	240	237
Oilcakes	291	301*	315	430
Others	335	334	331	306
IV. Manufactures	376.8	376.5	374.7†	365.9
Textiles	421	421	418†	404
Jute	467	464	450	423
Cotton	411*	411*	411*†	398
Rayon & Silk	464*	464*	455*	449*
Woolen	310	310	310	313
Metal Products	340	340	340	337
Others	284	284	284	282
V. Miscellaneous	549.6	571.8	566.9†	698.4
All Commodities	359.9	360.0	365.1†	396.4

* Estimated

† Revised

RAILWAY BUDGET ESTIMATES

(Rs crores)

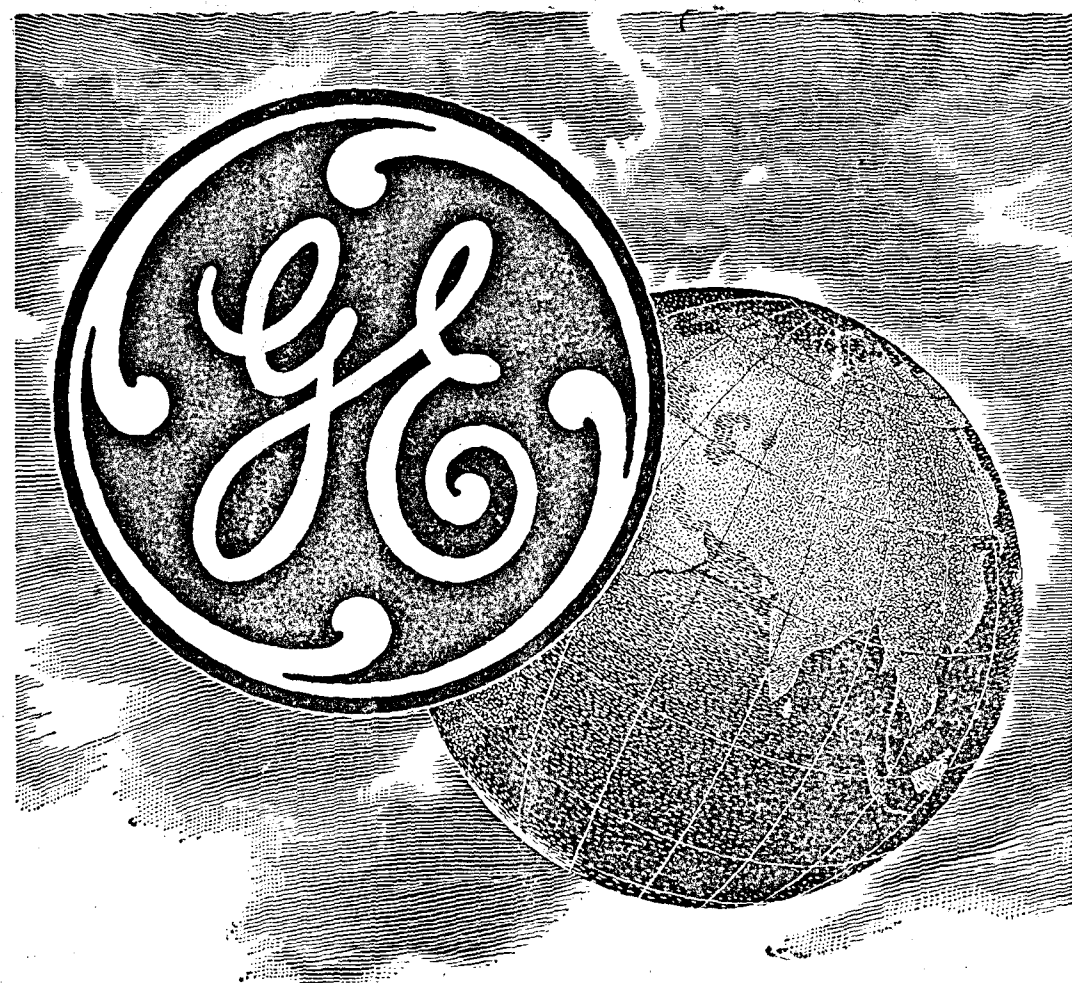
	1955-56 (Budget Estimate)	1954-55 (Revised Estimate)	1953-54 (Actuals)
Traffic Receipts (Gross)	292.50	282.80	274.29
Coaching	122.50	120.80	118.11
Goods	163.90	156.00	147.18
Others	5.70	5.30	5.17
Suspense	0.40	0.70	3.93
Working Expenses	241.80	232.95	231.75
Ordinary Working Expenses	206.59	202.76	201.47
Appropriation to Depreciation Reserve Fund	35.00	30.00	30.00
Payments to Worked Lines	0.21	0.19	0.28
Net Traffic Receipts	50.70	49.85	42.54
Miscellaneous Transactions			
Receipts	0.05	0.06	0.31
Expenditure	7.54	8.38	5.93
Net Misc Expenditure	7.49	8.32	5.62
Net Railway Revenue	43.21	41.53	36.92
Dividend to General Revenues	36.07	34.96	34.36
Net Gain or Surplus	7.14	6.57	2.56

WAGON LOADINGS (IN TERMS OF 4-WHEELERS) ON BROAD AND METRE GAUGES — APRIL - NOVEMBER 1954-55

	Broad Gauge		Increase (+) or Decrease (-)	Metre Gauge		Increase (+) or Decrease (-)
	1954-55	1953-54		1954-55	1953-54	
Revenue Earning Traffic:						
1. Coal and Coke—						
(a) for public	652,619	600,992	+ 8.59	116,764	98,446	+ 18.6
(b) for non-Government Rlys.	1,822	3,819	- 52.3	318	7	+ 4442.9
2. Grains and pulses	205,383	213,299	- 3.71	180,534	182,261	- 0.95
3. Oilseeds	33,157	29,154	+ 13.7	38,280	32,299	+ 18.5
4. (a) Cotton, raw	17,790	18,534	- 4.01	16,873	14,018	+ 20.4
(b) Cotton, manufactured	16,166	15,307	+ 5.61	9,201	8,101	+ 13.6
5. (a) Jute, raw	32,525	35,219	- 7.65	24,229	27,412	- 11.6
(b) Jute, manufactured	2,696	3,723	- 27.6	2,542	2,344	+ 8.45
6. Sugar	31,460	37,536	- 16.2	14,209	55,847	- 26.2
7. Cement	96,869	81,419	+ 19.0	66,289	51,047	+ 29.0
8. Iron and Steel—						
(a) Pig iron	6,326	6,831	- 7.39	2,123	3,313	- 35.9
(b) Others	84,594	71,641	+ 18.1	18,481	10,769	+ 40.0
9. Tea	8,924	8,169	+ 9.24	18,977	13,413	+ 10.9
10. Metallic Ores—						
(a) Manganese ore	39,245	52,639	- 25.4	9,980	15,043	- 33.7
(b) Iron ore	114,642	106,135	+ 8.02	20,282	18,144	+ 12.4
(c) Others	3,201	2,720	+ 17.7	4,227	3,551	+ 19.0
11. Miscellaneous full wagons	865,718	839,187	+ 3.15	647,796	648,815	- 0.17
12. Miscellaneous smalls	272,371	222,401	+ 22.5	238,972	239,136	+ 1.24
Non-Revenue Earning Traffic:						
13. Free hauled coal & other materials—						
(a) Coal for home line	160,813	157,020	+ 2.42	160,813	157,020	+ 2.13
(b) Coal for other Govt. Rlys. and manufacturing units	195,625	194,823	+ 0.41	5,902	9,531	- 38.1
(c) Other stores	96,947	85,078	+ 14.0	48,210	41,354	+ 16.6
TOTAL	2,938,892	2,785,651	+ 5.50	1,627,098	1,595,859	+ 1.96

Source: Railway Board

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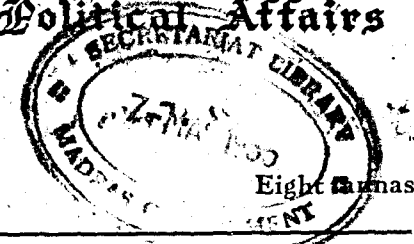
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Nehru May Get Away With It...

THE budget incorporates some of the recommendations of the Matthai Commission; it also shows an attempt to make up the arrears in the first four years of the Plan; but in both directions the changes are token rather than material. The recommendations of the Matthai Commission are reflected in two significant changes, the attempt at rationalisation of the structure of direct taxes and incentive for new investments in industry in the shape of a developmental rebate. Quantitatively, neither is a factor of any considerable magnitude to affect the budgetary totals. Avadi is not in the picture at all.

Shri Chintaman is no longer an outsider to the Congress who has been called in because of his expert knowledge to guide the financial affairs of a Government run by the Congress Party. He has been Congressman for the last three years and he is as much a Congressman as any other. It is for the Congress Party members therefore to get him to explain why as Finance Minister of a Congress Government, he has not yet sought to give any effect to the declared policy of the Congress in these matters. The same token recognition could have been given to the Avadi resolution that he has given to the recommendations of the Taxation Enquiry Commission. The answer could well be and probably is that there was no time for it. But it only puts off the question.

The decision is postponed and nothing is said about the compatibility of the Avadi resolution with the findings of the Matthai Commission. But are the two compatible?

The Constitution promises many things to the people. There are specific directives to Governments at the Centre and in the States to give effect to these broad aims as and when practicable. The pattern of life that the Constitution has in mind is clearly laid down—employment for all, education within a measurable period of time and progressive equality in distribution. The Taxation Commission had to keep all these aims in view and had, at the same time, to find the necessary funds for development, the pattern of which had been laid down in the Five-Year Plan. It is no use asking how far these aims are compatible with one another or even to ask if a tax system that is calculated to promote production tends to increase rather than diminish inequalities; if it does, which is to be given precedence, greater production or more equitable distribution? It appears the Taxation Commission firmly set its face against countenancing the possibility of such a conflict. On the contrary, it appears to have been impressed more by the conspicuous differences in consumption standards than by the disincentives to production in higher taxation. It also rejects the commonly accepted, but unproven, assumption that there have been large shifts in income between urban and rural areas as a whole.

While to the Matthai Commission "it is clear that there is justification for some increase in Indian taxation", it is not clear on a cursory glance at the voluminous report that the "deepening and widening of the coverage of the Indian tax system" which the Commission recommends could ever produce the resources required for the develop-

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ment which the Planning Commission has clearly in mind. There are obvious limits set by the existence of a large non-monetised sector. Less tangible, but even more deterrent perhaps, are the limits to people's willingness to bear the burden of taxes, which it must be said to its credit, the Matthai Commission never loses sight of, set by efficiency in administration and economy in public expenditure; another, administrative efficiency in the enforcement of taxes. "The knowledge of wide-spread tax evasion undermines morale, puts a heavy strain on tax compliance by the honest tax payer and undoubtedly impairs taxable capacity". Even if these limits are assumed away, the Commission is far from confident that purely fiscal measures can deliver the goods. If this is its feeling about the First Five-Year Plan, how much more unsure the Commission must be for the implementation of a more ambitious Second Plan that is in the offing? Physical controls not being within its terms of reference, the Commission mentions hopefully about the possibility of employing surplus agricultural labour in capital formation through Community Projects and National Extension Service. It would be unrealistic, however, it concludes, to rely on this source, for the main part needed is increase in investment. Alteration of property relations being equally outside its purview, the Commission has no means of putting the fat of the land in the service of industry. One cannot very well blame the Commission for not doing what it was not asked to do.

Shri Chintaman does not, of course, rush in where Matthai feared to tread. Indeed he has passed on the cap to the Matthai Commission and whether it is praise or blame that is given to his budget proposals it should rightfully go to Dr John Matthai. There is, however, one departure, and that is in regard to deficit financing. Dr Matthai and his colleagues have sought to underline the need for minimising the role of deficit financing, especially in the longer period following the first Five-Year Plan. There are all the stock arguments about deficit financing giving rise to a false sense of prosperity and leading to erosion of capital ultimately. Shri Chintaman does not, of course, take a diametrically opposite position; but being a fairly recent convert to the view that heavy indirect taxation could be as iniquitous as

deficit financing, he has less hesitation in using that weapon than formerly. True, the economic situation has made it easier for him to change his mind. Yet, knowing that having stepped up outlay in one year, bringing it down the next year would be politically impossible, he has gone as far as he could in respect of the budget deficits in 1955-56. In other words, his minimum appears to be a sight ahead of that of the Matthai Commission. While the Commission envisaged a deficit of Rs 320 crores for the Centre and States together, Shri Deshmukh has gone all that way in his budget alone.

If in the matter of deficit financing Shri Chintaman has strayed from the strait and narrow path, in everything else, he continues to follow precedence with due solemnity and punctiliousness. Since the Matthai Commission's general atti-

tude is similar, he is in the happy position of following precedence and the Commission at the same time. His fifth budget runs true to form and has not departed even in the minutest detail from the first. It would not be fair to put the blame on him; it is precedence which he finds so difficult to depart from.

There was a rare moment of illumination during his budget speech when the Finance Minister so far forgot himself as to mention that there are two questions, one of finance and the other of administration. But did he say anything about financial administration? Of the storm in a tea cup which had been raised over the paralysing hold of the Finance Ministry on the Government departments, or the failure of the administration to spend the sums that had been allotted by Parliament? Not a word. Shri Deshmukh has been prudently silent.

Andhra Answers Dulles

COMMUNISTS have lost the battle of Andhra. Their defeat in the Andhra elections is all the more ignominious because of their impressive success in the southern States in the last general elections. In Madras, they secured sixty-one seats in the last general elections. Andhra was then a part of Madras. Of the total number of seats captured by them in Madras, forty-one were from Andhra alone. Of the latter again, thirty were from the Circar districts of Kistna, Guntur and Godavari. Even in these Communist pocket districts, they have suffered abject defeat in the elections this time. Andhra Desa will no longer be suspect as the potential Yeoman of India. New Delhi can take comfort from this legitimate deduction of the Andhra elections. Political commentators will be tempted to draw many hasty conclusions. But it would be unwise to ignore some of the false premises on which a possibly proper conclusion is now being based.

If Congress won the last general elections on the split vote, Communists, too, benefited from the multiplicity of parties contesting the elections. Congress fought the last general elections in Madras State as a disunited and divided party. Congress vote in that State was split among Congress, KMP and the other pro-Congress splinter groups. Communists exploited this disunity within Congress to their advantage.

Congress has been wiser by experience. It has contested the first general election in the new-born Andhra State as a united party. Congress entered into an electoral alliance with KLP and Praja Party to fight the first general election in Andhra Desa. Communists were, thus, denied the tactical advantages of many-cornered contests. Congress fought the last general elections in Madras State without many Congress stalwarts. It was not so this time.

Food shortage was acute in Madras State at the time of the last general elections. Communism thrives on adversity. Communists were alert in exploiting the food crisis to their advantage during the first general elections. Rajaji had the political insight to appreciate this basic economic fact. He initiated the campaign for food de-control. At his initiative, the experiment of food de-ratation was first started in Madras. Food has now been de-ratoned throughout the country. Foodgrains are now available at cheaper prices.

Irksome controls and queues no longer irritate the people. Communists cannot exploit food grievances any more. For the election victory in Andhra State, Congress should be grateful to Rajaji, the late Janab Kidwai, and, above all, to good monsoons. Not only food, but the general economic situation has improved considerably since the last general elections. Economic progress under the first Five-Year Plan has deprived

the Communists of the strongest weapon in their armoury. As the people have gathered confidence in democratic planning, they have voted Congress in preference to Communists.

If Rajaji made the first hit against the Communists in southern States, Pandit Nehru delivered what looks like a knock-out blow by re-defining the economic aims of Congress at Avadi on the eve of the Andhra elections. It was as diplomatic of Panditji to flaunt socialism as the aim of the Congress on the eve of the Andhra elections as his playing up of a Master Plan on the eve of the last general elections. PSP can claim credit that it represents the mind and spirit of India in advocating Socialism. Results of the Andhra elections are clear reminders to Communists that India prefers Socialism to Communism. PSP may resent that Congress has mastered the technique of flying under false colours. But Congress cannot be blamed if Panditji succeeds in convincing the people that he is sincere in his determination to implement the re-oriented Congress policy of ensuring a socialistic pattern of economy.

Elections cannot be won by political parties with ideas which the people reject. But ideas alone cannot assure election victories to parties. Organisation counts. If Rajaji and Panditji are responsible for the moral prestige of Congress, it is fortunate in having able members who are aware of the supreme importance

of party organisation. Congress and CPI are the two best organised parties. Both marshalled all their moral and organisational talents for the battle of Andhra. To fight the elections, prominent politburo members went to Andhra to maintain the Communist stronghold there. Even while Panditji was telling the voters of Andhra that economic improvement in democratic India was much more impressive than that in Communist China, the Congress Working Committee, the national executive of Congress, deputed its ablest organiser to supervise the elections in Andhra. Shri S K Patil, President of the Bombay Pradesh Congress Committee, had established his reputation as an organiser by making Bombay the home of Congress since the 'thirties. It was Shri Patil who broke the war-time Communist hold on Bombay's people and workers through tactics as subtle and ruthless as those adopted by the Communists. Credit is due to Shri S K Patil for repeating his Bombay performance in the crucial Andhra elections.

It is clear why Communists have lost the elections in Andhra State. Congress unity and economic improvement have deprived them of their tactical advantages. With the creation of Andhra Desa as a separate linguistic State, CPI has lost popular appeal as the only party strongly in favour of linguistic States. Dismal developments in Travancore-Cochin must have encouraged the people to vote Congress in order to avoid the

consequential chaos of an unstable government. It is evident that the people of Andhra have voted Congress so that the infant State can achieve progress under a stable government. Congress may have won the elections. But it remains on trial. As it tries to form the Cabinet, it will experience the first hurdle. It will then be known whether the electoral alliance is a marriage of convenience. Congress could not have formed the provisional government in Andhra without Sri Prakasam's consent and leadership. There is speculation about Sri Prakasam's future. He is too old. But he is still popular. Any attempt to oust him from leadership will provoke party factions and personal jealousies. There is a possibility of a fight for power between the two ambitious Reddis. Caste is perhaps the most evil influence in Andhra politics. These are issues which will, no doubt, be duly considered by the Working Committee in its post-election directives to the Andhra Congress. There may be another source of friction. Andhra Praja and Krishakar Lok are entitled to representation in the Cabinet by virtue of their electoral alliance with the Congress party. Care will have to be taken to make the new Cabinet duly representative of the coalition parties. It would be a tragedy if Congress loses Andhra even after winning the elections. CPI is hoping that caste and personal rivalries in Congress will still enable it to influence Andhra politics from side-wings.

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Weekly Notes

State Budgets

THE States that have issued their budgets so far, all propose to spend more; but with the single exception of Madras, none of them are proposing any new taxes. Bombay is an honourable exception in that it shows a small revenue surplus. All the others have left their deficits uncovered. Even in the case of Madras, only a part of the deficit will be covered by the flat surcharge of 2 annas in the rupee on land revenue proposed in the budget as also on irrigation water rates and the 5 per cent tax on the sale of cheaper varieties of cigarettes. West Bengal retains its lead in the matter with a deficit of Rs 17.12 crores on revenue account as against UP's deficit of Rs 5.5 crores and Orissa's Rs 1 crore, but partly makes up the deficit from the surplus of Rs 9.74 crores on capital account.

Lack of uniformity in the presentation of State budgets, however, makes analysis difficult and comparison hazardous. Much of the time is wasted by the Economic Division of the Planning Commission nowadays in finding out how the States are faring in the matter of development expenditure and how far they are sharing their burden of the Plan. The Union Finance Minister, it may be recalled, has proposed a uniform pattern of budget for States and the Centre, demarcating precisely revenue and capital items. Charity should begin at home. Does it hold a promise that the Central Budget will be first made intelligible before the States are asked to conform to it?

The deficits which the State budgets leave uncovered—what do they really mean? The figures are mystifying, but since there can be no spending unless there is money to spend, and the State Governments do not print currency notes on their own, expenditure estimated in excess of revenue may mean one or more of three things: (1) Ways and Means advances from the Centre; (2) Loans to be raised from the open market by the State Governments concerned; and (3) revenue from fresh taxes to be raised in the course of the year. Now for the first, obviously there are definite limits. The States cannot go on getting Ways and Means advances indefinitely any more than clients

can get overdrafts from their banks. At what point this check comes into operation, the public have no means of knowing; but past experience suggests that according to the standing of the State, the persuasive power of its Chief Minister and his ability to raise hell in Delhi, this limit can be stretched. About States' borrowings from the open markets, there are similar limits. These two are the usual features of States' finance; a new factor this year is the Matthai Commission, the hopes it held for them and aspirations to which the Commission might direct their efforts. They must have been acquainted with the broad lines of the Matthai Commission's recommendations. Nevertheless, it provided some justification for waiting, to see the lie of the land more clearly before taking any decisions about new taxations. And also grounds for hope, since State budgets must have been drawn up largely on the basis of the grants and loans given by the Centre last year. If more was to come, it could only be known after the budget proposals had been presented by the Centre. Among the State Finance Ministers, Dr Jivaraj Mehta made it clear that the Bombay Government might issue supplementary demands later in the year. More State Governments may follow this lead.

Millowners Protest

COTTON mills are much agitated, not so much over the increase in excise duty proposed in the budget, as over the change in the classification of cloth that goes with it. Hitherto excise duty has been collected at progressively diminishing rates on the four varieties of cloth, superfine, fine, medium and coarse. This classification, the Finance Minister maintains, no longer conforms to the current consumption habits. What he proposes, instead, is division of cloth into two classes, according to the fineness or the count of the yarn used, viz, superfine, which will have to bear a duty of 2½ annas per sq yd and all the others, which will pay at the rate of one anna per sq yd. More than the change in classification, the substitution of area for the linear measure is the bone of contention. Now, the width of superfine varieties of Dhoti and Sari is much bigger than those of fine, medium or

coarse. Tastes differ. On this side, at least, finer Dhoti runs to 50 inches or more in width; in Bengal, the preference is usually for 44 inches; in Bihar, there is a market for Dhotis of 42 inches or even narrower widths. In the case of Saris, however, the general preference is for a bigger width. Now, when the duty is based on length, it is one thing: it is the same whether the width is 36 inches or 54 inches. When duty is charged per square yard, though the rate of duty remains the same, for superfine dhoti of 54 inches width, it means 62.2/3 per cent increase. This is at one extreme, but the average increase would not be below 33½ per cent. Millowners are busy working out the statistics; they are certain that the Finance Minister is quite wrong in his estimate of the increased revenue that will come from this source. It would be definitely Rs 14 crores or more, instead of Rs 9 crores, the figure estimated in the budget.

Now, there may be compensation in the reduction of export duty on coarse cloth from 10 per cent to 6½ per cent *ad valorem*. To what extent would it offset the burden of higher excise duties on the mill industry? This is anybody's guess at the moment, but since the export market for cloth is no more homogeneous than it is for other manufactures, and it is not every mill that is in a position to tap this market, a realistic appraisal of the situation would not hold out much promise. Mills which are in a position to sell in export markets are already doing so, and to their fullest capacity. The diversion of production is hardly possible for the other mills—the smaller units, high cost and inefficient ones. And if what one hears is true, these mills are not earning profit margins that can pay for higher excise duty, and since they cannot change over to exports, they will have to close. This may be a good thing in itself, but it will have consequences which Government may not be willing to face. Finally, whether it is realistic or not, there is more than a touch of cynicism in offering concession in export duty on coarse cloth which is made wholly from Indian cotton, and can find a market abroad only because the cotton grower is prevented from getting a competitive price. Indian cotton is still well below the world parity.

Landslide in Andhra

Our Andhra correspondent writes:

WITH more than half the results of the Andhra elections having come in, post-mortems have begun. The defeat of the Communists at the polls was not unexpected and even the possibility of a landslide had been occasionally mentioned. The most optimistic of Congressmen, however, had allowed at least 30 seats for the Communists and they are naturally pleased to see their estimates go awry. The causes of the Congress victory were undoubtedly the forging of a united front thus isolating the Communists, the organizational skill of Shri S K Patil, the popularity of Pandit Nehru and the fine impression created by Shri Dhebar, in that order. The alliance of the KLP, Praja and Congress parties prevented the splitting of the anti-Communist vote. In 1952, it would be remembered, the Congress was in a somewhat similar situation to what the Communists are in 1955. Even today, on a final counting, it would be seen that the votes polled by the Communists, as a percentage to the total poll, are not far short of what they were in 1952 but in 1952, the anti-Communist vote was split and they came through victorious. In most of the central Circars districts, the fight has been particularly close and might well have gone the other way though it is also undeniable that there has been a definite swing, not so much to the right, but certainly away from the Communists.

Among the other factors that may have made for the Communist reverse are the comfortable food position even in the Rayalaseema areas and the existence of an Andhra State for in 1952 the Communists certainly exploited the delay in the creation of the State. Another was, one cannot help thinking, that they overplayed their hand from excess of confidence. The constant reiteration of their impending success, their attacks on the Indian Constitution and personal reference to Pandit Nehru certainly did not help the party. Neither did the promise of five acres of wet land for every landless agricultural labourer when there was not enough land to give even half an acre, dry or wet. The statistical absurdity of it was exposed and admitted; but it did not help.

Now that victory has almost been won, how long will the Congress

coalition hold? The chances of the Congress party alone emerging with an absolute majority are fairly bright. Should that happen, the bargaining strength of the KLP and the Praja Party (already distraught with the defeat of its leader, Shri Viswanathan) would correspondingly suffer and, all in all, this would be a good thing as the Ministry would not feel obliged to submit to considerations of political expediency rather than principles the way it had been doing formerly. The question, however, is how far there will be unity within the Congress

ranks themselves. Shri Prakasam remains a problem and even if the question of leadership is decided against him, there is every indication of the rivalry between the Gopala Reddi and Sanjiva Reddi groups. One can only hope that whoever takes over the reins, Andhra will be allowed a period of clean, honest and stable administration. The electorate have given the democratic parties a second chance and should they fail them this time, the Congress humpty dumpty would have a big fall and not all the king's horses could put it up again.

MARTIN BURN LIMITED

NOTICE

The Ninth Ordinary General Meeting of the Shareholders of Martin Burn Ltd. will be held on Tuesday, 29th March, 1955 at 12 Noon at the Registered Office of the Company, 12, Mission Row, Calcutta, to transact the following business:—

- (1) To receive and adopt the Directors' Report and Audited Balance Sheet and Profit and Loss Account for the year ended 30th September, 1954.
- (2) To declare a Dividend and Cash Bonus.
- (3) To elect a Director.
- (4) To appoint Auditors for the current year and to fix their remuneration.

SPECIAL BUSINESS:

(as a Special Resolution): That the Articles of Association of the Company be altered in manner following:—

The following proviso shall be added at the end of Article 150(6):

"Provided however that any Manager appointed under this Article who is also a Director of the Company shall not exercise the power to make calls on shareholders in respect of monies unpaid on shares in the Company, borrow monies except within the limits previously fixed by the Directors at a Board Meeting, make loans except within the limits previously fixed by the Directors at a Board Meeting or invest the funds of the Company except within the limit and upon such investments previously fixed and specified by the Directors at a Board Meeting and further provided that every such investment made by the Director/Manager shall be subject to confirmation by the Board of Directors at the first meeting held after such investment."

The Ordinary Share Registers of the Company will be closed from 22nd to 29th March, 1955, both days inclusive.

By Order of the Board,

CALCUTTA,
4th March, 1955.

A. G. GIDLEY,
Secretary.

NOTE—The Dividend and Cash Bonus, if sanctioned, will be paid on or after 22nd April, 1955 to those Shareholders so entitled whose names appear in the Company's books on the 29th March, 1955, or to their mandatees. No application for dividend warrants will be necessary.

Let Us have More Paint

THE whole of India could do with a fresh coat of paint. It would brighten drab households, lengthen the life of materials, bring a little cheer to one and all, perhaps stimulate the desire for a better life in many. It would, in short, help us all along the line. The hard hearted planners, however, do not look upon it this way. They draw a sharp distinction between constructional activity that goes to domestic houses and others. The former makes life easier no doubt, but it contributes nothing directly to future production; so it is a luxury which a poor underdeveloped country should indulge in, if at all, in small doses. So no brighter homes in the first or second or perhaps even in the third five years. Paints that lengthen the life of machinery and equipment, however, belong to a different category. Labelled 'industrial', paints have the blessings even of the flint skinned planners.

Now more than the shabbiest of small towns, or any other city, Calcutta needs a fresh coat of paint. Because of some reason or other, which has never been fully brought out, discussed and rectified, building of residential houses in Calcutta is discouraged in a larger measure than that in any other city. The rent act that is in force in Calcutta prevents house owners from getting a return from rents comparable to that in Bombay, for instance. It is not merely a matter of accountancy but of grave social import. The Chief Minister of West Bengal can, with impunity, indulge in his constructional megalomania and build skyscrapers for his Government, but he knows that Opposition would get at him if he were to appear to be partial to landlords. Building suffers in consequence, but who cares? The treasury bulges with rent deposited by tenants who go to court and question the fairness of the rent charged. Rent cases drag on, meanwhile the West Bengal Government has a useful addition to its cash balances, never too large, and use of tidy sums for next to nothing.

This is by way of a preface, to stress the point that Calcutta is the obvious centre for paint manufacturers to meet and it is meet and proper that it should be the headquarters of the Paint Federation. There is or was a rival body representing similar interests. Calcutta's superior claim should not only be upheld; no other association should be allowed to come in the way and thus divert attention

from the main issue.

The Federation met on the 23rd of the last month, to be precise, to air its grievances. In his address Mr G J M Dyer, the retiring Chairman, brought out forcefully what appears to be the common complaint of many of the industries. There is, to begin with, "the policy"—or the lapse from it—"whereby Government negotiated for supplies outside the public tender system, and even on occasions, in respect of items for which public tenders had actually been issued." Then there were the irritating delays through all the successive stages of Government purchases—delay in testing samples at Government Test House; delay in finalising acceptances of tenders; delay caused by negotiation of extended delivery dates, which, in turn, was caused by the previous delays; and, finally, delay in Government's payment of bills which, needless to say, bottles up manufacturers, dealers and their suppliers and gently pickles them. All these complaints are common to most of the industries and have been taken up by the Associated Chambers of Commerce. The Paint Federation had, in common with other organisations, submitted their recommendations to *blanc fixe* the Stores Purchase Committee and are hopefully awaiting its report.

But it is not all a tale of woe. Mr Dyer noted the great improvement in import trade procedure during the year. This is in the matter of centralising the issue of import licences, which means that manufacturers are now all treated alike and there is less delay in the issue of licences. The industry has received special attention from the Finance Minister, after Mr Dyer spoke, in the shape of a 10 per cent excise duty. The budget proposals, however, also contain some tariff concessions which may help the paint industry in the matter of getting its raw materials cheaper. In the list of such concessions are dyeing and tanning substances, gums, resins, plumbago and graphite. To the ignorant, many of these names sound as if they may have something to do with paints and varnishes. Of course, the Federation will know. There is however one snag here which again is common to all importers of all raw materials of industry—Imperial Preference, which prevents the Government from allowing duty free imports of such materials unless they happen to come from Britain. In the case of dye

THE ECONOMIC WEEKLY

stuffs, unfortunately, many of them do not. The paint industry may be in the same boat.

There is another point raised by Mr Dyer which again is of common interest to industries which have or are hoping for an export market, *viz.*, the draw-back of import duties on raw materials which go to the manufacture of exports. India-made paints do have an export market. In principle, needless to say, there is not the slightest justification for withholding rebate of import duty paid on raw materials which are used for making the paints that are exported. But difficulties of administration, the villain of the piece, here as elsewhere, come in the way. The complaint that the operation of sales tax in inter-state trade be-devils the sales organisations is, of course, not special to the paint industry. But it is no less irksome because it is universal. The Matthal Commission devotes considerable attention to these problems and let us hope, some day, these would be straightened out.

Of the complaints special to the paint industry, one is that of Bombay's refusal to toe the line in the matter of weights and measures. Alone among the States, it sticks out for the Imperial gallon. Members sell their products all over India, and how much inconvenience is caused can be well imagined if one State insists on all sales being made in a different measure. The other, namely, the sharp reduction in the issue of licences for Lithopone, is however somewhat controversial when we are trying to build up a Titanium Dioxide industry in the country. The matter is currently before the Tariff Commission and in a way *sub judice*. Here, again, let us hope that the knotty problem of *blanc fixe* and Lithopones would be solved in a manner which would enable white paints to be manufactured in this country in sizable quantities, without impeding heavily the growing use of paints. Customers have to be re-educated to this end, wherever there is scope for substituting indigenous for imported raw materials; it would be good to see the Paint Federation taking a lead in this matter. If they do, it will considerably strengthen the Federation's case against continued imports of finished paints when these are readily available from manufacturers in this country. It does not say much for the vigilance of the Ministry of Commerce and Industry that the Government departments should be the principal offenders in this respect. Is "Buy Swadeshi", then, only for the public and not for the Government?

THE ECONOMIC WEEKLY

Our Delhi Letter

Deshmukh and Socialism

Wednesday, Evening

THE most important—though, in retrospect, not the most sensational—event during the week, was, of course, the presentation of the Budget to Parliament on Monday afternoon. For several days, the temperature had been much higher than normal. But on the budget day, the sky was cloudy. The weather was rather gloomy when Shri Chintaman Deshmukh entered the Lok Sabha and it started to drizzle a little when he began his budget speech. There appeared to be little excitement, however, as if people inside and outside Parliament knew what was coming. The diminutive Shri Chintaman entered the House almost unnoticed. For almost the first time, nobody seemed to notice the entry of the Prime Minister either. This was not his pigeon, so probably he thought. But where was the room for socialism if not in fiscal operations and the associated economic policies of Government? In the eyes of many, Pandit Nehru has acquired almost a Palmerstonian character ("a tory at home and a liberal abroad").

As things have turned out, however, Shri Chintaman remains the Finance Minister of the country in his own right and with his own philosophy. As we sat listening to his speech, a friend remarked that this was Deshmukh's last speech. I quoted to him the opening words of one of his predecessors, Sir Archibald Rowlands, who had said that he was delivering his first budget speech in the hope that it would be his last. This, however, was all wishful thinking. If TTK can stage a come-back, why should Shri Deshmukh have to go? His competence and integrity have won him universal respect even among his bitterest critics, though it is a moot point whether his civil service philosophy might not crack under the exacting demands of a socialist state. Incidentally, I might remark that the even tenor of his budget speech for 90 minutes, which might well have been a gruelling experience to another man of his age, spoke significantly of the placidity of his mind. The budget speech certainly did not sound like a swan song.

It is not necessary to go over the details of the budget proposals, for these have been widely reported.

The immediate reactions in markets have not been unfavourable; Indian Irons, which has now taken the place of Tata Deferreds as the most speculative scrip on the stock exchanges, rose sharply, despite fluctuations. The capitalist press has calculated the several bull points in the new budget and come to the conclusion that the cards are weighted in favour of bulls. They expect that big business will share in the prosperity that will follow rapid and large injections of purchasing power. The amount of Rs 9 crores by way of additional direct taxation was too small a price for deficit financing of the order of Rs 320 crores. There is general relief in big business circles, for they openly confess that the imposts on higher individual incomes could well have been heavier.

The middle class curses the tax proposals, for the clerk would have to economise on his lunch or walk both ways to the Secretariat or save on his children's milk or schooling for there is very little margin in his budget out of which to meet the new burdens. The reaction of the working classes would naturally be cynical, for didn't Ricardo say in the House of Commons that the labourer would get dry bread in one case and dry bread in the other?

BOMBAY BUDGET THE BEST

The Bombay budget has on the whole been well received here as the best of State budgets. With a surplus on revenue account, both in the current year as well as for the budget year, it is almost unique among the State budgets with maximum reliance on the State's own resources. Bombay is likely to exceed its target of Five-Year Plan expenditure, though slightly. Nearer home, the Delhi budget released simultaneously with the Union budget got almost lost. But one feature stands out: the State of Delhi is going to spend 50 per cent of its revenue on education.

Incidentally, recent developments in ministry formation in the Delhi State, which created a lot of trouble and brought all the party giants including the new Home Minister into the picture, have settled down in a rather curious manner. All the four contestants, who talked of high principles, have been accom-

modated in the Cabinet with a redistribution of portfolios, including the position of the Speaker. This reminds me of an interesting passage in Romain Rolland's *The Soul Enchanted*: "... Thieves talk of principles; then they come to an agreement: 'You rob to the right and I rob to the left and let there be no more talk of principles.'"

DEBATE ON PRESIDENT'S ADDRESS

The debate in Parliament on the President's address has been extremely interesting, with, of course, the Prime Minister as the principal figure in the debate and Krishna Menon as his foil on almost the Shakespearean model. Cross-examined by the Communists, the

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Prime Minister was at his best, particularly with regard to the definition of a socialist state. He refused to commit himself to any kind of formal, specific or detailed definition. It is interesting to piece together the gems of the Prime Minister's speech. "... We certainly aim at what we have called a welfare state. I can go a step forward. We aim at an egalitarian society. ... The first step is to think correctly ... our economic thinking has to be refashioned in our nuclear age in terms of nuclear power ... it is a distant picture of a happy society of every one having opportunities and no one dominating the other. *I am afraid that kind of society is not going to come in my life-time.* When we talk of socialism, we must have more and more social control of the major sources of production. There again we are not thinking frankly of land coming into the public sector. It will remain in the private sector, though we are thinking there in terms of co-operatives. We want to gain economic progress and all that through peaceful democratic processes. I am sure we can do it not because of any theoretical arguments but simply because I am sure of the Indian people."

With regard to the international situation and the foreign policy of Government, the Prime Minister was equally forthright, "... At the present moment Formosa is in the possession of Marshal Chiang Kai-shek supported by a great power. That is the fact of the situation. What is to be done about it? I am astonished at the way Africa is being treated. ... We have no intention of turning Communists. But at the same time we have no intention of being dragooned in any other direction—we propose to go along the democratic path." These last words were apparently addressed to the Communist benches, but the Prime Minister was looking across the continent of Asia to Bangkok. There the SEADO Council members were meeting with their military and economic advisers; but it is not without significance to the developing diplomacy of the Prime Minister that at the concluding session of the SEADO Council, it adopted a resolution greeting the Asian-African Conference meeting in Indonesia on April 18. Mr Dulles strongly supported the resolution! It is not far-fetched to connect all this with the fact of Mr Stassen's presence here. It is a

tribute to the foreign policy of the Prime Minister that we are not seekers of foreign aid at Washington, but Washington itself has come down to us to ask how best it can be of help in financing a large-scale development programme.

FILM SEMINAR

Delhi, as usual, has not been without its cultural activities. In fact, the most exciting event has been a film seminar with Devika Rani as the lady of the piece. Quite a number of producers, exhibitors, actors and actresses have read 'papers', as we call them in the academic world, on the various aspects of film life in relation to the community and the state. Then Shankar, the famed cartoonist of *Shankar's Weekly*, has brought the children of various nations together

and exhibited their artistic talents and traditions. With Delhi as an international centre and the various Embassies and High Commissions attached to the Government of India, opportunities are many, and Shankar has exploited them with effect. He has the art of combining international goodwill with a prudent mixture of business and pleasure.

The week closes with a significant arrival, that of Sir Anthony Eden this evening at 7-35 pm. With Mr Stassen on the economic front and Sir Anthony Eden on the political, the defences of Pandit Nehru will be severely exercised and his liberal socialism exploited to the full. These great men have their allies at New Delhi; but the less said of them, the better; and it is time to close.



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Halting the Boom

SOME two months ago, the *Times* in an editorial comment on the economic situation spoke of the "trap to be avoided." It referred to the primacy of investment as the "nation's axiom" and that no large concessions be given to the consumer. Should such concessions be made, explained the *Times*, the trap-door to disaster would be opened. In fact, as recent events have shown, the trap-door has all along been standing ajar—being gradually pushed open by a combination of economic circumstances to the point where the Conservative Government has had to resort to measures applicable, in terms of ordinary thinking, to only crisis situations. The only material difference between the crisis measures of 1951-1952 and that of 1955 is that quantitative import restrictions have not been applied. And yet, we are being assured both by the *Times* and the Chancellor of the Exchequer that "the economy is fundamentally stronger than at any time since the war" and that the severity of the monetary measures adopted are merely designed to avert "an unhealthy situation."

THE BACKGROUND

It is well to look into some of the features of the current situation to assess the purpose of the crisis measures. The year 1954 was a year in which full employment was accompanied by a marked decrease of controls. By the turn of the year many economic commentators described the economy as being at "full stretch." Industrial production and the volume of business both at home and overseas were larger, and personal spending reached record levels. What was less familiar was the marked upturn in national savings. In this favourable situation, certain typical boom strains began appearing. The growth in industrial output increased the demand for coal, steel, electricity and imported materials. Coal output failed to rise as much as it had been hoped and imports had to be brought in to supplement local supplies. Steel output established a new record but here again extra supplies had to be imported. Imported materials though lower for the whole year began rising from July last to new heights in the last month. Imports of non-ferrous metals, chemicals, petroleum, pulp and paper all rose in 1954, and in some instances sharply, to support the

growth of output by the user industries.

DEMANDS BY AND ON INDUSTRY

It is clear that in so far as supplies to industry were concerned, local sources proved inadequate and the country had to resort to increased imports. The output of industry was large—something like 6 per cent above that of 1953. But bottlenecks had begun to appear. The rate of increase in output fell from 7 per cent (over the previous year) in the first quarter to 4 per cent in the fourth quarter. The rise resulted mainly from higher output in metal goods, oil refining, paper and chemicals. There were smaller increases in the output of the textiles, leather and food industries.

Turning next to the demands on industry, the most important development has been the growth of the home market. Home demand was taking about three-quarters, and exports only a quarter of the rise in industrial output. Personal consumption (in volume) in the first three-quarters of 1954 was about 3 per cent above that of a year earlier. The quantity of household durable goods consumed (largely by hire purchase) rose by as much as 7 per cent. About 376,000 new cars were sold in 1954 on the home market, an increase of about 3.5 per cent over 1953. Exports as a whole increased by about 5 per cent over the previous year; there was, however, a levelling off of shipments in the last four months.

These heavy demands on industry had their necessary effects on costs, prices and profits. Wage rates were something like 4 to 5 per cent higher on an average in 1954 compared to the previous year, and a number of wage claims still remain outstanding. Import prices were about 4 per cent higher in February 1955 compared with a year earlier and wholesale prices (other than food) increased by 3½ per cent in the same period. With regard to profits and dividends, the *Economist* calculated the rise to have been 11 and 18 per cent respectively. Retail prices as shown in the retail prices index were about 4 per cent higher in February this year: the general level of food prices alone was nearly 8 per cent higher. The pressure of competition in export markets left British export prices unchanged over the past year.

There remain further two other major demands on industry, which are sizable by any measure. Industrial investment rose rapidly in 1954 largely due to the incentives created in the last Budget and the booming internal market. Factory building data show big increases in approvals, starts and completions in the past year. Machine tool orders, a good guide to future investments in plant and machinery, have been rising steeply and expansion programmes have been announced by a considerable number of firms. The other demand on industry has also been significantly large. Public investment in electricity generation, house-building, armaments, railway re-equipment, atomic energy research have all been considerable.

PROSPERITY TO SPECULATION

This brief review of the economy over the past year shows up the dangers of inflation which were implicit in the demands upon industry and of the leakage of some of the demands into imported materials. By the turn of the year, the "trap-door" dangers had become very real. It was made worse by two other features, the first of which is characteristic of that situation when prosperity is converted into a boom: speculation. The other was the pressure on sterling on the foreign exchanges and the alarming discounts at which non-dollar area held sterling was being dealt with in the free markets of Europe.

The speculative fever which took hold of the stock exchange in London, though not to be compared with that of 1929, was in any event alarming. A widespread movement away from gilt-edged securities on to equities was the order of transactions on the exchanges. The *Financial Times* index of equity share prices rose from 131.1 at the beginning of January 1954, to 197.5 at the beginning of February 1955, while that of gilt-edged securities rose from 90.4 to 101 in the same period.

Coupled with the speculative fever in dealings in stocks and shares, the financing of other trade transactions was increasing—mainly on the basis of bank credit. The curve of credit expansion which had levelled off in August and September last, resumed its upward course into the new year. According to the *Banker* the impetus to the credit expansion had mainly come from the private sector

of the economy. But among its necessary effects was the liquidity in the money market leading to a decline in Treasury Bill discount rates and hence in some drying up of the flow of foreign short-term funds to London: a cause for the pressure on sterling on the foreign exchange market. Between January and December, the Treasury bill rate fell from 2.12 per cent to 1.75 per cent while in New York, the Treasury bill rate rose from 0.71 per cent to 1.17 per cent.

The expansion in bank credit was accompanied by large scale hire purchase transactions. The *Economist* has estimated that hire-purchase, as a form of consumption, totals something more than £400 millions. Its inflationary content in an economy already fully-stretched is equivalent to an increase in stocks financed by bank credit. What is more alarming is the fact that much of the hire-purchase goods are of a durable type which could be otherwise exported. Businessmen and traders have greater incentive to sell to an easy-going home market than worry too much about finding export markets for their goods. This is all the more so if they find credit conditions easy for the financing of their hire-purchase sales to the home market.

GLUT IN STERLING

All the foregoing are gravely serious in themselves, but when they begin to spill over and so affect the balance of payments it is then that the real crisis appears. Apart from the fact that the terms of trade have turned in an unfavourable direction, exports have not kept up with the higher level of imports. More than that, there has been some flight of short-term capital from London and the exchange market has, as a consequence, been faced with a considerable glut of sterling only to be cleared by the Exchange Equalisation Account maintaining as it does, the official lower exchange rate limit. The gold accumulations in the first half of 1954 have already been wiped out by the unfavourable turn of events in the last four months.

Confidence in sterling had been shaken. Non-Sterling Area residents with balances in London were liquidating these balances in various ways—some of them sufficiently mysterious to remind one of the practices that preceded the 1949 Devaluation crisis. Transferable Account sterling was offered in the free markets of Zurich, Paris and New York at a rate equivalent to £1 = \$2.71 and the illegal shunting of sterling area pro-

ducts to the dollar area against transferable account sterling (obtained at the above rate) had once again become profitable.

MONETARY, NOT PHYSICAL CONTROL

These pressures led to what had been termed a "warning increase" of Bank rate by ½ per cent at the end of February. Apparently, the warning did not have the desired psychological effect. The situation did call for more drastic measures and Mr Butler has now responded with some semblance of toughness. The policy changes effected, however, go a long way towards exploding the "prosperity in freedom" myth which the Conservatives hoped would be their election cry.

Bank rate was pushed up by 1 point to 4½ per cent—the highest level in 23 years. Along with it, restrictions on hire-purchase have been ordered. The Capital Issues Committee has been revived and commercial banks have been instructed to withhold credit facilities for hire-purchase. Finally, the Exchange Equalisation Account is to enter the free exchange markets to purchase transferable-account sterling against dollars in order to bring the free market rate into line with the official rates of exchange.

The London markets—shares, money and exchanges—were thrown into utter confusion by these measures. Their severity had brought home the crisis complexion of the situation. Share values dropped by

From the Calcutta End

Taxation, Deficit Financing and Unemployment

WEST BENGAL'S educated, unmarried, middle class seems surprised at Shri Chintaman Deshmukh's assumption that every earning, able-bodied man in India is a married man. Raising of tax-exempt slab for income-tax for married persons is welcomed as an attempt to introduce "dependent" allowances. But the lowering of tax-exempt slab for bachelors is resented as the assumption that every person paying income-tax is a married person is not generally true so far as West Bengal is concerned.

BACHELOR TAX

Throughout West Bengal, there are many such persons who remain bachelors just because they cannot afford marriage. Provision for "dependent" allowances is one thing.

as much as 15 per cent. The money market after being "in the Bank" for four consecutive days devoted itself to nothing else but adjusting its own discount rates. The foreign exchanges have eased more out of confusion than out of any confirmed reversal of previous trends. It has since been reported that a general rallying in the markets has taken place but it is still too early to judge the deeper effects of these changes and to say whether the steps taken would be adequate to meet the demands of the situation.

The situation is bound to affect the next Budget. When, at the end of January, Bank rate was raised by ½ per cent, it was generally suggested that a bit of tightening was necessary to cover tax concessions which the Government was to make in what was considered to be an election Budget in April next. The gravity of the situation and in particular the traitorous course which trade has taken coupled with the currently committed level of rearmament expenditure, however, affords little opportunity for the next Budget to serve election purposes. Had the present measures included the reimposition of physical controls (over imports and distribution), there may have existed some margin of safety on the basis of which the expected Budget surplus of £250 million (for 1954-55) could be given back to the public in the form of tax concessions. But alas! not even this may now be possible.

But to impose a tax on bachelors in a country like India, is a quite different matter. This seems to be the main reaction of the average educated, lower income-earning Bengali to Shri Chintaman Deshmukh's tax proposals.

Students of public finance are aware of the circumstances in which deficit financing is justified. But West Bengal's Assembly members disapprove of deficit financing. Shri Chintaman Deshmukh will endorse some of the points raised by Opposition members in their criticism of the West Bengal budget. In many States, deficits are mounting. Pundits are aware of the criticism that the States have not mobilised their resources as envisaged in the Plan. This has been a constant theme of the Union Finance Minister.

UNEMPLOYMENT

But this is not the main point raised by West Bengal's Opposition members. They are concerned that deficit financing is not creating employment. Unemployment is an all-India problem. It is most acute in West Bengal. Deficit financing is supposed to help solve unemployment. Shri Chintaman Deshmukh admits that unemployment has not been solved by deficit financing. West Bengal's Opposition members claim that West Bengal is going bankrupt through deficit financing without any alleged benefits from bankruptcy. Dr B C Roy will, no doubt, retort that, in West Bengal, industrial expansion does not increase employment. Factory employment in this State is decreasing. This is a statistical fact.

Criticism of the Congress Government by any party member is rare. Sarojini Naidu's daughter created a sensation in criticising the Congress Government's atrocities in Hyderabad in Parliament a couple of years ago. She was forthright in her admonishment. She said things which were not quite unknown about events in Hyderabad since Telengana, about nepotism, inefficiency and factions of the Hyderabad State Congress about the miserable state of affairs in that State since Congress took over. Shrimati Meera Datta-Gupta, a Congress member of the West Bengal State Assembly, is not as outspoken or severe in her criticism. But one cannot recall any other Congress member, in Parliament or in any State Assembly, to be as critical of the Congress Government as Shrimati Datta-Gupta since Shrimati Naidu's strictures on the Congress Government in Hyderabad.

STATE UNDERTAKINGS

With some of Shrimati Meera Datta-Gupta's remarks, Dr B C Roy will be in agreement. Shrimati Datta-Gupta echoes Dr B C Roy's complaint about the paradox between wealth and taxing power in this State. She made a passionate plea for a more liberal system of allocation of resources between the Union and the units. This is an issue on which all are agreed. But it is an issue which has been debated for the last thirty years without any decisive or satisfactory conclusion. Everybody is agreed that the States will have to devise new sources of taxation.

Revenue from State undertakings is one of them. Many States have undertaken many business enterprises. In many States, such enterprises are not only not profitable, but are being

run at a loss. State enterprises must pay tax. These undertakings must be run on a profit basis. When Sir Jeremy Raisman first elaborated the possibilities of utilising State enterprises as revenue-earners, he was widely criticised for expressing such cynicism as Finance Member to the Government of India. Today, with public corporations and growing State activity, these ideas are commonly accepted.

No eyebrow is now raised at the suggestion that State undertakings should make profits. This is conceded as a legitimate means of indirect taxation. But State undertakings do not seem to be profitable enterprises. Many such State enterprises are incurring losses. Private initiative regards this as proof positive of its superior efficiency. In some States, in West Bengal, for instance, the Government seems to foster the impression that there is nothing much wrong with State undertakings incurring losses. Some synthesis, it is clear, is needed between this service concept and the policy of utilising State undertakings as feeders to the fisc.

UNSPENT ALLOTMENTS

Shrimati Datta-Gupta, a veteran educationist, raised a point which has become a feature of public finance in this country in recent years. New Delhi cannot spend the amounts budgeted for. Thus, the actual amount of deficit financing is well below the budget estimates. Nor can West Bengal spend the budgeted expenditure on education, agriculture, health or refugee rehabilitation. These are the major problems of West Bengal today. Many will enthusiastically echo Shrimati Datta-Gupta in her sincere surprise that in a State like West Bengal the amounts annually budgeted for these departments cannot be spent.

In her criticism of the budget, she raises a point which is a partial answer to her main argument, as well as an emphatic reflection of some of the evils in this State. She is in favour of a re-allocation of resources between the Union and the units. It is apparent that she justifies her plea on the argument that State resources are inelastic. This is true. With the exception of sales taxes, all the other State resources are inelastic. But is West Bengal exploiting sales taxes properly?

BOMBAY VS CALCUTTA

Figures quoted by her are revealing. Bombay's annual business turnover is estimated at Rs 450 crores.

Bombay's annual collections from sales taxes are Rs 20 to Rs 25 crores. West Bengal has a higher annual business turnover. But her collections from sales taxes do not exceed 25 per cent of Bombay's receipts from this source of taxation. Facts that can be deduced from these figures are revealing. A comparison of income-tax receipts from West Bengal and Bombay seems to confirm the facts which sales tax statistics indicate.

There are two possible deductions. One is that business morality in West Bengal is not as high as in Bombay. Income-tax evasion is alleged to be widely prevalent in this State. Through one's casual association with business circles, one gathers the impression that taxes are meant to be evaded. Income-tax experts earn fabulous amounts. One gathers that sales tax experts are now minting money. This leads to the second possible deduction. Can it be that the tax-gathering machinery in West Bengal is more inefficient and loose than in Bombay? Thieves cannot thrive if police are alert. Both the possible deductions seem relevant.



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INVEST IN INDIA'S FUTURE

Matthai Gospel of Taxation

THE Report of the Taxation Enquiry Commission, issued along with budget papers, is a massive document of three volumes, dealing with all aspects of the system, structure and rates of taxation, development finance and capital formation, taxation as an instrument of social and economic policies, etc.* It goes into minute details over the collection and administration of individual taxes: the income-tax, the sales tax, land revenue and even local taxes. It is obvious that a document of this size and importance can be subjected here only to a preliminary examination.

The circumstances under which the Taxation Enquiry Commission was appointed may be briefly examined. Finance Ministers of the post-war period had been harassed in the performance of their functions by the needs of a fast-expanding administration and developing economy and the extremely limited resources with which they had to operate the system. Almost all current resources were exhausted by the normal demands of administration and defence. State Governments were crying out for larger outlays on health, education, irrigation and the like. The political pressure of vested interests limited the scope of direct taxes and the suffering of the middle class during war and inflation added to the unpopularity of the whole range of indirect taxes. The Finance Ministers did not know where to seek additional sources of finance.

DEMAND FOR DEVELOPMENT

With Independence, the demand for rapid economic development became insistent from all classes of people and the masses. But who was to foot the bill and how was it to be footed? Deficit financing was the easiest answer, but how long and how far? It must be confessed that apart from the question of economic competence, political questions were involved because of differing approaches to problems of social development, and no Finance Minister had the courage or political capacity to take the necessary decisions. The Prime Minister insisted on rapid economic development and the framing of ambitious plans, but he did not claim to know the answers to the many technical questions involved, the principal one being that of financing the process of development. Then there was the necessity to sift the whole ground that had been covered here and abroad, both in theory and practice. We had our last Taxation Enquiry Commission in 1924, and during these 30 years, the economy, as also the polity, has undergone a complete transformation. Some fundamental thinking was necessary for the world abroad had gone through the Keynesian revolution in public finance and economic policy. The doctrines of the *General Theory*, far from being considered revolutionary, had become part of the new orthodoxy. Keynes is, in fact, the new god of American economics; and his gospel guides the US Treasury and the Federal reserve system. How far were we to modify our system of taxation in accordance with the vast modification of doctrine that had taken place, and the tremendous demands of our economy? This required fundamental thinking.

* Report of the Taxation Enquiry Commission 1953-54. Vol I, pp 216, Statistical Appendices, pp 217-334. Vol II, Taxes on Income, pp 368, Statistical Appendices, pp 369-446. Vol. III, Sales Tax and other State Taxes, pp 458. Statistical Appendices, pp 459-517. Published by Ministry of Finance (Department of Economic Affairs), Government of India. Price not mentioned.

Then our economy had been subjected to serious and prolonged inflationary pressure from 1943 right up to 1951, when deflationary pressures started working. Naturally, therefore, Government took the opportunity of appointing the Taxation Enquiry Commission, including in its terms of reference the examination of the use of taxation as an instrument for dealing with inflationary and deflationary situations. Further, our economic system, already almost grotesque in its inequities, had been completely distorted by prolonged inflationary pressures, already referred to, and the mass of the people had been subjected to extremes of suffering. There was need of introducing a suitable measure of equity in the system. The Taxation Enquiry Commission was, therefore, asked also to examine the suitability of the present system of

taxation for reducing inequalities of income and wealth. Associated with this was the technical examination of the incidence of Central, State and local taxation on various classes of people and in different States. The whole system of taxation was to be rationalised and developed as a positive and effective instrument for development and equity. The was the main job of the Commission, and it must be said that it has been competently performed.

PAINSTAKING RESEARCH

Apart from the analytical aspects of the Report, even from the point of view of quantity and quality, the factual data that have been brought together and the amount of research done are commendable in themselves. The Commission surveys the whole background of change since the last Taxation Enquiry Committee reported in 1925. There is no space here to deal with the progressive evolution of the Police State into the Welfare State, that it is now our goal to build up. The policies and functions of Government have undergone a sea change. Certain old taxes, the liquor excise, the salt tax and land revenue, have either disappeared or lost their traditional importance. There has been a great development of income-tax and excise duties on the domestic manufacture of consumer goods, sales tax, etc. On the expenditure side, we have a programme of development on lines laid down by the Planning Commission in their First Five-Year Plan, and more such plans of an ambitious order are to follow. Additional resources have to be found. Actually, the real tax burden on the community as a whole has remained unchanged, the national income and public revenue and expenditure each having increased 4 to 4½ times in money terms since the war. The slow response of the tax system to the demand for larger resources has led to a growing gap between governmental revenues and expenditure; this gap must be filled in an equitable manner, and in a manner which must be consistent at the same time with basic elements in any programme of development. The system has, of course, become more elastic and somewhat more progressive than it was in the pre-war period; yet a lot more has to be done in all directions to secure to the State

the resources it requires for a fast-developing economy. There is now a community of interests between the Central and the State Governments, as co-sharers in the more elastic sources of Central revenues, from which State Governments also receive substantial grants.

CHARACTER OF EXPENDITURE

Though the Commission was concerned with taxation as such, it could not ignore the fact that the character and distribution of public expenditure modified the economic effects of taxation. In fact, elsewhere in the Report, the Commission points out that a wise, beneficent and progressive system of public expenditure might well raise both the capacity as well as the willingness of the people to pay taxes. The Commission suggests the appointment of high-powered bodies to deal with the system of expenditure, as taxation has been dealt with by the Commission itself. It has been undergoing what may be called chaotic changes owing to the pressure of circumstance, and there is the need both for fundamental as well as for factual analysis. Non-development expenditure is still substantial. Taking a broad picture of the current public expenditure of all Governments in India (1953-54), the Commission points out that out of each rupee of the total expenditure, nearly ten annas are spent on non-development purposes and the remaining six annas, almost equally divided between social services and economic development. This, however, does not take into consideration what has now developed into capital account. Capital outlay of Governments in India was relatively small before Independence, owing to the restricted role of Government in economic development and social welfare. The total capital outlay is now rising rapidly, and in course of time may well overshadow non-development expenditure which, in the opinion of the Commission, ought to be kept as low as possible. In the long run, this increasing development expenditure is likely to increase the taxable capacity of the people. At the moment, however, the role of public expenditure in the Indian economy is somewhat modest. Estimated at Rs 1,170 crores for 1953-54, the combined expenditure of the Central and State Governments and local authorities forms only 11 per cent of the probable level of national income. Apart from this low proportion, the

system of expenditure has little significance for social welfare.

MEASURING THE INCIDENCE

The Commission has tried to tackle in a spirit of humility, but with real competence as far as it can be done, the difficult and somewhat intractable subject of the incidence of taxation. In spite of the mass of theoretical and practical difficulties associated with the subject, the material analysed by the Commission is substantial, while the conclusions are valuable for fiscal purposes. The Commission estimates that indirect taxes absorb 3.6 per cent of *per capita* total expenditure and amount to 5.7 per cent of the total cash purchases. The average incidence of Central excise duties in relation to cash expenditure has been worked out at 1.5 per cent. On the whole the conclusion of the Commission is that the rural classes, for various reasons, were escaping their fair share of taxation. In 1950-51, land revenue, as a proportion of the gross value of agricultural output, was only one per cent, and of the net value, 1.2 per cent. Taking the income-tax and the land revenue together, the Commission comes to the conclusion that the tax system is distinctly progressive only for the urban groups with expenditure levels over Rs 300 a month. It is not so in the case of similar groups in the rural sector except in certain States where there is an agricultural income-tax at fairly steep rates. Hence, there is greater room for increased taxation of higher rural incomes. Though the Commission has warned that its general review of the incidence of taxation is not perfect and should therefore be treated with caution, a detailed reading of the Report shows that it is about the best that could have been attempted in the present state of theoretical knowledge from the data that are available.

The Commission then proceeds to consider the requirements, of the development programme. Apart from such generalities as the need for fruitful co-existence of the public and the private sectors and the need to attain the maximum practical rate of investment in the public sector consistently with the maintaining and strengthening of incentives in the private sector and the necessary infringement of capital formation on consumption standards at least in the short period, the

THE ECONOMIC WEEKLY

Commission, in dealing with the problem of raising resources in the most equitable manner, has handled it with great realism as well as in a progressive spirit. There is, of course, no escape from some draft being made, in the opinion of the Commission, on the additional incomes from economic development accruing to the low income groups. To some extent, the money burden of increasing the tempo of development could be eased by mobilising the saving potential existing in real terms in the rural sector in the form of disguised unemployment through voluntary labour for local works, community development, etc. But this, as also the marginal savings of low income groups, could hardly furnish the resources needed for development.

WIDE GAP IN RESOURCES

The planned expenditure of the Centre and the States for 1955-56 (in respect of which the Finance Minister presented his budget to Parliament) on a residual basis amounts to Rs 792 crores. The Commission estimates the gap in internal resources, after allowing for possible improvement in revenue and borrowing and foreign assistance, at Rs 320 crores. This is, however, the figure of deficit estimated by the Finance Minister for the Centre alone. As for the second Five-Year Plan, which is still in the process of gestation, the Commission's estimates can only be taken as token figures. In fact, if these figures are taken literally, they would create a gross misunderstanding, for, as such, planned expenditure would decline from Rs 792 crores in 1955-56 to Rs 600 crores for 1956-57 with a consequent diminution in the gap in internal resources on static assumptions. This, however, is not a material point, for the history of the last four years has proved that the resources budget of the Planning Commission is the plainest nonsense and has no relation to facts. A budget has to be made and so it is made, for how could the Ministry of Finance work in a vacuum? Truth to say, the basic defects arise from the vacuum of judgment and not from lack of statistical material for making forecasts as to possible estimates of resources. These financial resources are a 'function', to use sophisticated jargon, of a fast-changing economic situation, and more significantly, of the rate and quantum of development.

THE ECONOMIC WEEKLY

This brings us to the views of the Commission on the vexed question of deficit financing. "From the point of view of the very short period and that too in the immediate future, there is perhaps a case for a certain measure of deficit financing, though certainly not of the magnitude indicated by the gap between the existing resources and planned expenditure." This may be considered as a broad judgment on the recent budget proposals of the Finance Minister. He can, of course, lay flattering unction to his soul by the Commission's remark that on the most favourable assumptions regarding production trends, deficit financing of the order visualised for one or two years might not upset the stability of the economy. It has, however, to be confessed that for the short period the Commission has really no alternative to offer except to leave the gap uncovered. From the long-term point of view, however, the Commission has warned that deficit financing could not attain a quantitatively significant magnitude in a country like India without danger of inflation and of speculative elements gaining ascendancy and distorting the pattern of development and retarding capital formation itself.

FOUNDATIONS OF TAX POLICY LAID

With regard to the long period, the Commission has valuable suggestions to offer and the broad lines of a sound and progressive tax policy that it lays down, will guide the budgets of the Central and State Governments in future. Its conclusion that the problem of equity can no longer be left to the automatic functioning of economic and social forces and its emphasis on the fact of an *appreciable* degree of *avoidable* inequality in incomes and wealth will be widely welcomed. More effective tax enforcement and additional taxes on luxury consumption and widening of the taxation of wealth and property provide possible means for the reduction of inequalities. But if any considerable addition has to be made to public revenues, some contribution must come from the mass of people through taxes which have a wide base. This is the justification of the new excises. Above all, there is the imperative need for raising the volume of taxation. Indian tax revenues are seven to eight per cent of the national income and this proportion is lower than in many countries, including some in South-East Asia. In the opinion of the Com-

mission, there is a presumptive case for holding that Indian taxation on the basis of its existing structure and rates does not fully tap the taxable resources of the country and that there is justification for some increase. Even so far as the capital account is concerned, it is desirable to cover at least a part of it through taxation. It has, however, not been suggested by the Commission that the development programme should be wholly financed by taxes.

CEILING ON INCOMES

We now come to what probably is the most radical suggestion of the Commission—a ceiling on incomes. The Commission refers to the wide disparity in consumption levels, which has a demoralising effect on the masses. In the opinion of the Commission, the disincentive effect of higher taxation on the will to work on the part of higher income groups has been generally exaggerated. Even with the present high rate of tax the range of inequality between the disposable incomes of the few and the many is wider in India than in many countries with lower rates of taxation on higher incomes. In the opinion of the Commission, it is necessary to have a ceiling on personal incomes on the basis of a reasonable multiple of the *per capita* income or family income. The multiple might well be 30 of the prevailing average family income. The Commission does not suggest the ceiling for immediate implementation, but nevertheless it considers it important that Government should strive for it by stages and in a realistic manner and as part of an integrated approach along several directions.

The Commission has also considered certain additional forms of taxation such as an annual tax on total wealth at a low rate as a complement to income-tax; but while these suggestions may be of use in the future, the Commission does not recommend them for immediate adoption. In the opinion of the Commission, additional sources would be found in an increase in the rates of income-tax partially offset by some reduction in the corporation tax, with additional reliefs for savings and investment, an increase in excise taxes, increase in non-tax revenue through adoption of suitable price policies, moderate land revenue surcharges, increase in the rates and extension of the territorial coverage of the agricultural income-tax, a more extensive adoption of

property taxation and taxes on transfer of property by local bodies and a widening of the coverage and in due course increases in rates of sales tax. These, however, are matters of detail. They have been dealt with exhaustively by the Commission and cannot for reasons of space and time be treated here.

AS A CORRECTIVE TO INSTABILITY

With regard to the correcting of inflationary and deflationary pressures the Commission has rightly arrived at the conclusion that the possibilities of the Indian tax system as a corrective for deflation are limited. But for checking inflation, it has possibilities. These matters, however, lie really beyond the taxation system. When such pressures develop, it is the whole fiscal and monetary mechanism which goes into operation and mere changes in taxes cannot go far.

On the whole, in thinking out a suitable and progressive fiscal machinery for an active and high-level economy, based on welfare conceptions, the Commission has arrived at conclusions which will play an important role in shaping the budgets of the future for a decade, if not for a generation.

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Administrative and Defence Expenditure

THAT increase in administrative expenditure is a necessary adjunct to a programme of planned economic development is conceded, but only reluctantly. Even the official attitude towards the rising levels of expenditure on general administration as well as in the different departments used to be somewhat apologetic. True, these were explained in terms of the rising tempo of development, but it was not easy to demonstrate to the critical tax-payers that administrative expenditure could be causally related to the level of development expenditure that could be attained and/or that an explanation of the shortfall in the latter could be found in the inadequacy of the former. Attention was often focussed elsewhere while looking for the reasons for the short-falls that were in fact holding up the progress of the country.

In his introduction to the last Progress Report on the Plan, Shri V T Krishnamachari, Deputy Chairman of the Planning Commission, analysing the reasons for the slow progress of expenditure on the Plan, made the highly significant statement that, "In several cases, the administrative arrangements necessary for an expanded development programme were not put through early, and it was discovered that the spending capacity of various departments was limited by the level of expenditure in the past and the rate at which the additional personnel needed could be put into position." It is a warrantable inference from the budget estimates under civil administration that greater emphasis is being given to adequate administrative arrangement than when the Plan was formulated.

While rising administrative expenditure is expected to precede rather than follow, and, in any case, to keep pace with increased tempo of development activity, how to make sure how much of it is necessary for development and how much is avoidable waste? That a considerable increase in efficiency can be achieved without any corresponding increase in expenditure, if organisational changes were made on the one hand and changes in attitudes on the part of the staff took place on the other, has never been denied. There is, however, no tangible measure how far the increases in administrative expenditure are caused by genuinely needed expansion of the administrative services. The Explanatory Memorandum does explain the main reasons for any substantial increases but apart from taking such

statements on trust, it is not possible to read into these figures any justification.

Throughout the first four years of the Plan, administrative expenditure has shown a rising tendency, but evidently this was considered as something that could not be avoided rather than something that was essential and even desirable. The figures below for certain selected heads show that rising trend is particularly evident since 1952-53, but that the increase this year is much greater than ever before. This suggests that Shri V T Krishnamachari's statement has found its logical reflection in the programme for expanding the administration that has been undertaken this year. While this is true in general, it is not true in every case. A substantial increase can also be found between the years 1952-53 and 1953-54 in certain departments eg Ministries of Education, Commerce and Industry.

The bulk of increase, it may be noted, is accounted for by the larger development expenditure in the final plan year. The major increases, compared to revised estimates for 1954-55, are under Education Rs 7.3 crores, Agriculture Rs 5.05 crores, Scientific Departments including research schemes) Rs 2.21 crores, Medical and Public Health Services Rs 1.96 crores, Village and Small Scale Industries Rs 2.23 crores, Rural Development Rs 1.5 crores and Tribal Areas Rs 1.46 crores. By far the largest increases, it will be seen, are under education and agriculture. The large increase under education is mainly due to the provision of Rs 10

crores for grants to the States for basic, social and secondary education, as against Rs 8 crores in 1954-55 budget, and Rs 3.5 crores to University Grants Commission.

Although defence expenditure shows an increase of Rs 4.66 crores over the revised estimates 1954-55, it is actually Rs 3 crores lower than the budget estimate for the year. The short fall in the revised estimate of Rs 7.6 crores is partially due to economies effected in the Army, but mainly because the expansion expected in Air Force could only be partly realised. The Defence Budget, however, continues to follow the same pattern as in earlier years, a steady fall in Army expenditure and increase in expenditure on Navy and Air Force. Most of the increase in the budget over the revised estimate is under Air Force. As against a fall of Rs 1.48 crores under Army, there has been an increase of Rs 1.09 crores under Navy and Rs 3.71 crores under Air Force. It may be noted here that though the total expenditure on defence remained relatively steady, expenditure on the Air Force has more than doubled since 1952-53.

The capital expenditure on defence is estimated at Rs 22.38 crores against Rs 13.09 crores, revised estimate for 1954-55 which is lower than the estimate for the year of Rs 17.75 by Rs 4.66 crores. So, of the increase in capital expenditure of Rs 9.29 crores, only Rs 4.63 crores are for normal expansion programme and Rs 4.66 crores are carried forward from the previous years.

Civil Administration (Major Heads)

	(Rs lakhs)					
	1951-52	1952-53	1953-54	1954-55	1954-55	1955-56
	(Actuals)	(Actuals)	(Budget)	(Revised)	(Budget)	(Budget)
General Administration	994.04	945.36	1096.00	1240.37	1223.77	1317.45
Education	408.17	331.91	430.15	1280.88	1101.29	1831.07
Medical and						
Public Health	231.23	148.51	161.12	385.86	367.07	563.97
Agriculture	220.77	222.19	233.64	497.89	490.50	995.41
Rural Development	2.42	—	0.19	0.55	0.85	151.95
Industries & Supplies	608.72	548.08	1238.06	1386.91	1297.01	1655.77
Scientific Departments	517.79	623.43	680.06	886.50	865.97	1067.25
Tribal Areas	174.22	215.94	302.52	436.95	436.95	582.67

Defence Expenditure

	(Rs crores)					
	1951-52	1952-53	1953-54	1954-55	1954-55	1955-56
	(Actuals)	(Actuals)	(Budget)	(Revised)	(Budget)	(Budget)
Effective Charges:						
Army	147.77	153.29	144.20	152.95	150.62	149.14
Navy	7.63	8.65	10.39	12.14	11.60	12.69
Air Force	16.02	15.63	28.59	35.90	31.77	35.48
Non-effective charges	14.87	14.81	14.88	15.48	15.47	16.10
Total	186.28	192.38	198.06	216.48	209.46	213.41

Incentive Taxation

THE changes in taxation proposed by Shri Chintaman Deshmukh in his budget for the last year of India's First Five-Year Plan are quite obviously determined less by the Avadi Resolution of Congress than by the Matthai Report. The changes follow a pattern which one should expect in a country in which the programme of planned economic development being implemented provides for an expanding state sector and for public expenditure as a crucial factor in the process of economic change but in which the private sector continues to occupy an important place.

In such a pattern, stimulation of private industrial investment, particularly in specified industries, is achieved through specific tax incentives which are likely to achieve results commensurate with or even much more than in proportion to the loss in revenue to the exchequer. At the same time, the general level of taxation is slowly raised to meet the needs of the expanding state sector of the economy and the higher responsibilities of the State involved in the implementation of a programme of planned economic development and social welfare. As anticipated also, increases in both direct and indirect taxation find a place in such a pattern, together with a rationalisation of the tax structure so as to reduce inequalities and raise revenues, and fill in loopholes making for "legal" evasion.

NO GENERAL CONCESSION

The question of tax incentives for industrial development has been under discussion both in this country and abroad since the end of the war. The withdrawal of wartime Excess Profits Tax and later of the Business Profits Tax which had been imposed under the Liaquat Ali Budget, the reduction of super-tax rates and other adjustments made from time to time have had this objective in view. These changes have failed, however, because they were too general in nature and operated in a negative way. Their greatest disadvantage lay in the sharp loss of revenue they caused without achieving comparable results. This was because the concessions they made were general and applied to all, irrespec-

tive of whether the recipients made any effort to save and invest more.

In recognition of this fact, subsequently, higher initial depreciation allowances on new equipment were offered as more specific incentives. These did have some effect for a period of time, but later industrialists in all countries where they were introduced came to recognise that they only postponed the day of reckoning, that higher depreciation allowances initially would only hasten the day when no allowance would be available as the equipment had become fully depreciated for tax purposes. A better incentive effect could be produced by treating expenditure usually classified as capital as current and therefore, deductible from revenue for income-tax purposes. The Pakistan and British budgets had both introduced changes based on this principle into their tax systems last year, though the change in Pakistan at any rate was not very far-reaching.

SELECTIVE ASSISTANCE

Under the British budget last year, a tax-free allowance was made available against part of the cost of investment in certain types of assets, mainly new production capacity including building and equipment. In the Pakistan budget, there were two concessions of this type, though both were much more limited in scope. It was provided, first, that expenditure on the construction and maintenance of schools and hospitals for the benefit of employees, provided the service was given free, should be made deductible as current business expenditure. Such a provision is likely to encourage labour welfare measures and also help in establishing institutions of this type in a country in which these are very limited in extent. Second, capital outlay on scientific research connected with the business of the taxpayer was also to be treated as current business expenditure.

DEVELOPMENT REBATE

The concession made by the Finance Minister of India is based on the same principle, but is highly favourable to all new enterprise and in fact goes much further even in principle. "I propose," says Shri Deshmukh, "to allow a development rebate of 25 per cent of the

cost of all new plant and machinery installed for business purposes instead of the present initial depreciation allowance of 20 per cent." He further adds, "for purposes of ordinary and double depreciation allowances, this rebate will not be taken into account." The combined effect of these statements is that total depreciation allowances of 125 per cent of the cost of new plant and equipment will be allowed over a period of years of which 25 per cent will be allowed during the first year and either ordinary or double depreciation allowances during subsequent years, which by themselves will total up to the full value of the new plant and equipment. In other words, 25 per cent of the capital cost will be treated as a current cost during the first year, when no depreciation allowances will be given, and yet this amount will be treated as a part of the capital cost in subsequent years for calculation of ordinary or double depreciation allowances.

The significance of the new proposal lies in the increasing dissatisfaction with the system of higher initial or double depreciation allowances which augment the returns from industry for a time only to cause a sharp worsening of the position after the entire allowance has been utilised. In recognition of this fact most firms in fact created special taxation reserves from their surplus profits, the fact that these could be used in the meantime providing an interest-free loan to the firm for a few years. The revaluation of the asset after the full utilisation of depreciation allowances could no doubt provide some relief from this situation, but the complications inherent in it have made the Taxation Enquiry Commission recommend its withdrawal. The new proposal will, therefore, mean a genuine benefit to firms that go in for installation of new plant and equipment and by leaving larger profits in their hands will increase their capacity to finance still further expansion. In the alternative, provided the funds are not dissipated in dividends, it will leave larger working capital with the concern from owned funds, not for a short period only but permanently. This proposal is undoubtedly welcome to all industrialists who are

planning new investment in conformity with the planned expansion of the private sector of industry.

CARRY FORWARD OF LOSSES

Another proposal which should encourage new enterprises and expansion of existing enterprises relates to the right to carry forward business losses. New enterprises have sometimes to pass through long periods of losses in the initial stages. Even in subsequent stages, profits are likely to be low for some years, so that all the losses suffered could not be offset against profits gained, if any, within a period of six years. The facility of carrying forward losses indefinitely should prove highly attractive to new projects of expansion. The proposal for a "tax holiday" for six years for certain industries of national importance has not been accepted by the Government as yet, but is under consideration.

Among the changes proposed in

The New Tax Proposals — II

Direct Taxes

A LARGE number of changes in both direct and indirect taxes have been proposed in the current budget, apart from those which are meant to act as incentives for rapid industrial development in the private sector. In view of the need for increasing resources to finance development expenditure, it is not surprising that these changes generally involve a stiffening of the tax system, though reductions have been made for certain categories of cigarettes and a new principle has been introduced in deciding the exemption limit in income-tax.

In view of the controversy about the relative places of direct and indirect taxes in the tax structure of a developing country with a mixed economy, it is interesting to note that there are increases in both, and this is undoubtedly justified. The increases in direct taxation are not substantial. But that they have been made, although there was a persistent demand for reductions, is due to the recognition by the Mat-thai Commission that, "the disincentive effect of higher taxation on the will to work of the higher income groups is generally highly exaggerated." Particularly in view of the specific incentives offered for new investment, it is not consider-

indirect taxes, there are also a few which are likely to benefit specific industries. "Subject to the margin of preference being maintained, wherever this is bound by agreement," import duties on dyeing and tanning substances, gums and resins plumbago and graphite are being completely abolished, "in accordance with the Government's general policy of a gradual remission or reduction of duties on essential raw materials." It has also been proposed to reduce the export duty on cotton cloth by $6\frac{1}{4}$ per cent as a measure of assistance to the maintenance of the competitive position of the Indian cotton textile industry in world markets. These changes together with the increases in import duties on certain items like zip fasteners and tiles of earthenware, which are not expected to bring in much revenue, are expected to result in a total loss of revenue of Rs 50 lakhs.

One proposal which the Finance

Minister did not mention in his speech but is contained in the Finance Bill relates to donations for scientific research. By this proposal, allowable expenditure would include any sum "paid to a scientific research association having as its object the undertaking of scientific research related to the class of business carried on, and any sum paid to a university, college or other institution to be used for scientific research, research in social science or statistical research related to the class of business carried on". This differs from the Pakistan proposal given above since here donations to certain institutions will become tax-free, whereas capital expenditure on research schemes within the concern itself will not be treated as current expenditure. Nevertheless, this should encourage scientific research in the country in particular by not penalising donations to independent institutions thus fostering their growth.

time to reduce the inequality of income and wealth existing in the country and this is a legitimate object of tax policy, even if it did have some disincentive effect on private investment or the desire to work on the part of the rich, particularly since it is laid down as one of the Directive Principles of State policy in the Constitution. This is apart from the fact, that any adverse effect on capital formation could be offset by capital formation taking place in the public sector, which would be quite in keeping with the "socialist" professions that are being made in the country.

The first change proposed in the income-tax introduces for the first time in the Indian income-tax system the principle of recognising the difference in the circumstances of different tax-payers earning the same income. The principle of differentiation is based on the civil condition of the tax-payer. It is proposed that the tax-exempt slab of Rs 1,500 should be raised to Rs 2,000 for married persons and reduced to Rs 1,000 for unmarried persons. The Finance Minister pointed out that this was the first move in the direction of evolving a suitable scheme of family allowances. The difficulties in planning such a scheme for a country like

India and the greater difficulties of implementing it in practice have so long been an excuse for not trying to resolve them at all that the Finance Minister must be congratulated for taking a step in that direction, without waiting for a full scheme to be drawn up.

The existing differentiation between earned and unearned incomes for tax purposes does no doubt take into account the source of the income on the grounds of equity. Now this is proposed to be adjusted, so that no differentiation is made on this basis at the higher levels of earned incomes. The earned income relief is to be reduced on incomes in excess of Rs 25,000 by Rs 200 for every Rs 1,000 of incomes about this level until the entire allowance of Rs 4,000 is wiped out at an earned income of Rs 45,000. This is probably a recognition of the fact that an increasing proportion of incomes at higher levels is now earned and the loss in revenues to the State resulting from the relief at these levels is likely to be considerable. The main argument in favour of such a relief has been the many advantages property holds for its possessor apart from the unearned income that flows from it. Now that the Estate Duty offsets these advantages, there is no need to provide such a relief for earned income at higher levels. This could be the only equitable argument in favour of withdrawing a concession that has been in existence for so many years.

While the first of the two changes discussed above will cause a loss to revenues, presumably because of the larger proportion of married persons among tax-payers, the second will obviously earn more revenue.

Two further steps follow in the same direction. The first relates to income-tax while the second to the super-tax. By breaking up the Rs 5,000-10,000 slab into two at Rs 7,500 and raising the rate on the second slab by six pies to two annas three pies, an additional revenue of Rs 1.35 crores is expected. The rate of tax on the next slab Rs 10,000-15,000 is also raised by three pies to yield an additional revenue of Rs 85 lakhs. For the super-tax, the minimum level has been reduced from Rs 25,000 to Rs 20,000 and the slabs readjusted to yield an additional revenue of Rs 5.75 crores.

Two other minor changes have

been made. First, the rebate for life insurance premia has been raised from one-sixth of income with a maximum of Rs 6,000 to one-fifth with a maximum of Rs 8,000. Corresponding increases have been made for Hindu undivided families. This proposal is obviously meant to encourage saving and more particularly to channel it through institutional investors, so that such savings may be more freely available

Table I—Rates of Income-tax

(i) The rates and surcharge on different slabs of the total income of every individual who is married and every Hindu undivided family will be:

	Rate (in the rupee)	Sur- charge*
On the first Rs 2,000	Nil	Nil
On the next Rs 3,000	9 pies	1/20th
On the next Rs 2,500	1 a 9 p	"
On the next Rs 2,500	2 as 3 p	"
On the next Rs 5,000	3 as 3 p	"
On the balance	4 as	"

(ii) The rates and surcharge on different slabs of the total income of every individual who is not married and every unregistered firm or other association of persons will be:

	Rate (in the rupee)	Sur- charge*
On the first Rs 1,000	Nil	Nil
On the next Rs 4,000	9 pies	1/20th
On the next Rs 2,500	1 a 9 p	"
On the next Rs 2,500	2 as 3 p	"
On the next Rs 5,000	3 as 3 p	"
On the balance	4 as	"

* As a proportion of the rate specified in the previous column.

The New Tax Proposals — III

Indirect Taxes

IN any scheme of taxation in a developing economy, indirect taxes have an important place. They enable the State to extract revenue from classes of people from whom it would otherwise have been difficult to obtain any revenue at all, a consideration which becomes highly important when the vast majority fall into that category. True, indirect taxes tend to reduce to some extent the steepness of progression in the system of taxation as a whole, but some degree of progression can be introduced even into indirect taxes by suitable selection of commodities and grading of rates, so as to affect the rich more than the poor.

The selection of the commodities

either for the private sector or the Government. A loss of Rs 25 lakhs in revenue is anticipated through this measure. Second, Hindu undivided families consisting of four or more members entitled to claim partition will have an exemption limit of Rs 12,600 for tax purposes and for payment of the surcharge on the income-tax, the exemption limit has been raised from Rs 14,400 to Rs 21,600. This concession, again, will tend to reduce the inequitable burden of taxation as it falls on large Hindu undivided families. At the same time, evidently no deliberate attempt is to be made to break up such families by pressure of heavier taxation, whether such a step is otherwise considered desirable or not.

Table II—Rates of Super-tax

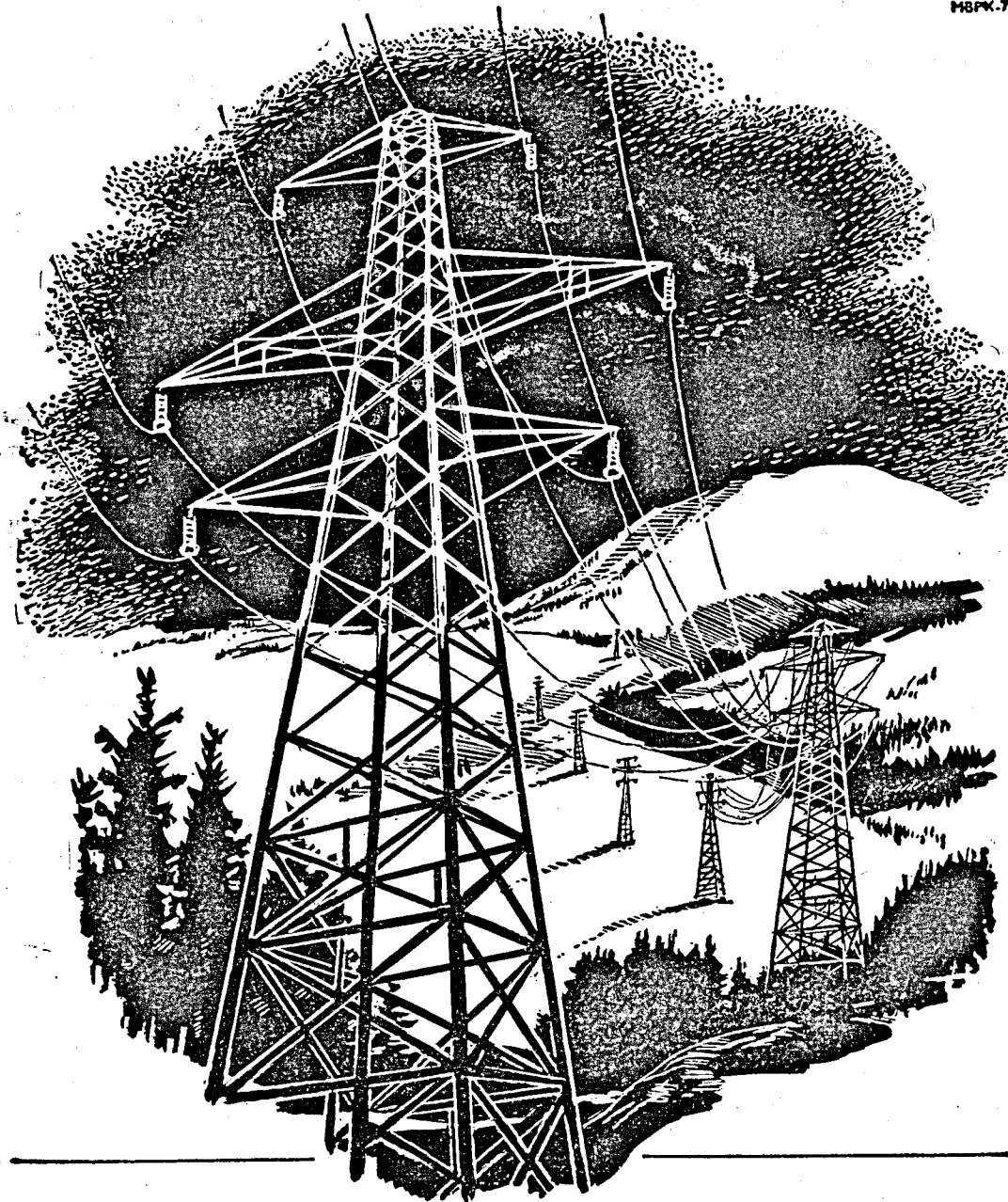
The rates and surcharge on different slabs of total income of every individual, Hindu undivided family, unregistered firm and other association of persons will be:

	Rate (in the rupee)	Sur- charge*
On the first Rs 20,000	Nil	Nil
On the next Rs 5,000	1 a	1/20th
On the next Rs 15,000	3 as	"
On the next Rs 10,000	5 as	"
On the next Rs 10,000	6 as	"
On the next Rs 20,000	7 as	"
On the next Rs 20,000	8 as	"
On the next Rs 50,000	9 as	"
On the balance	9½ as	"

* As a proportion of the rate specified in the previous column.

on which excise duties, for instance, are to be levied and the rates at which they are to be imposed is undoubtedly a matter of primary importance. There is little doubt that there would be some tendency to reduce the consumption of the taxed commodity, though this would depend upon the elasticity of the demand for the product. That this can be the object of levying the tax or at least one of its objects is evidence of the dangerous implications of indirect taxation for the industries concerned, apart from the burden they impose on the consumer.

The raising of the excise duty on sugar from Rs 3-12 to Rs 5-10 per cwt has as its object such a reduction in consumption. This is evident



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from the Finance Minister's reference to the large increase in consumption of sugar in recent years and the considerable expenditure of foreign exchange caused thereby. "The increase in duty", says Shri Deshmukh, "may also have the effect of discouraging consumption to some extent". The additional revenue is estimated at Rs 5 crores.

In the case of matches, again, the change proposed in the structure of excise duties is in pursuance of the policy of the State to encourage medium-sized and cottage group of match factories. This has been achieved through an increase in the margin of preference accorded to such concerns, eg from one anna to two annas per gross boxes (40s). These changes will result in a total loss of revenue of Rs 50 lakhs, but of this Rs 20 lakhs will be borne by the States.

In the case of cigarettes, there is a readjustment of the relative impact of the excise duty on different classes of cigarettes, with the abolition of the surcharge on cigarettes valued at between Rs 10 to Rs 15 per thousand, while the loss is recouped through an increase in the surcharge on cigarettes valued at between Rs 40 and Rs 50 per thousand. It has been suggested by the Taxation Enquiry Commission that such a change will rectify certain anomalies in the existing rate structure. This may be true but the change may also have something to do with the problems being faced by Indian tobacco in recent years and the low production of cigarettes in the country caused presumably by low consumer demand.

Certain changes have also been made in the structure of excise duties levied on cotton textiles. These changes have evoked considerable opposition from the textile interests in the country and their case deserves fuller examination.

The new excise duties imposed are also highly significant from many points of view. The case for the new duties may be presented in the Finance Minister's own words: "I feel myself," he says, "that an expansion of revenue from excises is, in the context of our requirements and also in the pattern of industrial development, inescapable and that we shall increasingly have to look to the products of organised industries in the country which have grown up under the shadow of protection, both for bringing in additional revenues and replacing the loss of Customs duties resulting from the replacement of imported manufactured goods by indigenous production".

This argument suggests first that a continuous process of import substitution is going on in the country and that in consequence, import duties are likely to fall in importance in the country's revenues. If import substitution is taking place rapidly, this should suggest that national income is rising. If the accepted beliefs with regard to import propensities in a developing economy are correct, imports should show a substantial rise as a result and therefore no fall in revenues from import duties should be anticipated. It is true that during 1953-54, the value of imports fell rather than rose, and even the volume index of imports shows a fall. This is in the face of a rise in the national income, according to our rather inadequate estimates. But too much reliance should not be placed upon the results of this particular year, particularly in view of the possible distortions in the economy produced by the sharp fall in prices since the boom period of 1951.

The reference to 'organised industries which have grown under the shadow of protection' as the right objects of taxation through excise duties on their products carries with it a ring of elemental justice. Having gained from protection accorded by the State, these industries should in turn contribute their share to future industrial development of the country by way of excise duties. A moment's thought might raise doubts about the equity of the principle that has been laid down in this way by the Finance Minister. In effect, the principle means that the consumers who have borne the burden of protection accorded to an industry through high import duties will be called upon once again to bear the burden of higher excise duties, once the industry has developed fully. Ultimately, the burden would thus lie on the same group of consumers who would thus be in a "Heads I win, tails you lose" position, once an industry is protected to ensure its development. This argument may not be flawless, but it must have some weight in the selection of the industries concerned.

The Finance Minister has proposed a ten per cent *ad valorem* duty on the factory production of a number of commodities of this category, —woollen fabrics, sewing machines, electric fans, electric lighting bulbs, electric dry and storage batteries, paper (excluding newsprint) and paints and varnishes. These excise duties are expected to yield Rs 4 crores in revenue. As the imposition of these duties is not meant to worsen the position of the industries

vis-a-vis their foreign competitors, the margin between import and excise duties will be kept equal to the existing rates of import duties through the levy of countervailing import duties at the same rate as the excise duty, where necessary. All the changes in excise duties discussed above are expected to bring in a net additional revenue of Rs 17.7 crores.

While the major changes in indirect taxation have been made in relation to the excise duties, there are also a few changes in customs duties. The abolition of import duties on certain raw materials and the reduction of export duty on cotton textiles by 6¼ per cent have been discussed elsewhere.

The other change is made in the export duty on tea. It is well-known that a specific tax tends to become onerous during periods of falling prices, while its incidence tends to become progressively lighter during periods of rising prices, which in the case of tea is relevant at the present stage. But difficulties of valuation, as auctions also take place in London, made *ad valorem* tax administratively impossible. The Finance Minister has, as a compromise, devised a slab system with varying rates at different prices. The prices for determining the rates are to be those determined from time to time as correct prices and duly published as such. An element of arbitrariness can hardly be avoided in such a procedure and administrative delay in announcing new prices may cause some hardship to traders or losses to the State, but it is the best that can be done under the circumstances. No additional revenue is expected to result in the current year. Tea interests will have to say what is the impact of the actual rates laid down for the different slabs.

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Post-Budget Spurt

Wednesday Evening

THOSE who were watching rapid up-and-down fluctuations in equities on Clive Street on the budget night must have been surprised at Dalal Street's behaviour that night. Clive Street was quick to respond to Shri Chintaman Deshmukh's budget. Clive Street did not interpret it as a rich man's budget. But the Calcutta Stock Exchange was right in jumping to the conclusion that the budget proposals were framed to provide a psychological stimulus to industry.

It was on this interpretation of the budget that Clive Street started moving up as the radios in brokers' offices boomed out the various tax proposals one by one. It was at this juncture that Clive Street paused in bewilderment as trunk telephone calls came pouring in about near-panic conditions in Dalal Street. Clive Street paused once again in its upward journey to enquire what could be the cause of Dalal Street's funny behaviour.

Middle Class Hit

Those who claimed some familiarity with Dalal Street's make-up tried to argue that any budget proposal which was likely to affect the cotton textile industry might, justifiably, have a "bearish" impact on Dalal Street. This explanation was considered sensible, but only for a few minutes. As Dalal Street continued to slump, Clive Street paused again to re-consider its attitude to the budget. Could it have been that Clive Street had missed some of the crucial tax proposals in the budget? Or, was Clive Street wrong in its interpretation of the fundamental facts of the budget?

Through repeated anxious trunk calls, it transpired that Dalal Street did not agree with Clive Street's interpretation of the budget. Dalal Street brokers started reading textbook lessons in economics to their Clive Street colleagues. Middle class was the backbone of stock markets. The budget had heaped more burdens on this investing class. That particular group in this class—the Rs 7,500 to Rs 10,000 group—which was the mainstay of stock markets had been hit hardest. A surcharge had been imposed on income-tax.

These were the arguments which

Dalal Street brokers offered in explanation of the slump in Dalal Street that night. Dalal Street argued that personal income-tax had been raised; that, therefore, the flow of investible funds would be choked; that, with the impeded investment flow, the market would be starved of resources. These are unexceptionable arguments. But those who have some acquaintance with Dalal Street must express surprise that Dalal Street could ever be so theoretical as to ignore the background factors to the budget.

Tragedy of Errors

Dalal Street has since revised its opinion about the tax proposals. Here, a tragedy of errors may be told. One could not discover whether Dalal Street or Clive Street fabricated that interpretation of one particular budget provision relating to dividend distribution. There is a budget proposal which imposes a 25 per cent super-tax on undistributed profits, if a company has not distributed 60 per cent of the profits as dividend. This is a highly controversial proposal. It is rather obscure.

But it was funny for stock markets to jump to the conclusion that this proposal meant a tax on future bonus shares. This was one of the reasons why equities lost all the gains made earlier during the budget session on Monday. It would be wrong to assume, again, that Tuesday's renewed spurt was due to the interpretation that this proposal meant that the Government was in favour of higher dividend payments.

It would be risky to discuss this proposal, in the absence of more detailed explanation. From the budget speech, it would seem that it is the Finance Minister's intention to apply this proposal to private companies. One thing is clear. It could not be that New Delhi is in favour of indiscriminate dividend disbursements. That would be a policy which is against even elementary principles of company finance. Recent cornering attempts at Calcutta make this issue topical. Ultra-conservative dividend policies may have encouraged recent cornering attempts on the Calcutta Stock Exchange. But to go to the other extreme of suggesting that there should be financial provisions to compel larger dividend disbursements is, of course, quite another matter.

No Tax on Industry

Reasons for the post-budget improvement in equities may now be discussed. Admittedly, the middle class, the investing class, has been hit hard. Admittedly, too, the proposed increase in excise duties will affect this class heavily. With the proposed surcharge on income-tax, the argument relating to the effect of higher personal income-taxes on the flow of investment is not entirely invalid. But there is the other side of the coin.

Shri Deshmukh may have been unduly harsh on the middle, investing, class. His budget may not be correctly described as a rich man's budget. But it is right and proper to interpret his budget as one for industry. Development rebates now proposed are higher than the existing depreciation allowance. Industry will now be allowed to carry forward business losses indefinitely. Neither of these two proposals will mean much ultimately. But it is certainly good news that, to take the budget at its worst, Shri Deshmukh has not imposed any fresh burden on industry.

Market Psychology

This was where Dalal Street went wrong on the budget night. Equities had been falling since last October, on fears that the tax burden on industry would be raised heavily. Stock markets were prepared for fresh tax burdens. But the tax proposals in the budget are not heavy enough to keep the stock markets depressed. This is what happens when tax proposals impose fresh burdens which are below market expectations. It is strange that Dalal Street could ignore, even for a few hours, this well-known and well-established pattern of stock market behaviour.

So far as tax proposals are concerned, the stock markets are almost where they were at the end of last September. There were other reasons why equities were falling since last October. Emphasis on expansion of capital goods in the President's Address and TTK's continued presence in the Cabinet are the real reasons why stock markets have been moving up since the presentation of the budget. If Shri Deshmukh's tax proposals are below market expectations, his estimated deficit financing is welcomed in market circles.

Dalal Street Wants More of This Socialism

THE Finance Minister has presented the 'Socialist Budget'; and the common man's reactions have been most effectively expressed by the headline in a daily paper 'Socialist Budget Hits Common Man'. It is really amusing to look back—what a scare was raised at Avadi! And such looking back is both permissible and pleasant, for market operators, now that the Communists have been routed in Andhra and Congress has won a victory much beyond its own expectations. It is reassuring to the private sector that Shri Chintaman Deshmukh's 'Socialist Budget' should be immediately followed by the Congress victory at Andhra.

Whether the Socialists (Heaven knows who are all the ones that wear this label) are satisfied with the budget or not, it is beyond doubt that the private sector is mighty pleased with the budget and feels that if this is socialism, why not more of it? It is interesting to come down to brass tacks, what are all the socialist proposals in the budget? There is, first, the most striking evidence of socialism in the lowering of the super-tax exemption limit from Rs 25,000 to Rs 20,000. Along with it, the tax rate for incomes Rs 7,500 to Rs 10,000 has been raised from 1½ anna to 2½ annas. Evidently the upper middle class elements are subject to higher taxation. Good. Some levelling down of higher incomes. As against this, there is also the attempt to level up the net incomes of the lower middle class. The tax exemption has been revised at the bottom. While those with incomes of Rs 4,200 and above continue to bear taxation, if they are married, the first Rs 2,000 of their income (net of earned income allowance) is tax free; hitherto it was Rs 1,500. Bachelors, however, presumably because their need for 'legitimate' spending is low, are given an exemption of only Rs 1,000. Further relief is being given to the lower middle class by increasing the rebate allowed for payment of premia on life insurance policies and subscriptions for recognised provident funds—from the existing limit of one-sixth of income subject to a ceiling of Rs 6,000 to one-fifth with a ceiling of Rs 8,000. All this is definitely welcome in so far as the low income groups are subject to

lesser strains of taxation. This is socialism all right. But beyond this, there is nothing else to be commended as socialistic in the Budget. That does not matter. A beginning has been made, however 'feeble' it may be, and that too at the right point—the middle sector. One should suppose that the right approach to minimizing the inequalities is to start with the middle income groups and first close up the gap between the lower and the upper middle class, so that we have just one middle class.

Let us now turn to analyse why business sector is rightly pleased with the Budget. For ultimately it is the reaction of this sector which is most important in a mixed economy. Well, they have sufficient reasons to be jubilant. First, they frankly expected something worse, what with Avadi and Khandubhai and Nandaji. The very fact that the budget was not as bad as they thought it would be, there is a big sigh of relief. Secondly, with all the measures of raising the taxation of the upper-middle income range, and even after the systematic withdrawal of the earned income allowance, reducing it to zero at the level of Rs 45,000 and above, the net effect on the plutocrats has not been anything serious. For, on an average, the highest income earners (one lakh and a half and above) used to pay out 70 per cent of their income by way of direct taxation; now they may have to pay about 73 per cent. After all a 3 per cent rise is nothing to kick about when you know that you are in for more and more socialism. Then, there are a variety of concessions for business units. There is now the facility of carrying forward losses indefinitely. There is no taxation of bonus shares. And above all, there is the developmental rebate of 25 per cent, which has been pointed out that if, for example, the Tata Iron and Steel Company incur a cost of four crores towards setting up a new plant, then it can right away credit one crore to the special development fund and thus save about Rs 43 lakhs in taxation to the shareholders.

Now how about the investor-speculator, or better still, how about the pure and simple speculator?

Whatever his earlier impulse, he has come out a convinced bull. No wonder that it is being freely tipped in Dalal Street that Tata Ordinary will touch Rs 300, the ACC Rs 200 and so on.

What a stir there was in the budget session of the Bombay Stock Exchange last Monday evening—last year, there was scarcely a ripple. The violent swings witnessed in the budget session, however, were due more to the operation of technical factors than to the budget proposals themselves. On the eve of the Budget, the general feeling was one of certainty that it was going to be a bright Budget, this year; there had been a lot of public buying and the market was extremely buoyant. When the budget proposals came through, one Bombay Bull started liquidating his holdings. Excise duty on cloth led to speculative selling. All this made the market nervous and caused all round selling orders. Within half an hour, prices tumbled down like a pack of cards. Tata Ordinary lost more than Rs 10. So did Bombay Dyeings, Centurys, Kohinoors. National Rayons provided an exception and after rising steeply, closed higher than the pre-budget session. Scindias and Premier Construction were steady.

The Budget has turned out to be much better than anticipated. Subsequent behaviour of the market proves this, as within two days after the budget steels, cement, etc, made up all their losses and some of them have registered sizeable advances. Textiles are lagging behind due to the heavy impost of excise duty; but they are already rated low and there is less selling pressure at lower levels. If the agitation against excise duties that is now going on succeeds in gaining even a slight relief, there will be a sharp rally.

Cements have met with keen inquiry on investment account. As Rayons have been left out from excise duty, National Rayons are being bought up avidly.

Bulls in steel are very strong and in the last settlement, a Calcutta Bull is reported to have taken delivery of about 10,000 Tata Ordinary. Against this, the old Bear is still short, about 125,000 in Tata Ordinary and 100,000 in Indian Irons.

Budget Estimates—An Assessment

THE Central Budget for 1955-56 was awaited with more eagerness than in the past few years for several reasons. It was the first budget after the Taxation Enquiry Commission made its recommendations; and it was the last under the first Five-Year Plan. In the half year preceding the presentation of the budget, the establishment of a socialistic economy for India had become the declared objective of the Congress and the Government.

What the Finance Minister has said about the budget is simple enough. At 1954-55 levels of taxation, there would be in 1955-56 a shortfall of about Rs 30 crores in the revenue account. This is due not to any shrinkage in revenues but to an enlargement of Government expenditure, especially development expenditure. Total expenditure of what might be called the development departments amounts to Rs 96.0 crores in 1955-56 (Budget) as compared to Rs 61.8 crores in 1954-55 (Revised Estimate). As is well-known, not all of this would be development expenditure in the sense of outlay directed towards provision of additional benefits and services, but the bulk of it might be. Purists might object to treating such outlay on a par with normal administrative or consumption expenditure of Government. That, however, is a different issue. What is relevant here is the fact that additional taxation resorted to could all be justified as necessary for financing the development programme. Indeed, if Shri Deshmukh had accepted fully the philosophy of the Matthai Commission, he could have gone further and budgeted for a surplus in the revenue account. Such a step would have also lent substance to the Government's professions of advance towards a socialistic pattern, by putting the claims of Government on the country's resources first.

The tax proposals and their implications have been commented upon elsewhere in this issue, and we need not dwell on them here. In any event, the bulk of development expenditure is covered in the capital account of the budget, and the revenue surplus finances little of that. To form a judgement on the Government's development programme for the coming year, one has to probe into the capital account, which is a supreme example of the art of window-dressing prac-

tised by accountants. What items in that account represent real outlays and what items mere book transfers, only the pundits of the Budget Division in Delhi can say. However, a rough differentiation between financial transfers of various kinds and real outlays aimed at acquisition of goods and services for purposes of Government investment may be attempted and this is set out in the accompanying table.

A word about the procedure followed in this table. As will be observed, all capital receipts are taken *net*, except repayment of loans to Government. This automatically places on one side Government payments which are of a contractual or sporadic nature and therefore not subject to trend factors, and which, in a manner of speaking, may be called non-developmental. It also highlights the relative importance of certain sources of finance for meeting capital expenditure. The items covered under 'Capital Disbursements' would then indicate very roughly the elements which involve an exchange of Government money for goods and services. The reason for including Central Government Loans to State Governments and others under this head is that these are meant to be spent on building up real assets in the public or private sectors.

Turning now to the figures themselves, on the capital receipts side, the one stable element is the item 'Small Savings and Unfunded Debt.' This has gained in importance with the passage of years, and in 1955-56 (BE) accounts for as much as Rs 68 crores—or nearly the same as net receipts from long-term loans. Long-term borrowing for 1955-56 is lower than in the current year not only because of larger maturities but because a smaller credit is taken for gross borrowings. This follows inevitably from the unusually heavy floatation resorted to in 1954. Of the other items, 'Depreciation and Reserve Funds' are more or less certain to reduce rather than add to financial resources of Government, in view of the larger withdrawals that the Railways are likely to make from their depreciation and other funds. Finally, there is the intriguing item "Other Deposits and Advances". This covers a variety of accounts, the nature of each of which is shrouded in mystery. How exactly receipts into and payments out of

these accounts are related to known factors in the economic situation, nobody can tell. Consequently, it is impossible to say whether the estimate of this item is reasonable or not. As shown in the budget, net receipts from this source fall from Rs 49 crores in 1953-54 to Rs 22 crores in 1954-55 (RE) and rise sharply to Rs 79 crores in 1955-56 (BE). The Explanatory Memorandum dismisses this summarily by stating that "the large increase in the budget is due mainly to anticipated sale proceeds of evacuee property and the increase in foreign aid, during that year (1955-56)". The latter of these is fairly easily reckoned; it is expected that in 1955-56, there will be a net credit of Rs 12 crores to the Special Development Fund (from TCA aid, aid and sale proceeds of wheat received under the Colombo Plan, etc.) as compared to a net withdrawal of about Rs 27 crores in 1954-55 (RE). But the credit for sale proceeds of evacuee property is perhaps a book adjustment; where exactly this figures in the budget statement is difficult to see; one suspects this is part of the 'Suspense Accounts', which are responsible for astonishingly large net receipts. Net receipts shown under 'Suspense' amount to Rs 44 crores in 1954-55 (revised) and Rs 33 crores in 1955-56 (budget). One can understand the large figure in 1954-55, since some of the receipts in the last few months can be estimated only broadly and therefore cannot be posted to appropriate accounts. But to follow the same procedure in regard to the budget estimates is, to say the least, misleading.

Turning now to the expenditure side, the surprise factor since the last budget is the large increase in outlay on 'Schemes of Government Trading'. There was actually a receipt from Trading in 1953-54. But both in 1954-55 (revised) and 1955-56 (budget) large payments are envisaged. In 1954-55, however, the major part of this constituted amounts paid to State Governments; and to that extent, they will have helped the capital accounts of the recipient States. Not much information is available regarding the outlay envisaged for the budget year.

The Government's 'Development Outlay', taking both the direct outlay and Loans to State Governments, shows a big increase. This

is not unexpected, considering the short-falls in expenditure under the Plan during the period so far. It is, however, difficult to match the budget figures with data in the Plan and see what the five-year total for the Centre would be. One has to wait until the Planning Commission reclassifies the budget data in its next Progress Report. Broadly, however, the position is as follows: the revised outlay under the Plan for the Central Government was Rs 1,330 crores for the five-year period. Of this, only Rs 445 crores had been spent in the three years 1951-54, leaving Rs 885 crores to be spent in the two years 1954-56. These figures are inclusive of the railways capital programme, exclusive of current depreciation charges. Now, the railways' outlay under the Plan could be taken roughly at Rs 51 crores in 1954-55 (RE) and Rs 82 crores in 1955-56 (BE). Taking these figures out from the two-year total, we have about Rs 750 crores to be covered in the revenue and capital accounts of the Centre. As mentioned earlier, there is considerable doubt about development outlay in the revenue account; the Planning Commission had put this at Rs 53 crores in the 1954-55 budget estimates. Even if we assume that this has been more or less achieved in 1954-55, and that in 1955-56 (BE) it would be about Rs 25 crores more, the total would come to about Rs 125 crores, leaving an outlay of Rs 625 crores to be met in the Centre's capital account. It should be added that all these outlays are exclusive of Central assistance to States in the form of grants and loans. However, looking at the accompanying table, it will be observed that 'Development Outlay' for 1954-55 (RE) and 1955-56 (BE) including the outlay on displaced persons, aggregates about Rs 275 crores, on a rough estimate. In other words, it seems more than likely that the five-year outlay of the Central Government under the Plan will fall short of the target by about Rs 325 crores, or by over 25 per cent.

Despite the shortfall, it is estimated that there will be an overall deficit of Rs 208 crores in 1954-55 (RE) and of Rs 318 crores in 1955-56 (BE). These are to be met wholly by issue of Treasury Bills. There are two points worthy of note in this connection. For the current year, *ie*, 1954-55, it is estimated that Rs 220 crores of Treasury Bills will be issued. The increase in outstanding Treasury Bills since April

1954 is, in fact, of the order of Rs 55-60 crores, which means that between now and end of March 1955, Treasury Bills outstanding will have to increase by over Rs 150 crores. Put mildly, this is highly improbable, and when the accounts for 1954-55 are prepared, the actual deficit will very likely turn out to be much less than in the revised estimates.

Arising from it, it would seem that unless something unusual happens in 1955-56, the expansion of Rs 340 crores in Treasury Bills may also not come about. True, the Government can no longer draw down its cash balances. Even so, actual deficit of Rs 340 crores would mean a doubling of the actual deficit likely for 1954-55, and that takes some doing.

Budget of the Government of India, 1955-56

	1953-54 (Accounts)	1954-55 (Revised)	1955-56 (Budget)
(in Rs crores)			
I. REVENUE RECEIPTS	416.0	451.1	490.5
(i) Tax Revenue	366.0	398.1	427.8
(ii) (i) as percentage of total	87.0	88.2	87.2
(iii) Non-tax Revenue	50.0	53.0	62.7
II. REVENUE EXPENDITURE	407.5	456.1	498.9
(i) Defence Expenditure	186.3	198.0	202.7
(ii) (i) as percentage of total	45.7	43.4	42.6
(iii) Civil Expenditure	221.2	258.1	296.2
(Of which under Development Departments)*	(46.1)	(61.8)	(96.0)
III. SURPLUS (+) or DEFICIT (—) ON REVENUE ACCOUNT (I—II)	+8.5	—5.0	—8.4
IV. CAPITAL RECEIPTS	78.4	233.5	249.4
(i) Long-term Loans (net)	—38.6	112.6	68.8
(ii) Small Savings & Unfunded Debt (net)	53.0	65.3	68.6
(iii) Loans repaid to Government†	18.9	42.5	35.7
(iv) Additions to Depreciation and other Reserve Funds (net)	—9.1	—14.1	—7.4
(v) Other Deposits and Advances (net)	49.2	22.3	78.6
(vi) Miscellaneous (net)	5.0	4.9	5.1
V. CAPITAL DISBURSEMENTS	167.6	435.7	559.4
(i) Development outlay	46.4	106.2	150.0
(ii) Defence Capital Outlay	10.2	13.1	22.4
(iii) Compensation to displaced persons	—	7.6	21.0
(iv) Schemes of Government Trading	—25.4	58.5	29.0
(v) Loans and Advances (Of which to States)	143.4 (124.0)	257.2 (221.3)	336.1 (279.7)
(vi) Other Expenditure‡	—7.0	—6.9	.9
VI. DEFICIT (—) ON CAPITAL ACCOUNT (IV—V)	—89.2	—202.2	—310.2
VII. OVERALL DEFICIT (III+VI)	—80.7	—207.2	—318.8
VIII. FINANCING OF DEFICIT:			
(i) Increase in Floating Debt	19.4	219.9	340.0
(ii) Withdrawal from Cash Balances	61.3	—12.2	—22.0

* Includes Scientific Departments, Education, Medical and Public Health, Agriculture, Rural Development, Veterinary, Co-operation, Industries & Supplies, Aviation, Broadcasting, Civil Works, Community Development Projects, National Extension Service and Local Development Works.

† Includes repayments by Burma.

‡ Commutation of Pension, capital outlay on Sterling Pensions and outlay under currency.

CURRENT STATISTICS

BANKING RETURNS

(Rs Crores)

	Latest Week†	A Week ago	A Month ago	A Year ago
Money supply with the public				
a) Note circulation	1241.99	1241.16	1217.72	1171.43
b) Rupee Coin	103.66	103.29	104.46	94.19
c) Cash on hand with the Scheduled Banks	32.06	32.00	32.95	31.96
d) Demand liabilities of Scheduled Banks (net)	580.74	571.14	572.12	515.50
e) Deposits with Reserve Bank				
i) Other Government	22.68	14.12	20.77	28.66
ii) Others	34.32	34.07	34.06	63.87

Reserve Bank

a) Foreign Securities	663.15	663.15	653.21	638.15
b) Balances held abroad	65.50	68.59	76.40	106.82
c) Rupee Securities	447.74	447.74	437.63	421.34
d) Investments	66.99	68.25	70.07	71.48
e) Loans and advances to Governments	0.91	1.20	0.79	1.11
f) Central Government's Deposits	51.87	51.74	54.03	86.06
g) Banks' Deposits	48.36	51.08	58.14	41.17

Scheduled Banks

a) Time Liabilities	371.37	370.95	368.61	331.20
b) Borrowings from Reserve Bank	9.02	10.26	6.71	19.83
of which against Usance Bills	4.97	4.92	3.14	8.26
c) Advances and Bills discounted	582.26	575.16	555.44	518.34
of which Imperial Bank's	115.52	112.82	102.93	125.32
d) Investments	354.33	355.24	352.36	320.14
of which Imperial Bank's	100.41	101.45	99.21	79.68

Cheque Clearances	134.00	137.06	108.47	123.3-
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† For Money Supply, Cheque Clearances and Reserve Bank 25-2-55. Scheduled Banks week ended 18-2-55.

Bombay Money Rates	25-2-55	18-2-55	28-1-54	26-2-54
Inter-Bank Call Rate	2 7/8	2 7/8	2 7/8	2 7/8
3 months deposits	3	3	3 1/16	3
6 months deposits	3	3	3 1/16	2 7/8

Bombay Bullion

	3-3-55	A Week Ago	A Month Ago	A Year Ago
Gold Spot (per fine tola)	92-14-0	92- 9	92- 2	89-
" Forward "	92- 3-0	92- 1	92- 1	88- 2
Silver Spot (per 100 tolas)	166- 4-0	164- 9	161- 4	163- 3
" Forward "	166- 0-0	164- 5	160- 4	163- 7

COTTON STATISTICS

MILL CONSUMPTION

(in '000 bales of 400 lbs each)

Description:	Dec '54	Nov '54	Oct '54	Sept '54	Aug '54	Sept 1954 to Dec 1954
Indian	363.4	349.0	311.3	328.0	329.4	1351.7
Foreign	59.5	62.1	55.0	60.8	62.0	237.4
of which						
American*	14.8	27.3	19.2	20.3	24.0	71.6
Egyptian	19.2	19.4	16.9	19.4	24.0	74.9
E African	22.4	19.0	16.5	17.9	14.9	75.8
Sudan†	3.0	2.3	2.0	2.6	2.8	9.9
Pakistan	—	2.8	0.1	—	—	3.6

TOTAL 422.9 411.1 421.0 388.8 391.4 1589.1

Consumption in corresponding periods

a year ago:

Indian	347.4	305.6	326.6	310.8	308.5	316.5	1290.3
Foreign	55.0	50.1	61.2	62.8	69.7	74.9	229.1

TOTAL 402.4 355.7 378.8 373.6 378.2 391.4 1519.4

* Includes both United States and Peruvian cotton.

† Includes both Sudan Egyptian and Sudan American cotton.

MILL STOCKS OF COTTON

(in '000 bales of 400 lbs each)

	Dec '54	Nov '54	Oct '54	Sept '54	Aug '54
Indian:					
1954-55	942.3	850.2	861.1	9160.1	1010.8
1953-54	778.8	701.2	733.8	884.2	1013.3
Foreign:					
1954-55	152.3	161.1	173.9	169.2	200.5
1953-54	173.5	195.1	228.9	251.1	246.2

Source: East India Cotton Association

COTTON IMPORTS

(in '000 bales of 392 lbs each)

Source:	Nov '54	Oct '54	Sept '54	Aug '54	Sept '54 to Nov '54
USA	4	7	10	13	21
East Africa*	15	27	10	13	52
Egypt and Anglo-Sudan	14	10	8	12	32
Other countries	—	—	—	—	—
Total	33	44	28	38	105

Total imports in corresponding months of the previous year:

	14	43	64	38	121
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* Includes Kenya, Tanganyika and Uganda.

COTTON EXPORTS

(in bales of 392 lbs each)

Destination:	Nov '54	Oct '54	Sept '54	Aug '54	Sept '54 to Nov '54
UK	2	1	5	1	8
Netherlands	2	—	—	—	2
USA	2	1	—	—	3
Other countries	16	12	4	7	32

Total 22 14 9 8 45

Total exports in corresponding months of the previous year:

	11	6	71	1	88
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Source: Indian Trade Journal

INDEX NUMBERS OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-group	Week ended 12-2-55	A Week Ago	A Month Ago	A Year Ago
I. Food Articles	308.5	303.4	313.6	375.7
Cereals	346	340	353	438
Pulses	242	244	240	401
Others	267	262	271	281
II. Industrial Raw Materials	443.7	428.5†	437.4	476.0
Fibres	497	473	470	466
Oilseeds	366	356†	375	530
Minerals	411	411	451*	433
Others	484	482	473	406
III. Semi-Manufactures	340.1	340.8	345.3	361.2
Leather	389	388	386	398
Mineral Oils	221	221	221	221
Vegetable Oils	398	397	412	505
Cotton Yarn	442	444	453	451
Metals	242	241	241	237
Oilcakes	285	291	301	430
Others	336	335	382	306
IV. Manufactures	378.6	376.8	375.8†	367.6
Textiles	424	421	420†	407
Jute	488	467	457	424
Cotton	411*	411*	411*	402*
Rayon & Silk	464*	464*	464*†	449*
Woollen	310	310	318	313
Metal Products	340	340	340	337
Others	284	284	284	283
V. Miscellaneous	548.6	549.6	566.9	696.1
All Commodities	364.4	359.8†	365.9†	396.6

* Estimated

† Revised

ELECTRICITY GENERATION AND DISTRIBUTION

DISTRIBUTION

(in million kwh)

	Nov 1954	Nov 1953	1953-54	1952-53
No of concerns	674	637	648	614
Electricity generated	656.4	563.1	6,876.8	6,301.4
Distribution:	534.6	455.7	5,572.7	5,134.3
Domestic consumption	63.4	58.0	689.2	618.5
Commercial light and small power	35.2	31.1	383.0	350.0
Industrial power	351.2	293.9	3,577.7	3,307.6
Public lighting	7.7	6.9	78.4	71.7
Traction	31.9	28.6	356.9	332.8
Public works and sewage pumping	22.6	20.8	247.5	233.0

Source: Central Water and Power Commission

SECOND "ALL INDIA" ESTIMATE OF RICE

	1954-55	1953-54	% change
Area ('000 acres)	68,502	71,324	-4.0
Production ('000 tons)	21,593	23,455	-7.9

Source: Ministry of Food and Agriculture

INDUSTRIAL PRODUCTION

	Units	1954										Monthly Average	
		Nov	Oct	Sept	Aug	July	June	May	Apr	1953	1952		
I Consumer Goods													
(1) Cotton Textiles	crore yds	42.1	37.9	41.2	41.6	44.1	43.2	42.7	42.6	40.65	38.3		
(2) Woollen Manufactures	lakh lbs	18.25	17.05	17.49	17.45	17.82	16.02	14.37	123.5	16.04	13.82		
(3) Matches	'000 cases	—	41.9	44.9	47.6	46.3	34.1	43.9	38.7	49.2	50.7		
(4) Sewing Machines	Nos	7,146	3,896	6,166	6,301	7,105	6,470	6,815	7,249	5,202	4,170		
(5) Vegetable Oil Products	'000 tons	19.62	17.95	15.98	14.45	16.75	19.03	23.28	22.82	15.97	15.90		
II Raw Materials or Intermediate Goods													
(1) Cement	'000 tons	367.8	372.3	361.5	342.5	365.1	352.5	373.4	359.8	315.0	294.8		
(2) Chemicals:													
(a) Sulphuric Acid	"	—	13.55	13.06	14.46	11.93	11.42	11.95	11.48	9.1	8.0		
(b) Caustic Soda	"	—	2.60	2.60	2.61	2.34	2.31	2.35	2.33	1.91	1.42		
(c) Soda Ash	"	—	4.34	3.33	3.79	3.13	2.98	4.29	4.39	4.74	3.69		
(3) Coal	lakh tons	33.2	29.2	31.7	29.6	29.7	28.8	29.8	30.4	29.9	30.2		
(4) Cotton Yarn	lakh lbs	13.50	12.30	13.10	13.20	13.60	12.80	12.90	12.90	12.55	12.08		
(5) Jute Manufactures	'000 tons	88.6	75.1	79.0	78.2	80.7	74.6	71.3	75.0	72.4	79.3		
(6) Non-ferrous Metals:													
(a) Copper	tons	630.0	635.0	605.0	606.0	623.0	560.0	615.0	630.0	410.0	506.6		
(b) Aluminium	"	465.8	498.6	56.70	514.6	433.6	234.6	315.1	378.2	313.2	297.2		
(c) Lead	"	200.0	77.5	94.5	139.0	150.0	85.0	130.0	166.5	141.2	94.3		
(d) Antimony	"	51.5	80.0	85.0	35.9	5.8	56.0	40.0	52.0	10.9	15.1		
(7) Paints and Varnishes	'000 tons	—	2.78	2.60	3.10	2.98	3.34	2.67	2.64	2.67	2.68		
(8) Paper and Paper-boards	"	—	13.96	13.00	12.80	13.25	12.71	12.70	13.79	11.64	11.46		
(9) Iron and Steel													
(a) Pig Iron	"	153.2	151.7	140.6	153.4	146.0	138.4	143.8	138.6	137.9	140.4		
(b) Steel Ingots and Castings	"	143.3	143.2	133.1	140.4	141.4	131.0	127.7	128.7	125.6	131.5		
(c) Semi-finished Steel	"	128.3	120.6	119.2	123.5	122.5	115.3	106.4	109.7	102.5	109.0		
(d) Finished Steel	"	105.0	102.5	99.3	100.4	102.9	96.9	98.2	99.1	84.8	91.9		
III Capital Goods													
(1) Machine Tools	'000 Rs	—	414.7	409.7	382.1	551.1	431.0	478.0	435.7	367.3	369.8		
(2) Diesel Engines	Nos	—	640	718	625	704	773	662	680	310	35.4		
(3) Electric Motors	'000 HP	16.5	13.8	16.0	16.0	17.6	15.2	15.3	14.3	13.6	13.1		
(4) Power Transformers	'000 KVA	35.4	28.6	39.3	35.7	39.4	29.4	32.4	26.6	25.7	17.9		
IV Transport Equipment													
(1) Bicycles	'000 Nos	—	26.97	29.78	29.72	31.55	34.91	33.07	263.0	22.01	16.41		
(2) Automobiles	Nos	—	1,276	1,377	1,293	996	755	819	836	1,160	1,274		

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Of all of Pandit Nehru's approaches, his approach to business men is the best; it illumines and resolves all disputes. Every year, at the annual meeting of the Federation of Indian Chambers of Commerce and Industry, Pandit Nehru treats his audience in the same manner. He leads them up the garden path and leaves them bewildered at the end, so that business men go back to their work having delivered themselves of their orations and Panditji also goes back satisfied that he has regained the loyalty of the private sector which, in between the two meetings, had shown disturbing signs of wavering, if not of deserting or slipping away. When it is a question of rationalisation, he gives them a harangue on ultra-modern techniques, far in advance of what the Indian industrialists know, of harnessing atomic energy to the service of industry and so on. For the present, here and now, however, there was to be no change. This year he invited them to the exhilaration of new thought but did not produce any himself, beyond the Avadi resolution. And that resolution, he left with the comforting thought, had substantially narrowed the area of disagreement. To put it more positively, Avadi has widened the area of agreement, making the public and private sectors joint partners in the great enterprise of building up the country.

The business men who had assembled had many thoughts in their minds. Shri B M Birla had drawn up a full list of the things which public enterprise could usefully do in the next few years and it was a list guaranteed to keep the public sector busy. That was not the main issue, however. For though business men had many things on their minds, what was pinching them most was the budget. It was not only of immediate concern, but if it showed the way the tax system was going to develop, it was more than a matter of passing interest. As Shri B M Birla put it pointedly, the issue was simple and straightforward. Was private enterprise to develop the country? In that case, where was it to get the resources from? Was the tax system going to be framed in such a manner that savings would be left to the people which they could risk in investment and thus expand production? Ceiling on incomes, extraction of savings through the tax system, all these meant less and less was to be left with the people for investment; and therefore, the responsibility for development had to be taken over more and more by the State. The evils of State capitalism have never lacked eloquent expositors and Shri B M Birla did not give a bad account of himself in this role.

Now this is precisely the question to which on a cursory reading of the Matthai Report one does not find a clear answer. Perhaps the Matthai Commission did not have enough facts at their disposal, on the basis of which they could offer an answer. The scope for widening and deepening the tax structure, they have nowhere clearly examined against the pool of resources available for investment; the extent of the resources that can be released through restriction on consumption and the possible extent of such restriction that can be effected by taxation are related questions to which also they do not offer a clear answer. True, the Commission describes the right tax system for the

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country as one "which would increase the resources for investment available to the public sector with as small a diminution as practicable of investment in the private sector." But what that point is cannot be ascertained without a much more precise quantitative assessment of available resources than the Commission was in a position to attempt.

Of the relative importance of the two sectors, about which so much has been said, it would be useful to remember some elementary facts. One is given by the National Income Unit. The net output of Government enterprises in the years for which national income has been computed was only 2.7 per cent of the net domestic product in 1948-49; by 1951-52 it had risen to 3.1 per cent. True, this is only the bench mark, the starting point; it says nothing about

the future scope of expansion. Consider, now, the organisation of industrial enterprises in the public sector and the possibilities of expansion. Parliamentary Government is government by amateurs at the top. This applies to ministers who need only be gentlemen with a modest fund of common sense. So far as the actual administration is concerned, the civil servants are experts and the amateurs at the top are helped and guided by these experts in their normal functions. But when the functions of the Government extend beyond that of civil administration, the principle of having an amateur at the top is extended vertically downwards. And so, whether it is steels, or fertilisers, telephone equipment or machine tools, it is the amateurs who rule the roost. Besides, not only the personnel, but the organisation is also the same well-tried

administrative one, which, however effective in its own proper place, is hardly the one to stand the test. This, by itself, puts a severe limit to expansion and the Federation can draw some legitimate comfort from the thought that the administrative framework of public enterprise is their dependable ally, whatever the people at the top might say or think. It need not seek any other ally, from sectors of foreign capital, for example, which they are now so eager to woo.

True, this is taking rather a static view of the situation. Government may yet form a managerial cadre, and given time and opportunity, the amateurs may acquire the experience and become industrialists in the same manner as traders turn industrialists, either overnight, or in a couple of generations. But no beginning has yet been made in that direction.

Built-in Stabilisers at Work

THE full text of the Economic Report of the US President, transmitted to Congress on January 20, 1955, is now available. Its analysis of the recession of 1953-54 has considerable interest for economists. This is their "latest encounter with the business cycle". Though its intensity and duration—a mild, long-drawn-out recession followed by a slow process of recovery—greatly disappointed those who profess to read omens in charts and diagrams, the latest data on the present state of the US economy, and forecasts of its short and long-term trends, may enthuse flagging spirits. The Council of Economic Advisers, who have drawn up this Report, have worked out the growth potential of the US economy up to 1965. It is a little difficult to comment on the US Economic Advisers' judgment regarding the growth trend of their economy, but their projection of the increase of the gross national product from the current annual level of \$360 to \$500 billion or more (at 1954 prices) between 1960 and 1965 is not without interest, for the coming generations will share directly and indirectly in the prosperity of that order. While emphasizing the need for resilience in Governmental policies in order to moderate fluctuations, the Council emphasizes that it is the business of Government to foster long-term economic growth and not to be concerned with imparting an immediate upward thrust

to the economy. Another point of interest in the Report is organization: the functioning of the Council of Economic Advisers as an integral part of the Federal Executive.

What exactly happened in the US economy during the period under review? The recession started about July 1953. The downward trend persisted till March 1954. During the next five months or so up to August 1954, conditions were more or less stable at the low levels of preceding March. Then recovery began, and by the end of 1954 the recovery of industrial production had made up half of the preceding decline. The points at issue are: (a) how a decline of \$24 billion in inventory and Federal expenditure (second quarter '53 to third quarter '54) caused a contraction of only \$14 billion in the gross national product with no change in the disposable personal income in spite of a sharp fall in industrial production (10 per cent) and over-all employment (4 million); (b) why the recession had no spiralling effect on the domestic economy of the US, and the non-dollar world not only stood firm, but in parts actually made an advance on preceding levels? A part of the explanation for all these developments lies, of course, in what is described as a state of confidence. The principal lesson sought to be imparted from this the latest business cycle is that governments can, if they are so minded, prevent a

recession from developing into a depression. The explanation, therefore, of the points at issue lies in the monetary and fiscal policies of the US Government. In the UK also, the budgetary and bank rate policies were given a sharp, anti-depression turn. Almost all countries (except India) reduced their Bank Rates.

The Federal Reserve System reduced its rediscount rate from 2 to 1½ per cent, and by a series of reductions in reserve requirements, accompanied by sizable open market operations, made a larger money supply available at attractive rates. Between end-1953 and end-1954, the supply of money increased by \$4.1 billion, compared to an increase of only \$1.5 billion during the preceding year. There was a net increase of over \$10 billion in the loans and investments of the commercial banking system. This expansion of commercial bank assets was accompanied by, and to a considerable extent facilitated, increased flow of funds from financial institutions into public and private construction, which largely sustained economic activity over the year.

In the purely fiscal sphere, the built-in stabilizers of Roosevelt's New Deal era were of great help. The decline in personal incomes derived from production amounted to \$4.4 billion (at an annual rate) between July 1953 and July 1954. In the meantime, unemployment insurance and other social security

payments to the public increased at the rate of \$2.2 billion. The automatic reduction of tax payments resulting from reduced incomes and the cut in tax rates effected in January 1954 added another \$3 billion to personal incomes. On the whole, therefore, personal incomes during the period of recession in fact increased—by more than a billion if the increase of \$300 million in dividend payments is taken into consideration. Corporate income declined by \$7.4 billion during the period under review, but the reduction of taxes that automatically accompanied the decline in income, coupled with the removal of the EPT, reduced the tax liability of corporations and thus offset the greater part of the reduction of corporate income. The corporations actually increased their dividend payments by \$300 million.

A point of importance, which should not be overlooked, is the fact that the increase in purchases by State Governments and local authorities offset to some extent the decline in the outlay of the Federal Government; at least in the first phase of recession. If the particularly adverse effect of the recession on labour incomes has not been sufficiently brought out, neither is it emphasised how slight and negligible has been the recovery in the levels of employment compared to the preceding decline. In fact, between March and August 1954, when the economy otherwise exhibited signs of stability, employment continued to decline. In certain sectors, mining and transportation, it worsened even in the period of recovery.

It is an interesting point for analysis that investment income increased markedly during the downswing and continued, of course, to increase during the upswing. Another point that emerges from these statistics is that the fall in employment would have been still greater but for a sizable decline in the hours of work. The year 1954 closed with an over-all level of employment at 60.7 million, exactly the same as a year ago. Nevertheless, a modest recovery in the US economy is apparent. That the Council of Economic Advisers has felt encouraged to recommend the immediate raising of the minimum wage from 75 to 90 cents an hour is itself an indication of the underlying strength of the economy.

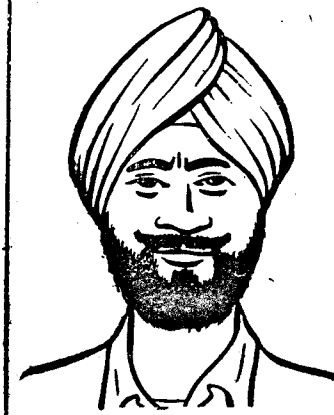
How far is economic progress

likely to be sustained? In the opinion of the Council, both the material and psychological factors are peculiarly favourable to economic progress. Industrial production has been on the upgrade. The rate of inventory liquidation has sharply abated; rebuilding of inventories in certain lines has commenced and is likely to grow. The expansion of State and local expenditure might more than offset any further decline in Federal expenditure. Home building will continue to mount for some time. New firms are being established at an increasing rate. A new national highway system is likely to push up economic activity in many directions. In the course of the current year (1955), the economic situation may therefore be expected to continue to improve; and it is reasonable to expect that the output within the coming year will approximate the goals of "maximum employment, production and purchasing power" envisaged by the Employment Act of 1946. The Council has, however, warned against continued economic recovery being jeopardised by over-emphasis on speculative activity.

As for the long-term future, the Council has laid down a programme for sustained economic progress: a policy "designed not merely to foster growth, but to foster a rate of growth that can be sustained." The Council first considers fiscal policies for economic expansion. Here, of course, it does not go beyond 'prudent finance': balancing of the cash budget to prevent possible resurgence of inflationary pressure and raising of the Federal debt limit to allow the Executive some room for manoeuvre. The second item in the long-term programme—assisting new and small business—does not really go beyond the 1953 Congress Programme for helping business concerns of small size to get adequate finance, a fair share of Government procurement contracts and competent counsel on management, production and marketing problems. The Council's emphasis on research, development work and experimentation is equally commonplace. In its recommendations for strengthening economic ties with other countries, the Council does not go beyond the recommendations of the Randall Commission "... gradual and selective revision of our tariffs through the tested method of international negotiation." It does recommend a certain strengthening of the programme of technical and

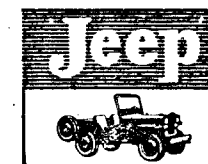
other assistance to economically under-developed countries, but the emphasis is on an expanded flow of private international investment. Here it breaks new ground by its suggestion to establish an International Finance Corporation as an affiliate of the International Bank for Reconstruction and Development.

It is in building the floor of personal and family security that the Council really makes certain very important suggestions. It recommends the extension of Federal unemployment insurance to 4.4 million employees of State and local authorities and also to firms employing less than four persons. Further, weekly benefits should be sufficiently high to provide the basic necessities. From the standpoint of the economy, benefits should be sufficient to enable the unemployed to maintain a substantial part of their customary expenditures, thereby minimizing the spread of unemployment.



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Weekly Notes

Indian Textiles and Lancashire

THE British Labour Party has been unwise in making an issue of Indian cloth exports to UK. It is not difficult to imagine their chagrin; the Tories have pulled down brick by brick the structure of the textile industry, that the Labour Government had raised. The Liverpool Cotton Exchange, an eyesore to Labour, a gambling den that employed casual labour, which they had closed down, has been functioning again. The Raw Cotton Board is gone, private profits are playing havoc with men's lives and Lancashire is no longer the leading cotton textile centre of the world. Well, the world changes and it is quite some time that Lancashire has ceased to lead; why pick on India?

The arguments for and against Indian textile imports have been threshed out over and over again, there is nothing new to add. India has not invaded the British cloth market; textile imports from India are merely replacing imports from other countries; a large part of these imports is providing employment to Lancashire in processing grey cloth, adding value to it by British labour and selling it at a much higher price. India has removed quota restrictions on imports of British textiles; the import duties are still high, but these are not specially directed against Britain, which continues to enjoy a sizable preference. Finally, there is the charge of subsidy paid by India in the shape of supplying raw cotton at prices below world parity.

With an American expert here right now investigating the market for "butter oil", studying consumer preference, keeping quality of ghee and the flavour which Indians like, it is amusing to find the President of the British Board of Trade taking up cudgels on behalf of India and pointing out that world parity itself is of American make. He also pointed out that many British exports enjoyed this kind of subsidy in the shape of concession prices for coal and steel. What is difficult to understand is how could Labour so far forget itself as to equate textile imports into Britain to British export of textiles to India? What about British engineering exports and Imperial Preference?

Better Outlook for Sugar

SUGAR has often been in the news and each time because something or other has gone wrong with the sugar industry and consumers have not been able to get sugar at a fair price. Shri Ajit Prasad Jain, as the Minister for Food and Agriculture, is now responsible for the conduct of this industry and maintaining the country's supply of sugar. It is, therefore, more than a little amusing to find the Minister say:

"The sugar industry is, moreover, one of the finest examples of regulated industries in India. The sugarcane grower has been assured a minimum economic price and the industrialist a reasonable profit, while the interests of the consumer are looked after by making sugar available to him at a reasonable price. There are sometimes conflicts of interests between the cane-grower and the mill-owner. Occasionally, the consumer complains of high rates. But, by and large, the harmony which has prevailed in the sugar industry serves as an example for other industries."

One wonders how many, even in UP, will accept the Food and Agriculture Minister's assessment of the industry.

For some time past, sugar has not been much in the news. The programme of imports which the late Janab Kidwai launched in a big way has maintained free availability of sugar, though at a fairly high price. The Government holds a whip hand on sugar prices because sugar is imported only on Government account, but does not use it for imported sugar is sold at a price much higher than the landed cost. After the budget announcement that the excise duty on sugar would be raised from Rs 3-12 per cwt to Rs 5-10, the movement of sugar prices indicated that the rise could not be passed on to consumers. The Government has come to the rescue of the sugar mills by putting up the price of imported sugar by a rupee per maund.

Of course, if the present prices are maintained, the Government forecast of 30 per cent increase in sugar production during current season may not only come true but may actually be exceeded. The forecast for sugar production this year is 13 lakh tons compared to

10 lakh tons last year. But imports are expected to be reduced by 2 lakh tons. The gulf remains.

If the level of internal consumption of sugar for the past two years continues, and it bids fair to stay, production will have to be substantially increased, the acreage under sugarcane will have to be expanded, yields stepped up as well as manufacturing capacity expanded; these are all in the second Plan, but the situation at the manufacturing end of the industry is not yet either clear or certain. High prices, restricted consumption and continued imports may be a way out, but it is certainly not the most desirable nor the best possible in the circumstances.

A Pretty Kettle of Fish!

THE case for the extension of excise duties to a wide range of articles needs no further justification than that of obtaining funds for development. But when to pure revenue considerations, restriction on consumption is added as a desirable social objective, one begins to wonder whether the principle could be extended to paper, of all things—for excise duty on paper is obviously a tax on knowledge—or to sewing machines, which gives employment of a very desirable kind to a class of persons, destitute women among others, who can claim special treatment on their own rights. Among the new excise duties proposed, those on woollen fabrics, sewing machines, electric fans and bulbs, if not dry batteries, and certainly on paper, could be hardly justified.

If revenue is the object, there is a case for excise duty at a low rate over a wide range of products; but the list selected by the Finance Minister and the rates he has chosen are not the best one could conceive for the purpose. It offends against the principle of the just sharing of burdens, that the burden on the middle class should be duplicated; and the rate is not so low that one could dismiss it as a minor impost not restrictive of consumption either in the case of paper or sewing machines. Again, if restriction of consumption is also an object—it must be an inevitable consequence, whether intended or not, when the duty is as high as 10 per cent—how could it be applied to industries which are unable to reduce costs

because demand is still so inadequate, as in the case of sewing machines?

Now the Finance Minister has also justified the extension of excise duties on the supposed ground that yield from import duties are going down with the substitution of domestically produced goods for imported goods, and that domestic industries established under the shelter of protection should now bear a greater tax burden. Now there is an obvious fallacy involved in this, but as the Finance Minister is fond of repeating this argument, what we said about it in the budget number may be worth repeating here.

In effect, the principle means that the consumers, who have borne the burden of protection accorded to an industry through high import duties, will be called upon once again to bear the burden of higher excise duties, once the industry has developed fully. Ultimately, the burden will fall on the same group of consumers who would thus be in a "Heads I win, tails you lose" position, once an industry is protected to ensure its development.

Frankness any day is better than dubious and sophisticated argumentation, and no one can quarrel with the Finance Minister's new excise duties "the collection of which is unlikely to involve any major administrative problem", except to those on whom the duty falls. Now administration can be viewed from opposite viewpoints; it means one thing to the administrator and quite another thing to the person on the other side of the counter. Paint manufacturers certainly do not agree that theirs is an industry in which the imposition of excise duty does not create any major problems.

Joint emergency sessions of the Paint Federation and the Indian Paint Manufacturers' Association, held in Calcutta nad Bombay, had this to say:

"From all sides, opinion was unanimous that Government could not possibly have fully appreciated the difficulties inherent upon the recovery of this duty, subject to the regulations and controls, under the Central Excise and Salt Act 1944, within the complicated structure of the paint industry and its outlets. Possibly only this industry has to produce such a wide and truly diverse range of products for so many different groups of consumers

(Government, industry, the bazaar and the domestic user) and incidentally, sell under three systems of measurement: by weight, and by OM and Imperial Gallon capacities. The *ad valorem* approach is not suited to this complicated marketing structure. It was agreed it will prove essential to evolve a much more workable and equitable system, based possibly on tonnage and volume. Above all, it was

essential to resolve immediately all misunderstandings and uncertainties of interpretation so that production and distribution can be resumed without delay."

Paint manufacturers' stocks have been impounded, production and distribution have entirely stopped. This much about excise duty on paint not involving any major administrative problem!

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Two Voices

ON Tuesday, Sir Anthony Eden informed the House of Commons that he was not pessimistic about the situation in the Far East. On the same day, his "opposite number" in America, Mr Dulles, warned Red China that America would not desist from the use of tactical atomic weapons in the event of any new aggression. There is a significant difference in the tone and purport of these two speeches, which emphasise the divergence of views between Britain and America on Far Eastern problems.

Sir Anthony was congratulating both Washington and Peking for exercising restraint. He noted with satisfaction that, under the restraining influence of America, Kuomintang raids on the Chinese mainland had ceased in the last few days. He praised Peking for not provoking any armed conflict in the Formosa Straits by not taking any military action against the Kuomintang-occupied offshore islands of Quemoy and Matsu. He expressed the opinion that Communist China's membership of the United Nations and the Formosa issue could be discussed in an international conference provided there was a cease fire in the Straits and the Kuomintang withdrew from the coastal islands. In an aggressive broadcast address to Americans, Mr Dulles stressed that nobody should get away with the impression that

"our (America's) love of peace means peace at any price".

From these two speeches by the British and the American Foreign Ministers, the divergences between Britain and America on the Far East emerge clearly. Britain is willing to discuss the future status of Formosa in an international conference. America seems committed to upholding the Chiang regime in Formosa and the Pescadores. Mr Dulles is ambiguous about the future of the offshore islands. Sir Anthony is emphatic that the offshore islands, including Quemoy and Matsu, should belong to Communist China. Britain is willing to make certain legitimate concessions to Red China so that there could be cease fire in the Formosa Straits. America is reluctant to concede any of Red China's claims. Washington issues a threat to Peking that if Red China does not accept America's terms, America is prepared to use the maximum force she can mobilise to force Peking to accept a dictated peace.

There is nothing new in Mr Dulles's emphatic implication that America is determined to use tactical nuclear weapons to deter aggression. For the Far Eastern region, the Theory of Two X was enunciated some time ago. It implies that minor acts of aggression should be retaliated with minor military action in areas which may in-

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clude strategic positions within the enemy country. In the event of massive aggression, America would retaliate promptly with double force and with weapons, which would include atom bombs. There has been a stiffening of America's attitude in recent months. Until recently, America had an open mind about the use of atom and hydrogen bombs in the event of war. She has now let it be known that the use of no weapons, conventional or otherwise, are to be debarred in the event of aggression.

Budget Estimates—A Correction

IN the article 'Budget Estimates—An Assessment' published last week, it was argued that a shortfall of Rs 325 crores, or over 25 per cent, in the Central Government's outlay under the first Five-Year Plan was likely. This is erroneous, since certain Loans and Grants given to State Governments—such as loans for the multi-purpose river valley schemes, loans and grants for rehabilitation, industrial housing, community projects, national extension service, local works, etc.—which are included in the 'Five-Year Plan Outlay' of the Central Government, have been left out in our calculation of development outlay by the Centre during 1954-55 and 1955-56. If allowance is made for these, shortfall will be of the order of Rs 125 crores or about 10 per cent only. The error is regretted.

THE ECONOMIC WEEKLY

Letters to the Editor

German Recovery and the German Worker

A Reply

I REFER to the letter of Mr Freddie A Mehta appearing in the issue of February 26, concerning my review of the West German economy in your Independence Number. Insofar as I am able to understand Mr Mehta's letter, three points appear to be made about my treatment of the subject: (a) that I committed a "howling error", (b) that my assertion about the West German recovery being based on the free market economy as being a myth is unproven; and (c) that my argument about living standards of the German workers having deteriorated is false. I shall briefly consider each in turn.

With regard to the first, Mr Mehta does not refer concretely to anything in my despatch which by any stretch of imagination could be considered as a "howling error". I have re-read the despatch but fail to detect anything there which could conceivably fall within the category of howlers. Maybe Mr Mehta had in mind the points (b) and (c) above when he used this term—if this is so, then I suggest that he takes some care before employing such irrelevant and unbecoming phrases as this. This is not the only case where such phrases are used, but more about this later.

Next, Mr Mehta suggests that I have not proved my assertion that the free-market basis for W Germany's recovery is a myth, except in the "trivial sense" of state-aid for exports. Mr Mehta being the "keen student" that he is could have read my despatch with more care—had he done so he would have seen the explicit treatment given to the re-emergence of German industrial trusts, the tendency towards concentration of banking activity and the complete breakdown of the Allied "decartelisation" policy in the past year. I have referred in some detail to the dominating position of the Guetch-offmertschnette and more particularly the Mannesman combines in the steel and coal industry. I could have gone further by showing the extent to which price-fixing arrangements have made nonsense of any talk of "free market prices" in the West German heavy industry. And yet Mr Mehta conceives my assertion as being unproven.

He goes further to suggest that the state aid given to German exports is "trivial". While I do not want to make charges with the same abandon and flourish as he does, I do get the unfortunate impression that he is ignorant of what has been going on in W Germany. To show how far from trivial the matter of state-aided exports are, I could quickly refer to the matter of tax concessions that operated in favour of exporters. Up to 1954 German exporters were allowed various allowances on their taxable income in respect of their export turnover; these allowances amounted to about 4.5 per cent reduction in actual tax paid by exporters and this allowance applied to about 60 per cent of German exports. The combined marginal effect of remissions, refunds, deductions and tax-free reserves could be as high as 9½ to 10 per cent of home market prices thus placing the German exporter in a more competitive position. The Federal German Finance Minister estimated the loss of revenue from these allowances to amount to DM 460 million or about 4 per cent of German finished goods exports. The British Government did not consider these export subsidies to be "trivial"—they complained, and most bitterly so, to the International Monetary Fund and as a result of these British pressures, German export subsidies were withdrawn as from January 1955.

With regard to the importance of export-credits as a form of state aid to German exporters, I have written lengthily in various past despatches on how these types of credits enable German exporters to take up large long-term contracts and thus win back for Germany many markets. These are not "trivial" matters—they show how far the State has been able to intervene in economic fields, despite all the talk of the "free-market economy".

The last point of Mr Mehta's is a more substantial one. I admit that I have provided no data to support the contention that there has been a deterioration in the living standard of the German worker. This contention, for what it is worth, is largely founded on personal observation arising from my periodic visits to Germany. But more than that I would prefer Mr Mehta to take a more serious look at my despatch, especially

the section under the sub-title "Financing of Investment". I show there that the level of German civilian consumption is low compared to other Western countries. Further, I examine productivity-wage rate data from published sources and show that between 1952 and 1954 (August) productivity per working day rose by 9 per cent (which takes into account the absorption of refugee labour), while wage rates for all operatives rose by only 1 per cent. Compared with the rise in productivity, the figures show that the standard of living of workers has remained about stationary.

Mr Mehta pleads that he does not want to be "malicious". I do, however, think that employing such phrases as "coffee-house discussion", "unguarded", "consulting relevant authorities before committing himself to paper" do reveal a malicious intent which, to say the least, is most unbecoming and unnecessary. This is all the more so when his contentions can be so easily exposed.

Your Correspondent.

London,
March 4, 1955.

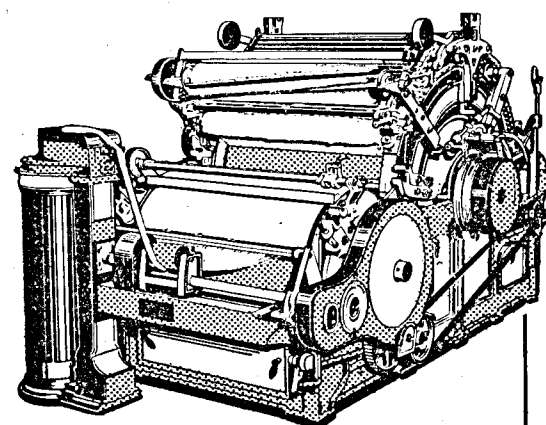
Imperial Bank
Compensation

MY attention has been drawn to a factual error in my article 'Imperial Bank Compensation' which appeared in your last week's issue. When the Air Companies were nationalised, the principle of compensation adopted was the book value of assets and not the market value. I regret the error. The argument, however, is not at all affected thereby and I still maintain the stand taken in the article.

Shashikant V Shah

58, Bora Bazar,
Fort, Bombay.
March 1, 1955.

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Gospel According to Deshmukh

AFTER the high expectations about the budget, the reaction produced by the actual performance in the capital is one of bathos. With Chambers of Commerce, from all over the country, showering bouquets on the Finance Minister and the stock exchanges responding bouncingly to the expected shower of Rs 320 crores and a bonus (development rebate) of 25 per cent to all engaged in the socially necessary task of industrial reconstruction and development, Shri Chintaman Deshmukh has been at pains to evaluate for his 'colleagues' of the Congress the unknown quantity of socialism in his budget equations. After all, these politicians are not seasoned in the art of political economy. Shri Chintaman was able to convince them that his budget would prove a great leveller and not many more than a hundred persons out of a population of 370 million would be having a net (of tax) income of a lakh of rupees. As the budget proposals have made a beginning with rates of income tax; and a ceiling on incomes and surcharge-cum-deposit schemes are in the offing, we must be on the way to a socialist paradise. Some others like Dean Swift may find it a little difficult to understand economists, for in their arithmetic two and two, instead of making four, might well make zero! In any case, we have now a socialist state in the making with a socialist Prime Minister and a would-be socialist Finance Minister. "No doubt, the Finance Minister would gradually go that way (the socialist way) as he should"; so said the Prime Minister at the Federation meeting on Saturday last.

FEDERATION ANNUAL SESSION

The annual session of the Federation of Indian Chambers of Commerce and Industry reminded me of the old days when the Viceroy used to address the Associated Chambers of Commerce at Calcutta. The scene has now shifted to New Delhi and the Prime Minister, as representative of a sovereign people, has taken the place of the Viceroy. Of course, there are quite a number of other differences too. In place of the awe and grandeur of the old days, there is now "a lot of talk-

ing." After all, this is a people's democracy with a close liaison between business and Governments, determined to build up the economy by co-operative effort! This is the impression one got at the meeting of the Federation last week. Shri B M Birla spoke well. After all, just as Government has its economists, so has business. Both can and do hire hacks to write fine essays for them. Here are a few gems from Shri Birla's speech, "We do not seek political power. Our passion is not wealth. We want to carry on our business to the best of our ability. Ours is not an esoteric circle, not a closed caucus. . . . It is through our initiative and enterprise that the material well-being of the people has been progressively improving." The shades of Marx! After all this, can one help remarking that the best propagandists of the Communist Party in this country are the Ministry of Finance and the Chambers of Commerce!

EMBASSIES AS AGENCIES OF BIG BUSINESS

Shri B M Birla suggested to the Prime Minister that our Embassies abroad should become agents of Big Business and in this connection, highly commended the services of an old comrade of the business line, Shri G L Mehta, who represents this country in the United States. I think the logic of it is that the Prime Minister, instead of relying for personnel on the civil service, should invite suitable nominations from the Chambers of Commerce. I am not exaggerating. Shri Birla did say so very plainly, "If some of our other embassies have business men associated with them, it will considerably help our industrial expansion." We must make the best use of business talent—one of our scarce resources—and give it incentives in the private as well as in the public sector. The people—the people need no incentives. They must work hard and produce. . . . There is, however, one point in Shri Birla's speech which deserves thinking over. He advocated "a new approach to consumption in contrast to the premium on austerity as in the past." This is almost Keynesian. Circumstances may well arise when savings, instead of helping capital formation, may well

have a contrary effect. But that is yet to be. In any case, Shri Deshmukh's deficit financing will take care of such a situation.

THE NEED FOR SPEED

The Prime Minister spoke—and spoke well. Once for a change, he did not get angry. He did not shout at private enterprise, nor express his disgust at cocktail parties, as he did on the last occasion. He was full of Avadi and Socialism and the need for speed: ". . . The devil is behind us and we have to progress rapidly. It is not a question of some people or a few individuals progressing, but 360 million (we are really 370 and shall soon be 400 million) people progressing and our taking them along. . . ." This was all very nice to hear. Business men, in their heart of hearts, take a cynical view of it. They have come to believe that if the Prime Minister is allowed (?) to talk freely and they all shout for socialism—and discover it in the Budget speech and its deficit financing and its excise duties—they will be able to eat the cake and have it too. Andhra has buried Avadi in any case. Didn't Harold Stassen congratulate us on our success in Andhra? If our performances keep to this pattern, he will recommend us to Ike and Dulles; for soon after leaving Delhi, he said at Karachi that though Pakistan had a high priority with his FOA and the State Department, we were among the friendly countries!

CONGRESS HIGH COMMAND

Almost simultaneously with the Federation, the Congress Working Committee met at Pandit Nehru's house. To the discerning eye, there was much in common between the meetings of the Federation and the Congress Working Committee. At both, there was talk of 'Avadi Socialism', the Taxation Enquiry Commission's suggestion of a ceiling on incomes, etc. Quite frankly, these gentlemen of the Congress (including Deshmukh) and Business have been quite frightened by the suggestion of a ceiling on incomes and a surcharge-cum-compulsory deposit scheme, which would not leave any one of them more than Rs 25,000 for personal consumption.

They had never suspected Dr John Matthai and Deshmukh of such radicalism. So the Congress Working Committee debated the proposition and it was talked out.

INDUSTRIAL TRUCE FORGOTTEN

There was Shri Tripathi's Avadi Resolution limiting private incomes to the Prime Minister's salary, even with regard to firms which did not pay a living wage. It has been forgotten that more than seven years ago, in December 1947, Government and employers solemnly pledged themselves to, and signed, what is called the Industrial Truce Resolution—that if labour kept the peace, they would push through legislation and machinery for the establishment of a fair wage. Labour has kept the peace; man days lost through industrial disputes have gone down from 12 to 3 million; but fair wage legislation has not materialised. So business has really nothing to bother about either the proposed ceiling on incomes or the living wage. The Congress now desires to purify itself, and that is what mainly concerned the Congress Working Committee at its last meeting. This reminds me of what Dr Trone, the great planner who was invited by the Prime Minister to study our economy, said when he came here. Obviously the words were addressed to the Prime Minister himself: "If you cannot organise the country, others will." Fortunately the Prime Minister—and he alone—is conscious of the immediate necessity for change. To quote again from his Federation speech, ". . . We must move in that direction and move fast. The people cannot wait long."

ACTRESS'S LAMENT

These are obviously serious matters. Delhi had also its light moments. The Film Seminar closed with Nargis complaining that with 18 hours a day, the actresses were the hardest worked. Jehovah's witnesses had a four-day conference here and they have promised us a world society within this generation. Debonair Eden and his charming wife—so the Prime Minister called her at the State banquet at Rashtrapati Bhavan—have come and gone, leaving behind a trail of sweet diplomacy. As Sir Anthony flew from Bangkok to London, we heard four voices—one from Bangkok, another at New Delhi, a third from the Middle East and the fourth from the Mother of Parliaments in London. Not without justification, Sir

TO THE 'SLAUGHTER HOUSE'

Political life at New Delhi might next week take on a somewhat serious tinge, for the Lok Sabha is going to begin discussion on the Constitution (Fourth Amendment Bill) on March 14—the first step to socialism—and a whip has gone round that all members of the Congress Party must be present throughout the debate. The poor sheep are being driven—slowly, of course—to their slaughter. This brings us back to the Federation meeting, for the Federation has opposed the proposed amendments to Article 31-A of the Constitution and also proclaimed that the Matthai Commission recommendations run counter to the evolution of a tax structure which will help capital formation and development of productive enterprise. This is surprising—has any one of them read the Report, assuming that they can?—for these have in fact been the paramount considerations with the Commission, which has given them a priority even over equity. If the masters are not so learned, is it not the duty of their clerks to read out things to them?

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Colonial Currency Issues

THE Colonial Office has now authorised the various Colonial Currency Boards to apply for permission to vary the cover for issues of Colonial Currency. This change, by no means revolutionary, is the result of a considerable amount of discussion that has been taking place about the true meaning and implications of Colonial-held sterling balances. Between 1950 and 1954, these Colonial-held balances rose from £735 millions to £1,189 millions. Various prominent commentators, and among them Professor Arthur Lewis, have conceived of these balances as being in the nature of forced loans to Britain.

The contemplated changes can best be explained against the existing system of Colonial Currency issues. The system in the various colonies is by no means uniform. But in one way or another, Currency Boards have been set up in the territories or in London for particular territories. In Hong Kong, however, a complex of Government departments and local commercial banks operates as if it were a formal Currency Board. In certain areas it has been found convenient to group some territories together for currency purposes. The East African Board operating in London covers Kenya, Tanganyika and Uganda.

The issues of all local boards are linked with sterling under the Colonial Sterling Exchange Standard. The rates of exchange between a Colonial currency and sterling and the right of converting one into the other are determined largely by law. The local Currency Boards are therefore merely automatic money-changers: they issue legal tender locally on demand against deposits of sterling in London, they hold this sterling in cash or sterling securities and they pay it out again on demand against local coin or notes paid in. They have no discretion in the matter. Constitutionally the rate of exchange is fixed in London by the Central authorities. The quantity of money can be increased only by depositing an equivalent increase in sterling in London; it can be decreased only by an equivalent redemption in sterling in London. The Colonial authorities have no independent monetary policy. And as the legal tender basis is fixed in

this way, it also follows that strictly, the local banks can have no independent credit policy. This is particularly true where local production is on a full cash basis, but it is more qualified where the banks themselves have engaged in local investment. The Colonial inhabitants usually have little opportunity to increase the velocity of circulation in view of the character of their economies.

From this it is clear that changes in the quantity of money and credit in the Colonies are fundamentally a function of the balance of payments. An export and payments surplus increases in equivalent measure the local quantity of money and *vice versa*.

The reserves of the Currency Board are therefore nothing less than the sterling balances standing in their name and in each case these reserves are equal to the actual value of the legal tender issued locally. In fact some Currency Boards aim at holding assets equal to about 110 per cent of their liabilities. In the case of the West African Board, reserves have varied between 108 and 116 per cent of currency liability. In general, a cover of 100 per cent is a statutory minimum. These reserves are required by law to be maintained in sterling or in certain sterling securities *except the securities of the Colony itself*.

The essential argument against this system is that the local inhabitants of the Colonies, to obtain currency, are compelled to invest abroad a part of their export receipts, accepting in return paper (or coin) titles which circulate as local currency. The local producers whose output is exported become holders of additional currency. So long as they continue to hold it, it is they who are financing the currency expansion. The income from exports constitutes a claim on imports. While currency is held in circulation that claim is not enforced and thus the holders of the currency are in effect lending abroad in sterling.

The fact that the Currency Boards are allowed to invest their assets in the UK and other sterling securities only, and not in their domestic securities, show, further, that the Colonial sterling balances are employed to a greater degree towards the financing of long-term economic development programmes

in Britain itself. Over 90 per cent of the investments of the Currency Boards are in UK securities—the issue of which are concerned with the raising of investment funds for the United Kingdom itself.

These unassailable arguments have raised the eyebrows of many who in a tolerant kind of a way considered Britain's Colonial economic policy to be liberal and well-meaning. Now come the new proposals of the Colonial Office. Their origin goes back to the 1947 Southern Rhodesian Currency Board arrangements. The Government of S Rhodesia—a "self-governing Colonial Administration", demanded that the currency issue authority covering its territory should possess powers to use its reserves for the development of the territory. It was therefore decided to grant powers to the S Rhodesian Currency Board (whose activities were to cover N Rhodesia and Nyasaland as well—the current central African Federation) to invest up to 10 per cent, 7 per cent and 3 per cent of its reserves in the local stocks of the governments of S Rhodesia, N Rhodesia and Nyasaland respectively.

The new proposals of the Colonial office are to extend these Rhodesian arrangements to other colonies as well. The Colonial Secretary has now informed various Colonial Governments that he would be agreeable, "in principle and subject to review of the individual circumstances of each territory" to the transfer of a "small part" of their currency funds from sterling investments into locally issued securities.

The most noteworthy feature about this proposal is its inauguration of a "small" fiduciary issue of currency in the Colonies. Maybe such a small issue will stimulate local money markets and the self-financing of some economic development. Many will now say that the proposal suggests a welcome change in Colonial policy. The changes however do not go to the heart of the problem, *ie*, the compulsion on Currency Boards to maintain the larger part of their assets in London and their being made impotent to adjust monetary circulation to offset the sufferings that come from the frequent fluctuation of incomes of primary producers in the Colonial territories.

Unemployment and Refugees

BOMBAY is bountiful. But Calcutta resents its reputation as a cosmopolitan city. Gujratis and Maharashtrians are Bombay's major inhabitants. Since partition, many Sindhis have migrated to Bombay. There are Parsis. And, of course, there are the Iranis and Irani restaurants. There are Goans who speak Konkani. Bombay may be cosmopolitan in the sense that it is, or rather was, until the linguistic controversy started, nobody's city. But it is not a multi-racial city in the sense in which Calcutta is, and always has been.

Bengalis regard Calcutta to be their city. There is a considerable Marwari population in the city. There are many Marwaris who regard Calcutta as their home town. Peshawaris seem to be doing well in this city. They are money-lenders. They always travel first class in trains. There are populous Chinese districts. Calcutta's Chinatown is divided in its loyalties. Some are pro-Chiang. Some are pro-Peking. They, allegedly, have feuds occasionally. Both the groups have their newspapers.

MULTI-RACIAL CITY

Calcutta's Anglo-Indian community is large. It has lost its privileges, but not its aggressiveness. Its female population earns livelihood as stenographers, telephone operators or office secretaries. But these professions are no longer the exclusive preserves of the female Anglo-Indian population. What the male Anglo-Indian population does for a living is anybody's guess. A casual observer would not be wrong if he presumes that frequenting cinema houses is its major occupation. There is an influential Armenian community. Where Thackeray was born, there is now an Armenian college. Some of them are hoteliers. All of them seem to be rich. They also seem to be a sport-proud people.

Calcutta may be a multi-racial city. But Bengalis behave as if the city belongs to them. They don't mind if the Armenians maintain a church or a college. They don't bother if the Chinese population treat the Chinatown as their extra-territorial jurisdiction. They want to monopolise West Bengal's politics. Except the newspaper business, they don't own industry. They are content to remain as journalists, clerks, lawyers, professors and doctors. Marwaris are not interested in the professions in which Bengalis specialise. They are

industrialists, traders or speculators.

Recently, Marwaris have made attempts to enter West Bengal's politics. Dr B C Roy has two Marwari colleagues in his Cabinet. There are some Marwari members of the West Bengal State Assembly. There is antagonism between Bengalis and Marwaris. As there is no clash of occupational interests, it is difficult to know why there should be mutual hostility between Marwaris and Bengalis. It should be possible for these two communities to co-operate with each other to their mutual advantage.

UNEMPLOYMENT CURE

That is what Shri Murarka, a Marwari Congress member of the West Bengal Assembly, thinks. He joined the Assembly debate on the budget to express his views on unemployment in this State. This was the main issue discussed during the budget debate. Everybody agreed that the problem was assuming alarming proportions. Dr B C Roy had elaborated a 1,400-crore second Five-Year Plan in his budget to solve unemployment. All the Opposition members were agreed that the budget plan was not feasible.

It was at the intermediate stage of the budget debate that Shri Murarka rose in the Assembly to prescribe his recipe for unemployment. It was simple. He agreed that all the business undertakings in this State should be compelled to employ Bengalis only. West Bengal's manual, unskilled labour force will always have a considerable non-Bengali population. But Shri Murarka argued that his prescription will cure educated middle class unemployment. This is the main problem in West Bengal. Shri Murarka's plan will, of course, not solve the problem.

But the incident that happened as Shri Murarka ended his speech in the Assembly was, and is, symbolic. Immediately after Shri Murarka concluded his speech, many prominent members from all the Assembly parties congratulated him, a Marwari, for saying what he had said. It may sound parochial for a Bengali to say that employment in this State should be an exclusive monopoly of Bengalis. But when a Marwari says it, one realises the miserable state of affairs in this State. There is no other State in this country which employs as many people who do not belong to the State as West Bengal does. And yet, West Bengal is

widely condemned for its parochial outlook!

There has been a revived inflow of East Bengal Hindus since October last. There are many reasons for this resumed exodus. But one of the reasons reflects this dismal episode in all its poignant aspects. Scheduled caste Hindus are in a majority among those who have been migrating to Calcutta since October. They are coming because, in July last, the authorities here had issued a circular that those who did not come to West Bengal before December 31, 1954, would not be regarded as refugees.

Scheduled caste Hindus were wooed by the Muslim League in pre-partition days. But they seem to have been abandoned by the ruling party in Pakistan since partition. It has been suggested that they are coming to Calcutta because of the false impression that each refugee will receive Rs 820 to Rs 3,500 from the rehabilitation authorities. Despite efforts by the Indian Commission in Eastern Pakistan, such false reports seem to have gained wide currency. This pecuniary consideration may have aggravated the recent inflow of refugees.

DISMAL STORY

But there are other aspects to this resumed exodus. Scheduled caste Hindus are a virile community. They are of the earth, earthy. They may have grievances against caste Hindus. But they belong as much to the soil of East Bengal as caste Hindus. Even during the Great Exodus, they did not leave their homes. Let officials stress the monetary motives behind their present exodus to Calcutta. But those who know them know they are trekking to West Bengal so that they do not lose the last opportunity to call themselves, and be known as, Indians.

And why emphasise the pecuniary motives behind the exodus? Only wooden-headed officials will fail to appreciate their simple and sincere faith in the humanity of the people of India. Their lot is harder than those of middle class caste Hindus who are still in East Bengal. Discriminatory practices are affecting all sections of the Hindu population of East Bengal. Can the poorer scheduled caste Hindus be blamed for trying to find out if they can settle in India? How could anybody be so perverse and cruel as to distort their simple, inherent belief that they have the right to shelter and rehabilitate in India?

Probable Size of the Next Five-Year Plan

(Contributed)

IT is proposed in this article to estimate the probable size of the second five-year plan on the basis of the performance of the Indian Economy during the first five-year plan period.

From available statistics it appears that the national income has increased during the second and the third year of the plan at an average annual rate of 2.5 per cent. It is assumed here that this rate would be maintained during the last two years of the Plan. In Table I, we have calculated the national income on this assumption for the Plan period.

From the third progress report of the Planning Commission, we get the statistics regarding public investment and private investment in the organised industrial sector for the first three years of the Plan. On the basis of the past performance, we assume that public investment would not exceed Rs 450 crores during the fourth year and Rs 600 crores during the fifth year. Regarding private investment in the organised industrial sector, we assume that in each of the last two years of the Plan it would be of the order of Rs 68 crores and thus would reach the target of Rs 233 crores at the end of the Plan period.

No statistics are available regarding private investment in agriculture, unorganised industrial sector, residential construction, trade, etc. However, substantial investment seems to have taken place in agriculture and residential construction. We assume that this investment has been of the order of Rs 100 crores each year during the first three years of the Plan and that it would continue at the same rate during the last two years.

On these assumptions, the investment-income ratio, as would be seen from Table I, would increase from 4.2 per cent in 1951-52 to 7.7 per cent in 1955-56, giving an average ratio of 5.6 per cent for the five years and 5.9 per cent for the last four years of the Plan. The average ratio of external assistance to national income has been a little less than 0.5 per cent during the first three years of the Plan.

The average investment-income ratio of 5.9 per cent and the 2.5 per

cent average annual rate of increase of income during the period 1952-56 would give us a capital-output ratio of about 2.3.

ASSUMPTIONS REGARDING THE SECOND PLAN

It seems perfectly safe to assume that the investment-income ratio could be raised from 8 per cent in 1956-57 to 12 per cent in 1960-61. This would give us an average ratio of 10 per cent during the five-year period. The average capital output ratio would tend to be greater than 2 as about 30 to 40 per cent of the total investment during the second five-year plan would be in industries, and a large part of it in heavy industries. However, in view of sizeable unused capacity in large number of industries and the probable significant rise in agricultural production as a result of the completion of big irrigation schemes by the end of 1955-56, it seems reasonable to assume that this ratio would not be greater than 2 during the second five-year plan period.

PROBABLE SIZE OF THE SECOND PLAN

On these assumptions, national

income would increase at an average annual rate of 5 per cent during 1956-57 to 1960-61 and total investment would be of the order of Rs 5,800 crores (Table II). On a very conservative estimate, the external resources left over after the completion of the first five-year plan would be of the order of Rs 300 crores. Hence we could easily have a total investment programme of more than Rs 6,000 crores during the second five-year plan period.

If we take account of the depreciation allowances accumulating in the economy during this period, a part of which could safely be used for investment purposes, this magnitude could be further increased by a few hundred crores of rupees. Moreover, income might increase at more than expected rate as a result of the completion of big irrigation and other schemes and the unused capacity in a large number of industries. This more than expected increase in real income would tend to bring down prices. Deficit financing could safely be resorted to in these circumstances, thus raising the

(Continued on page 354)

Table I

(Rs crores)

Year	(1) National Income	(2) Public Investment	(3) Private Investment in the organised industrial sector	(4) Other Private Investment	(5) Total Investment (2) + (3) + (4)	(6) 5 as % of (1)
1951-52	9,000	260	26	100	386	4.2
1952-53	9,225	269	26	100	395	4.2
1953-54	9,456	355	44	100	499	5.2
1954-55	9,692	450	68	100	618	6.1
1955-56	9,934	600	68	100	768	7.7
Total for 1951-56	47,301	1,934	233	500	2,666	5.6
Total for 1952-56	38,307	1,674	207	400	2,280	5.9

Table II

Year	Income	Investment-Income Ratio	Investment
1956-57	10,500	10	1,050
1957-58	11,025	10	1,102
1958-59	11,576	10	1,157
1959-60	12,155	10	1,215
1960-61	12,763	10	1,276
Total	58,019		5,800
External resources left over after 1955-56			300
Total investment outlay			6,100

Europe Between the Wars

A Study in Economic Change

Hannan Ezekiel

IF economic history is to serve any purpose, it must not be merely a narration of a sequence of events in time but must attempt to analyse the inter-relationships between these events, to establish causal connections and to study their significance for subsequent developments in the same and related fields. On the one hand, therefore, economic history must be a study in the application of economic theory to concrete events and on the other, in the induction of principles from their complex interrelationships. How far such a study can yield results of wider significance depends naturally upon the region, sector or period covered, but in some cases, in spite of the limited applicability of the conclusions, the study might be highly valuable because of the techniques employed and the masterful analysis contained in it.

The study of inter-war Europe carried out by Prof Ingvar Svennilson under the auspices of the Economic Commission for Europe represents the best elements in genuine economic history.* 1914 marked a turning point in the development of the economy of Europe if not of the world. The rapid expansion of the previous decades had been followed by a period of slow growth or contraction. The impact of the war and the political and economic changes resulting from it had contributed to this in no small measure. The checks to long-term progress exercised by the war formed only part of the factors operating in that direction, but "it is evident that the consequences of the loss in momentum may very well have exceeded the more direct effects of the war".

Prof Svennilson covers a wide canvas. With broad sweeps of his brush, he traces the economic changes that occurred in the European economy during this critical period

in its history and analyses the factors governing them in the perspective of long-term economic development. At the same time, principles governing economic change are derived from the course of events and an attempt is made to contribute something to the theory of development, particularly by attempting a synthesis of the theory of the trade cycle and that of long-term growth. The period studied is one of intermediate length, a highly complicated period illustrating vividly the problems that arise in a discussion of this type.

The volume opens with a theoretical outline of "The Process of Economic Growth". Here are presented the elements of that theory, in the light of which the significance of the developments studied later may be grasped. The contributions to the theory of growth by the author are also presented in this chapter though no attempt is made to demarcate the one from the other.

At the outset, the separation of cyclical variation and long-term changes by mechanical statistical devices is rejected as contrary to the approach to the problem. The study proceeds on the assumption that an increase in the capacity of an economy to produce appears in boom periods and is based on a comparison of successive boom periods. Recognising the influence of national frontiers and industrial sectors, special attention has been paid to the study of individual industries and also "to the timing of industrial development in various countries, and in this connection to the spread of new technology from one country to another".

In the preliminary analysis of the theory of economic development, Prof Svennilson starts from Cassel's "uniformly progressive state", covers the Malthus model as one form and the Marshallian expanding economy as the other form which this theory takes under different assumptions; all three are equally valid in different circumstances. When the level of investment is introduced into these

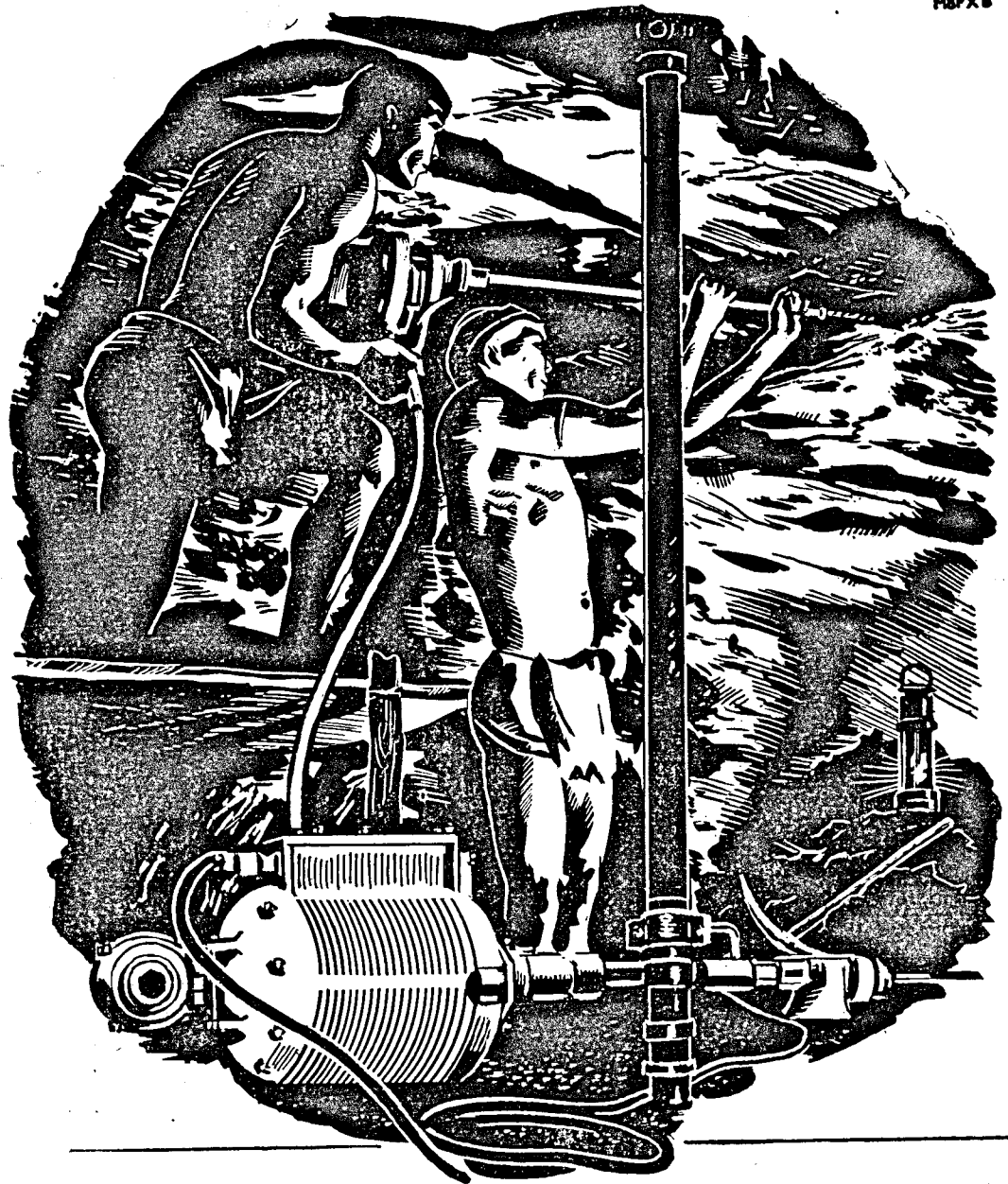
models, its complex interrelationships with the level of output have to be taken into consideration. But output, labour and capital equipment cannot be treated as homogeneous totals, particularly when there is technological change, and therefore simultaneous expansion and contraction of different industries may take place so that "even in an economy without an increasing total there may be a large derived demand for capital goods".

It is at this stage in the analysis that Prof Svennilson presents a theory of long-term growth on lines similar to Schumpeter's business cycle theory. Transformation occupies a significant place in it and it is studied within a framework of varying width—of individual industries, of local areas, of countries, of the world economy. Prof Svennilson insists that the relationship between transformation and economic growth is one of mutual interdependence. Investment, employment, output, growth, transformation—these are the principal elements in his theory. Other variables "may also be included in the theory and some factors may have to be regarded as external in relation to the closed system of causal relations." Schumpeter's innovations form a part of this transformation process but have a less important place than Schumpeter himself has given to it.

Changes in relative costs and prices constitute one set of factors influencing transformation, but growth factors may themselves react on it. Thus, "the modernization of capital equipment and of the whole structure of an industry will proceed more rapidly, if the industry is expanding." In view of the significant position given in this theory to the process of transformation, these and other factors influencing it are examined in some detail. The influence of the resistance to transformation offered by old capital is also considered. Since modernisation proceeds rapidly in an expanding industry through the installation of modern equipment in the new or expanding units, "the efficiency of an industry increases

* *Growth and Stagnation in the European Economy*. By Ingvar Svennilson. Economic Commission for Europe, Geneva. Pages 342. Price 32s 6d. Available from Oxford Book and Stationery Co, Scindia House, New Delhi.

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according to the rapidity of its expansion". If a period of rapid expansion is followed by one of stagnation, physical stagnation would be accompanied by a deterioration of the financial position of the industry concerned. In an economy with slow long-term growth, there is a comparatively large number of stagnating industries which lag behind in modernization and efficiency, tend to store up labour, which could have otherwise been transferred to other growing industries and thus hold back the transformation of the economy as a whole as well as general economic growth.

A slow growth of population will be accompanied, for any given growth in national output, by a greater dispersal in industrial rates of growth. The emphasis will be on a rise in individual incomes and differences in income elasticities for various products will hit a certain number of stagnating industries severely. The strong resistance to transformation in these industries may make them depressed industries, thus slowing down the economic growth of the country.

The chapter also examines the relation of long-term growth to business cycles and the interrelations between national rates of growth. In this connection, attention is drawn to the cumulative character of the movement in any particular direction, the various forces acting and reacting upon each other. Through the forces of international competition, a country with stagnating industries will ultimately find itself facing a slowing-down in the rate of growth. This may continue for long periods. But in compensation to this, there will be the possibility of transferring knowledge and ideas which will assist underdeveloped countries to jump intermediate stages and avoid the competition between old and new capital.

It is in the light of this well-developed theory of growth and stagnation that the problems of inter-war Europe are studied. In 1913, Europe had gone through several decades of rapid expansion, but industries were concentrated in a few countries of north-western Europe, the three leading ones being the United Kingdom, Germany and France. With half the population, these countries accounted for more than seven-tenths of Europe's industry. The predominance of coal in

this region, when coal was the major source of energy, explained this development. Agriculture, however, still occupied more than two-fifths of the European population.

The three major countries were highly self-sufficient in industrial products and traded relatively little with one another, but together they occupied a dominating position in the world market for manufactured articles. They dominated intra-European trade also, and the smaller national centres of industry, each highly specialised, were dependent on the three big powers and on each other for their supplies of industrial products. Their imports from overseas were financed mainly by their exports to these three powers and particularly to the United Kingdom. They also depended on these countries for their supply of capital. The organisation of industries was, therefore, oriented in all these countries, as well as the big powers, to the export markets: that is why textiles were so important. Capital goods industries were also highly important.

The first World War profoundly upset the balance of this system. It came as a heavy external shock which brought about a number of significant political and economic changes. The consequences of the loss in momentum may very well have exceeded the more direct effects of the war. The dislocation in the distribution of resources between different industries which appeared in agriculture, shipping and the steel industry released cyclical processes whose effects can be traced throughout the period.

Applying the theoretical principles developed earlier, the study classifies into three groups the changes that called for a transformation of the European economy:

First, the revolutionary character of technological changes that had been proceeding since the turn of the century and had been accelerated during the war called for a second revolution in the organisation of agriculture, industry, distribution and the economic system as a whole.

Second, the relationship of Europe with the rest of the world had altered drastically and the world overseas was becoming more independent of Europe as a source of supply of manufactures and especially of some traditional types of export products. This change in

the international setting of the European economy could be seen in a stagnation in the volume of world trade, a change in the commodity composition of this trade and an increase in the competition from overseas industrial powers. All these were in marked contrast to the trends in operation during the preceding decades.

Third, the centre of population growth shifted to the east and south of Europe. The countries in these regions being under-developed, "could not be expected to supply from their own resources the capital needed for their industrialization without great hardship to the consumer". With declining emigration, "the problem arose of combining capital and technical skill from the more developed parts of Europe with man-power from the less developed European countries". This problem was, therefore, of a regional character, complicated by the need for adjustment to new national frontiers. It was in the east, where population growth was now most rapid, that the greatest territorial changes had taken place. These new national frontiers meant that natural resources such as coal, oil and hydro-power were split up in a new way amongst a large number of countries. Also "complementary industries, which had arisen as integrated parts of large economies, had now to be adjusted to a new and narrower national framework".

The report considers that the "long-term trends in this period can be regarded as largely determined on the one hand by adjustments which were a result of these changes, and on the other by the obstacles to a rapid and complete adjustment to the new conditions of economic growth".

That the obstacles were not in fact overcome in many cases is quite evident. The resistance of old capital to modernisation, the influence of reduced rate of growth on the establishment of the new industries necessitated by the new pattern of world trade, and in particular the difficulties of the textile industries,—all hampered the process of transformation. The failure to bring about a rapid transformation "must evidently have tended to reinforce the stagnation tendencies in European production". But this, in turn, tended to reinforce factors that caused further stagnation. Thus the author finds "a closed circle of causal relations leading from European stagnation *via* the volume of

demand for primary goods, their terms of trade, the industrialization of less-developed countries and the demand for various types of manufactures back to the rate of growth of European economy".

The existence of a "dollar" problem was hidden in this situation. It took the form of a general weakening of the balance of payments, resulting in a "disintegration" of the European economy through the defensive steps to meet the situation taken by the different countries.

The national frontier-cum-population problem needed a far-reaching change in economic policies. In fact, "a more far-reaching division of labour between the countries of Europe could have taken place only if the big countries which still dominated the European economy had also adapted themselves to the altered circumstances". Their inability or unwillingness to do so encouraged economic nationalism on the part of the smaller countries, some of which managed to expand through the medium of autarchic policies whilst others stagnated or contracted in turn, strengthening the general tendency towards stagnation in the European economy.

Having posed the problem of transformation and shown how far the countries failed to solve it, the study proceeds to show how this failure reacted upon and, in turn, was reacted upon by other forces tending towards growth and stagnation.

Pursuing this analysis, Prof Svennilson proceeds to a more detailed survey of actual developments in Europe during this period, the main findings of which are summarised in a separate chapter. There is also a detailed study of "Population, Industrialization and Urban Settlement". Some of the conclusions of this chapter should occasion considerable thought here in India today where the problems are similar to those faced by eastern and south-eastern Europe during the inter-war years—a growing population but low incomes, and hence inability to overcome stagnation tendencies rapidly. In view of the important place that agriculture continued to occupy in the European economy, and in particular, the sharp shift in the terms of trade against agricultural commodities, a careful analysis is attempted of "The Agricultural Background". The central place in industrial development occupied by energy in its various forms finds a

recognition in a chapter on its uses in the region. A separate chapter is devoted to the steel industry, which is studied in the light of long-term changes in steel output and exports. "Other industries" covered in a separate chapter are cotton, rail and road transport, motor industry, ship building, cement and the chemical industry. A detailed study of "Structural Changes in Europe's International Trade" is followed by an analysis of the "Main Elements in National Growth". This last chapter makes a statistical study of the growth of output, investment and exports together with a comparative study of their inter-relationships.

It is clear that only more thorough country-wise and industry-wise studies can fill in the details of the picture that emerges from the discussion and Prof Svennilson does not claim to have drawn a complete picture. The wider implications of the changes in Europe also can be grasped only when a more comprehensive study of world economic changes is made. But the broad pattern that emerges is adequate to justify the theoretical technique employed in the study. The author has himself admitted the need for caution in the acceptance of the theoretical framework as adequate for use in all circumstances. Even for the more limited purpose in hand of explaining economic development in the European economy, it suffers from the disadvantage inherent in singling out important factors or forces as being significant enough for the purpose. Frequently, the aggregate action of a large number of apparently unimportant factors may prove to be sufficient to cause otherwise unexplainable changes. They may, thus, explain why countries in apparently similar circumstances have travelled along different paths.

Nevertheless, Prof Svennilson has done pioneering work. The very character of the problems that he has studied, the wide area and the variety of economies that he has covered make it impossible to go into greater detail. That from a mass of details and conflicting facts he has been able to select the most significant elements and draw a coherent picture is a credit-worthy achievement. Further work will no doubt have to be done. The conclusions of the present study will have to be integrated, for instance, with those of other work, such as the study of development problems in Southern Europe contained in the *Economic Survey of Europe for*

1953. The major task has, however, been completed by the publication of this volume.

The theory of long-term development built up by Prof Svennilson should help us understand the present problems of Europe also, for if that theory assisted in explaining development in the past, it should be able to analyse the present and show what policy is necessary for the future. It should also be of assistance in understanding the problems of those countries which are on the threshold of economic development. Prof Svennilson's work in that respect stands on a par with the work of Nurkse and other economists who have presented their thoughts on problems of development in recent years. This is so, even though that has not been his objective. Indeed Prof Svennilson's work is the more interesting because it is presented in the context of concrete problems.

The ECE has been carrying out a large number of research studies in European problems. The present work was entrusted to an independent expert, Prof Ingvar Svennilson of the University of Stockholm and was financed by the Rockefeller Foundation.

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The Story of the Indian Press

Reba Chaudhuri

(Continued from page 292 of issue dated February 26, 1955)

ABOUT this time two dominating personalities appeared on the scene—James Silk Buckingham and Raja Ram Mohan Roy, —who were destined to play a significant part in the fight for the freedom of the Press. Both attracted the staunchest supporters from among their countrymen and at the same time provoked the bitterest antagonisms. Buckingham edited his paper, *Calcutta Journal*, fearlessly till 1823 when he was deported. Raja Ram Mohan's incursion into journalism was only to propagate the truth and have it tested in the light of discussion. His conception of freedom of the Press was freedom to pursue the truth and to evolve a way of life proved by the test of reason.

VIEWED WITH FEAR

Raja Ram Mohan's paper and the progressive Indian Press were viewed with apprehension in official circles, while newspapers which favoured the orthodox point of view did not attract the same measure of hostile attention. Almost simultaneously with Raja Ram Mohan's newspaper, a powerful orthodox Hindu Press came into being which opposed social and religious reforms at every stage throughout the nineteenth century. James Silk Buckingham, more than any other single person, by a tireless campaign against the restrictions and censorship imposed on the Press, convinced many eminent minds in England and in India of the useful function which a free press could perform by an exposure of the lapses of the administration and by criticising its policies. Governor-General John Adam passed an ordinance in December 1823 which required that all matters to be printed in a press or to be published thereafter, except shipping intelligence, etc, should be printed and published under a licence from the Governor-General in Council. The application for a licence should give all the details regarding printer, publisher, proprietor, etc. Among the newspapers whose writings were cited in justification of these regulations was Ram Mohan's *Mirat-il-Akbar*. The paper was restrained in its language and constructive in criticism, but dealt with a variety of subjects including

social and administrative evils and critically examined the British policy both in India and Ireland. With the extinction of *Calcutta Journal*, the *John Bull* and *Hurkara* took up the controversy of the freedom of Press.

LORD BENTINCK'S ENCOURAGEMENT

John Adam's regulations were the fore-runner of the Vernacular Press Act of 1878 which both in conception and its application drew a clear distinction between the two sections of the Press. Following the Press regulations, the Indian-owned Indian language papers seemed to have kept clear of political topics for about seven years. In July 1824, C J Fair, Editor of the Bombay Gazette, was hauled up for casting aspersions on the Supreme Court and asked to furnish a security of Rs 20,000. As he was unable to do so, he was deported. During this period, though liberal concessions were allowed to papers published by the Serampore missionaries, only nominal concessions were given to Indian-owned Indian language newspapers. Lord Bentinck's assumption of Governor-Generalship was marked by a significant change in the attitude of the Government towards the Press in general and the Indian language Press in particular. Bentinck saw the obvious advantage of newspapers published in Indian languages pursuing freely social controversies, and of generally relaxing the restrictions on all sections of the Press in the interest of efficient administration. He extended facilities to newspapers, and between 1831-1833, nineteen newspapers came into existence. A noteworthy development at this time was that both Bengal and Bombay started official gazettes, the Bombay Government Gazette and the Calcutta Gazette. In Madras about this time two newspapers were started, one in Tamil and the other in Telugu. In N W Provinces, a Hindi journal and an Urdu journal were successfully launched under Government patronage.

In 1867, an act for the regulation of printing presses and newspapers, for the preservation of copies of books printed in British India and for the regulation of these was passed to replace the Metcalfe Act XI of 1835. In this Act were incorporated all the provisions of the Metcalfe Act which

dealt with printing presses and newspapers and later came to be known as 'The Press and Registration of Books Act'. After this it was amended by Act X of 1890 and by Acts III and X of 1914 and it was further modified in 1952 and 1953.

VERNACULAR PRESS ACT

Meanwhile, Government was becoming increasingly uneasy about the attitude of the Press generally and its relation with Government. It was particularly apprehensive of the Indian language press as preparations for the rebellion of 1857 were made with the use of seemingly harmless words and symbols. In 1878, the Vernacular Press Act was passed with a view to having better control over newspapers published in Indian languages, in spite of the representation made from all the Indian presses concerned. A deputation on behalf of the Indian Press Association waited upon the Viceroy under the leadership of Surendranath Banerjee. But it was all in vain. The gagging Act of 1857 was a much milder piece of legislation than the Press Act of 1878.

The Vernacular Press Act was repealed in December 1881 under the enlightened regime of Lord Ripon. The Nationalist movement since 1883 gave an impetus to the development of the Press in India. As a matter of fact, it is very difficult to distinguish the development of the Press and important events in this respect from the crucial events and developments of the Nationalist movement.

A number of Press Laws and restrictions were enforced and placed on the statute book from time to time. After the establishment of the Indian National Congress, there were sections 124A and 153A of the Penal Code enacted in 1898. There was also section 565 of the Indian Penal Code. Four new measures were enacted between 1908-1913, namely, the Newspapers (Incitement to Offences) Act of 1908, the Press Act of 1910, the Prevention of Seditious Meetings Act of 1911 and the Criminal Law Amendment Act of 1908. There was also the Official Secrets Act as amended in 1903.

DEFENCE OF INDIA ACT

In 1914 the enactment of the Defence of India Act added to the restrictions imposed on the Press.

The Press Association of India in a memorandum on the operation of the Press Act of 1910 stated that nearly 1,000 papers had been prosecuted under the Act. The total amount of securities and forfeitures which went into the hands of Government during the first five years of the Act was nearly Rs 5 lakhs according to another official return made in 1918. Over 500 publications were proscribed under the Act. The Defence Act Rules in India were not merely used for war purposes, but also for all political purposes so as to carry out the policy of the Indian Government in regard to repression of political agitation or free public criticism of its normal acts and methods of administration in India.

PRESS EMERGENCY ACT 1931

When Gandhiji started his Salt Satyagraha in March 1930, the peace between the Press and Government, which had been maintained for nine years, snapped. A Press Ordinance was issued, reproducing the stringent provisions of the repealed Press Act of 1910, on January 4, 1932. Simultaneously with Gandhiji's arrest, the earlier Press Act of 1930 was amplified in the form of the Criminal Law Amendment Act of 1932. The struggle for freedom passed through many vicissitudes between 1932 and 1946. There were intervals, though brief, of understanding between Government and the Congress. Throughout this period, however, the Press Emergency Act of 1931 remained in force and was applied with greater or less severity according to political circumstances. The record of prosecution in the 15-year period exceeded the one under the 1910 Act. Well over a 1,000 newspapers were victimised in Bombay, Bengal, Delhi, Madras, Punjab and UP.

WORLD WAR II

When World War II broke out in 1939, the Government of India under the Defence of India Act armed itself with the power of pre-censorship of material published in the Press relating to certain matters. The penalty of imprisonment was extended to five years; the Official Secrets Act was amended to provide a maximum penalty of death or transportation for the publication of information likely to be of use to the enemy. The Press Emergency Powers Act was also similarly amended. When Congress adopted the 'Quit India' resolution in 1942, a fresh notification was issued under Rule 41 of the Defence of India Act. Defence of India Rules directly aimed

at the suppression of all news relating to Congress activities. The notification was withdrawn after consultation with the All-India Newspaper Editors' Conference which gave an assurance that newspapers would observe certain voluntary restraints in the matter of publication of news regarding the 'Quit India' movement organised by the Congress.

An account of the development of the Press would be incomplete without a reference to unauthorised and cyclostyled news-sheets which were circulated from time to time. Some were published when press restrictions resulted either in the closing down of newspapers or in newspapers being compelled to exclude the news of the national movement from their columns, while others were underground publications even in normal times. At one time, instructions were communicated by means of writings on walls and streets. In 1930, the promulgation of a Press Ordinance made the printing of Gandhiji's Young India impossible, and it was issued in cyclostyled sheets.

When in September 1946, a popular interim Government was installed at the Centre, almost immediately, the extensive powers for the control of the Press assumed by the Government of India under the Defence of India Rules came to an end. However, in 1946-47 many of the Provincial Governments were compelled to resort to Ordinances to bring the communal situation under control. These Ordinances were subsequently replaced by emergency legislation by the Provincial Governments.

PRESS LAWS ENQUIRY

In March 1947, the Government of India appointed an enquiry committee to report on Press Laws in force in the country. The committee made certain recommendations. The more important of them are:

- (1) The repeal of Indian States Protection against Disaffection Act, 1922, and the Indian States Protection Act, 1934.
- (2) The repeal of the Indian Press (Emergency Powers) Act, 1931.
- (3) The repeal of Foreign Relations Act and the enactment in its place of a more comprehensive measure on the basis of reciprocity.
- (4) The modification of section 124A of the IPC and the exclusion, by explanation, of the application of section 153A, to the advocacy of peaceful change in the socio-economic order.
- (5) Section 144 of the Criminal

THE ECONOMIC WEEKLY

Procedure Code should not be applied to the Press.

(6) All action taken against the Press in the exercise of emergency powers should be preceded by consultation between the Provincial Governments and Press Advisory Committees or similar bodies.

THE PRESS UNDER THE CONSTITUTION

With the adoption of the Constitution in January 1950, the Government of India was confronted with a new set of problems in regard to the Press. Certain newspapers against which action had been taken successfully appealed to the High Court and the Supreme Court which overruled the action of the Executive on the ground that they were ultra vires of Article XIX (2) of the Constitution. This Article laid down that 'Nothing in the sub-clause (a) of clause 1 of the Article (which guaranteed the right of freedom of speech and expression to all citizens) shall affect the operation of any existing law in so far as it related to, or prevent the State from making any law regarding, libel, slander, defamation, contempt of court or any matter, which offends against decency or morality or which undermines the security of, or tends to overthrow, the State'. The Government of India amended Article XIX of the Constitution in the face of the strong opposition of the All-India Newspapers Conference. The same year the Press Objectionable Matters Act was passed.

NEWS AGENCIES

When the Vernacular Press Act was passed in 1878, a Press Commissioner was appointed to give information to the English-owned and edited Press. His function was later widened to enable him to deal with the language Press too. Some of the English language papers like the Statesman, Englishman and Indian Daily News pooled their resources together and brought into being the Associated Press of India with Buck and Coates as its first directors. As K C Roy was refused a directorship, he formed a rival organisation, the Press Bureau, together with Shri Usha Nath Sen. Roy's genius threatened to develop the Press Bureau into a serious rival, and he was offered a directorship on the Associated Press of India. The influence of K C Roy in the development of the modern Indian newspaper has been tremendous. Though he was never an editor, his genius for the shaping of news have proved a more potent factor in bringing Indian journalism up to date according to Western notions than that of any

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editor in the previous four decades. In 1913 K C Roy started the Indian News Agency—a news bulletin of about two typed pages foolscap supplied at the rate of Rs 60 per copy to leading civil and military officials. The Indian News Agency continued till 1947.

The Reuters Agency was started by Julius Reuter as a carrier-pigeon service on the continent and it developed into a telegraphic news service based on London in 1858. On matters relating to India and the service to and from India, Reuters was subject to strong official influence both in London and in Delhi. The Associated Press of India was later on taken over by Reuters, which was essentially a British concern. Reuters and the Associated Press were very much under official control. The news of non-co-operation and civil disobedience was kept down to the barest minimum in the early 'twenties, and eminent Indians in politics and business felt that on controversial matters like the rupee ratio, etc, their views were not adequately carried to London, and this led to the establishment of the Free Press of India News Agency.

In 1933 the United Press of India News Agency was started in Calcutta by Shri B Sen Gupta. In 1948 the newspapers in India joined hands and formed the Press Trust of India with the object of establishing a co-operatively-owned internal news agency.

There are at present two news services operating in India on a country-wide basis, the Press Trust of India which subscribes to Reuters World Service and the United Press Trust of India which, by an agreement with the Agence France Presse, gives a service of foreign news to its subscribers in India.

The first press association was formed in 1891, after proceedings had been instituted against the Bengali newspaper Bangabasi with the object of "improving the tone of the native Press and preserving moderation in the discussion of public questions". In 1915, five years after the rigorous enforcement of the Press Act of 1910 despite individual protests by political leaders and newspaper editors, the Press Association of India was formed for the defence of the interests of the Press in general, and protection against undue encroachment upon its liberties by legislation and executive action. In the early 'twenties, a number of journalists' associations were formed at the principal centres of newspaper production, notably in Bombay and Calcutta.

After long negotiation, the Indian and Eastern Newspaper Society was

formed in 1939, to act as a central organisation of the Press of India, and to promote and safeguard common business interests. Independent of the Indian and Eastern Newspaper Society, but nevertheless from it, developed the All-India Newspaper Editors' Conference in 1940. The All-India Newspaper Editors' Conference was an outcome of the efforts of some members of the Indian and Eastern Newspaper Society who were alarmed by the comprehensive pre-censorship order in respect of news relating to the Satyagraha movement passed by Government in the closing months of 1940. The Indian Federation of Working Journalists came into existence in October 29, 1950. The Federation has also kept a vigilant eye on all matters affecting the rights of the Press and of working journalists.

A perusal of this report leads one to the conclusion that the Indian Press is today subjected to more stringent Press regulations than it was in pre-Independence days, bar-

ring, of course, the war periods. In a free and democratic country, why should such restrictions be imposed on the Press in the name of safeguarding the infant democracy, when the existence of a vigorous and independent Fourth Estate is the real guarantor of a true democracy? At times one feels that these stringent Press regulations are promulgated with a view to safeguarding the interests of the present administrators. To quote Ratnavali, an old newspaper of Bengal, "The King of England is not in charge of government; the people make a king of their own, as in Bengal an earthen pot is put up and worshipped." In the same way, the present administrators of the country are not in charge of government, but are put up there by the people of India and as such they must not try to stifle the popular voice by introducing various Press regulations in the name of safeguarding the interests of the people.

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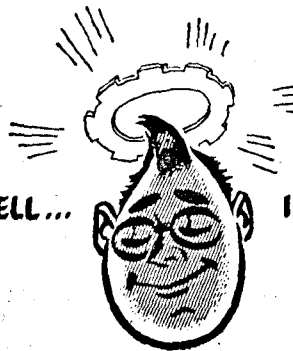
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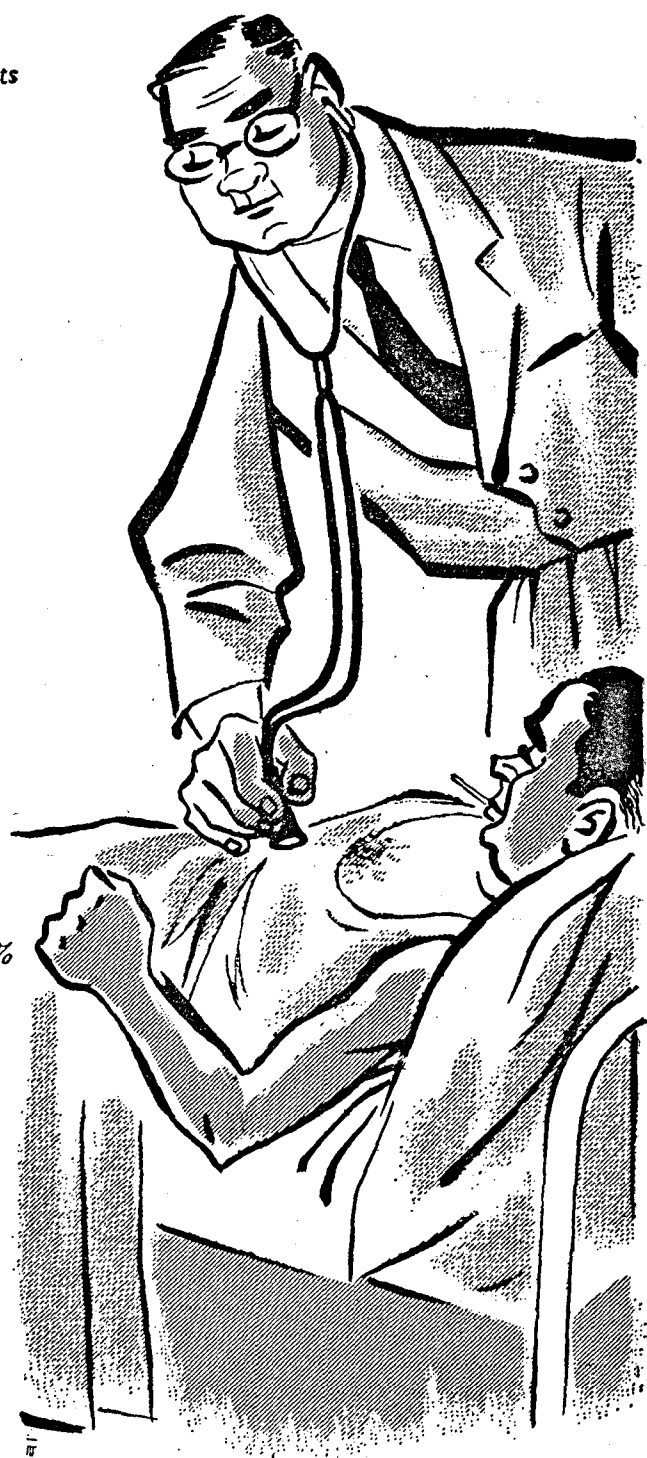
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A Typical Deshmukh Budget

(Contributed)

THE budget presented to Parliament on February 28 by Shri Chintaman Deshmukh has had on the whole, outside the stock exchanges, an unfavourable reaction. The increase of nearly Rs 38 crores (over revised estimates) in excise duties compared to an increase of less than Rs 8 crores in corporation and income-taxes, makes it naturally unwelcome to the people. To the economist, an uncovered deficit of Rs 318 crores, to be financed entirely by borrowings from the Reserve Bank, cannot but cause acute concern. At the same time, he cannot help feeling that if the real effort of government falls short of what is indicated by the increase in the volume of central expenditure from Rs 940 crores (revised estimates for 1954-55) to Rs 1,131 crores for 1955-56—the revenue and capital accounts taken together—the economy may face a severe recession. As usual, the economists are divided and their influence on the budget, whether inside or outside the government must from its content be judged as negligible. The most disappointed, however, will be the intellectual socialists who expected that in accordance with the Avadi Resolution and the post-China statements of Pandit Nehru, a first step, however small, might be taken towards a socialist reorientation of fiscal policy. These expectations were, however, bound to be disappointed for they were based on an unrealistic appraisal of the philosophy of the civil service, which has sized up its new political masters and permits them to shout slogans provided they do not disturb the real equilibrium of power.

POLITICAL FRAMEWORK OF FISCAL POLICY

A fiscal policy has to operate within a given political framework. In this framework, the civil service constitutes the sovereign authority. Its ideas and its economics count, not the techniques of the economists, nor the wishes of the people. Shri Chintaman Deshmukh, though a member of the Cabinet and also of the Congress Party, is really the head of the civil service. The rule of the civil service is that everything must be routinised. In fact, from a broad point of view, given the Five-Year Plan and the Report of the Taxation Enquiry Committee as the

major premises, Deshmukh's budget proposals follow almost like the conclusion of a syllogism. Even the Report of the Taxation Enquiry Commission was not needed to cover the wide extension of the excises. The Five-Year Plan calculations were enough to give us the desired level of expenditure and the gap to be covered by resort to central bank finance. Given a summary of the Five-Year Plan, any one could have drawn up Shri Deshmukh's budget a year ago. It is the budget of an accountant and not that of an economist. Despite all this talk about the philosophy of the Five-Year Plan, it is not yet sufficiently realised in the Ministry of Finance that the budget is not merely a fiscal operation with implied monetary reactions, but a framework within which the mass of the people will earn and spend their incomes, seek gainful employment and contribute towards the productivity of the economic machine.

SATISFACTORY TO WHOM?

Shri Deshmukh described the economic conditions during 1954 as generally satisfactory. For whom were they satisfactory, except for speculators in the stock-exchanges, where values went up over the year by over ten per cent? The economic conditions could not be described as satisfactory to the agriculturists, who made a massive contribution to agricultural production but were rewarded according to economic principles by lower prices. The increases in the output of the principal industries—cotton textiles, cement and steel—were in fact very slight. An additional two hundred million yards of cloth (offset by larger exports) for a population now approaching 400 million is negligible by any standard. The only real and substantial improvement in the supply position is in the agricultural sector. However, welcome, it is not due to the economic craftsmanship of Shri Chintaman Deshmukh. In fact the tempo of industrial development has been slow—rather too slow—that was the very considered judgment of the IMF Mission which visited us not long ago.

PASSIVE REACTION

As for the downward adjustment in the price level, to which the Finance Minister referred, Govern-

ment's policy decisions have a tendency to wait on developments. The Ministry of Finance has not yet developed the fiscal mechanism as an active stabilizer of prices. The increase in money supply due to the expansionary factors in the domestic situation has been more or less a passive reaction of central banking authorities rather than part of an active and rational policy.

The broad stability in the balance of payments is also more a fortuitous result of the variations in the prices of internationally traded commodities and in their demand and supply position than of any calculated move on the part of Government. In fact, in the Five-Year Plan, the absorptive capacity of the economy was to be increased by a planned deficit in the balance of payments, which was to increase, as the tempo of planned expenditure went up.

CALCULATIONS GONE WRONG

The course of events has been entirely different. While it is true that the economic situation has improved, it is also true that all the economic calculations of the Plan have gone wrong. The budgets that Shri Chintaman Deshmukh has been presenting to Parliament during all these years are, therefore, a mere jugglery of figures. The improvement in the economic situation is more due to the automatic working of economic forces internally and externally—more due to *laissez-faire* than to planning. In spite of all the improvement that has taken place, however, the economic situation can hardly be described as satisfactory with growing unemployment. The Finance Minister himself confessed to a possible deterioration in the employment situation, though he tried to take cover behind the qualitative and quantitative indeterminacy of the problem. Government is yet in the stage of diagnosing the problem. We shall surely find the remedy after the patient is dead. It does not seem to be sufficiently realised that the future of democratic processes is at stake with the persistence of large scale unemployment.

SERIOUS SHORTCOMING

A serious shortcoming in the Finance Minister's survey of the economic situation was the failure to take note of the persistence of high

rates of interest. With the call money rate at Bombay at $2\frac{1}{2}$ per cent and at Calcutta at 3 per cent, the *bazar* rates for *bona fide* business would certainly be prohibitive. It may well be asked whether there is an intimate connection between the raising of the bank rate in 1951 and the subsequent persistence of high rates of interest and increase in the volume of unemployment and speculative activity.

With regard to the future, which the Finance Minister did not go into, it might be safely concluded that the assumption underlying the budget proposals, with an uncovered deficit of Rs 318 crores, is that the supply position would continue to be satisfactory. Yet the preliminary forecasts for foodgrains that are available indicate broadly that we may not be favoured with bumper supplies as during the last two years or so. The fall in acreage under the principal foodgrains compared to the previous year, as shown by the first forecast for 1954-55 given below may show which way the wind is blowing:

Rice	-7.7
Jowar	-2.4
Bajra	-5.5

Another fact that we might consider in judging the budget proposals is that the registered unemployed with employment exchanges, who constitute only a fraction of the vast number of unemployed in this country, have recently passed the all-time peak-level of six lakhs.

A BROAD SURVEY

With this background, we may attempt a broad survey of the overall fiscal estimates for the year that will end this month and the budget year which commences on April 1, 1955. The following summary table gives a picture of the Union Government's budget on revenue and capital accounts for the current (1954-55) and budget (1955-56) years.

(In crores of rupees)

	1954-55	1954-55	1955-56
	Budget	Revised	Budget
Revenue Account:			
Revenue	451.7	451.1	490.5
Expenditure	467.1	456.1	498.9
Deficit	15.4	5.0	8.5
Capital Account:			
Receipts	433.1	501.5	662.7
Disbursements	406.6	484.1	632.4
Surplus	26.5	17.5	30.2

Surplus on capital account (and in fact, a large part of the receipts on capital account) is a managed

surplus with treasury bills as the main filler and an entirely guess figure for market loans. For the current year, the Finance Minister had taken credit for Rs 78 crores on account of new loans; the revised estimates come to over Rs 160 crores mainly on account of the success of the $3\frac{1}{2}$ per cent National Plan Loan, 1964. The next budget assumes a new market loan of Rs 125 crores, but its floatation will depend upon conditions in the capital market. But to these and other details of the capital account, we shall come back later. Two facts stand out, one, of course, fortuitous but historic—coincidence of the budget and revised estimates for receipts on revenue account; and the other, material and substantial—the extraordinary increase in the volume of Central expenditure. Taken along with the increase in the expenditure of State Governments, it may well amount to a very sizable figure, and be not without its impact on levels of economic activity. A third important factor—popularly known as deficit financing—which is not clear from the summary table given above, will also be an important causal factor affecting levels of activity, incomes, employment, prices, etc.

A WARNING

While we should all welcome a continuing state of buoyancy in the economy, particularly if it is to be associated with a larger volume of employment and production, it is almost universally agreed (outside the stock exchanges) that deficit financing is the least satisfactory method of stimulating the economy. The IMF Mission and the Taxation Enquiry Commission have both warned against resort to deficit financing on any scale. It is against this background that the new taxation proposals of the Finance Minister must be judged. Taken all in all, they cover less than Rs 22 crores out of the overall deficit of Rs 318 crores. Out of these Rs 22 crores, Rs 5 crores are to be obtained from the enhanced excise duty on sugar and Rs 9 crores from the higher duty on cloth; Rs 4 crores from new excises through the levy of a duty of ten per cent *ad valorem* on woollen fabrics, sewing machines, electric fans, bulbs, batteries, paper, paints and varnishes; slight alterations in the income-tax and adjustments in earned income relief and super tax may well bring another Rs 8 to 9 crores. There are other adjustments also such as raising of the tax exemption slab from Rs 1,500

THE ECONOMIC WEEKLY

to Rs 2,000 for married persons; but these are quantitatively unimportant.

These new tax proposals cannot be judged on theoretical grounds. The Finance Minister has sought a justification for these proposals in the Report of the Taxation Enquiry Commission. Fortunately or unfortunately, the voluminous reports of the Commission are like Adam Smith's *Wealth of Nations*, on which another Finance Minister, with a different philosophy, might well have reversed the relative proportions of income-tax and excise duties in his budget proposals. It is true that the Taxation Enquiry Commission has proposed an extension both of indirect as well as direct taxation, but its broad approach can well be judged from its radical recommendation of a ceiling on incomes, which has to be secured of course by stages and after careful thought. At least, a token beginning could have been made in this direction.

INCAPACITY FOR EXPENDITURE

Against this background, the budget for 1955-56 probably violates the spirit underlying the recommendations of the Taxation Enquiry Commission. The Finance Minister has sought to take away nearly Rs 38 crores (as compared to revised estimates) from the incomes of the people, when he really ought to have added to these incomes. It has, of course, been argued in some quarters that deficit financing is likely to increase the incomes of these classes. This is a point for consideration, though the experience of the War period shows that these deficits go to swell profits and unearned incomes. In any case, the political and economic situation is sufficiently fluid for a suspension of judgment with regard to the main issues involved; and the position may not turn out to be either as good or as bad as is foreshadowed by rival schools of thought, for during the last four years of the Plan, there is one fact that stands out: the incapacity of the Central Government to incur expenditure, as will be seen from the following table of the Central Government's capital outlay:

(In crores of rupees)

	1954-55	Budget	Revised
Industrial development	24.1	15.0	
Aviation	3.3	2.9	
Ports	5.3	3.6	
Civil Works	25.1	15.7	
Defence Capital outlay	17.8	13.1	

THE ECONOMIC WEEKLY

This has been the story throughout the four years of the Plan; the failure of Government in employment-creating investment projects. The Central Government could easily invest in civil works, another Rs 100 crores without a serious draft on foreign exchange or the availability of real scarce resources. Similarly, the country could—though not probably without difficulty in terms of equipment and technical personnel—invest a like amount in defence equipment. So it is not the large deficit that should frighten the people or economists, but the poverty of Government in terms of organization and thinking capacity.

The broad pointers to the amount of deficit financing in this country would be the Reserve Bank's holdings of rupee securities and Central Government balances. Between mid-February 1954 and mid-February 1955, the Reserve Bank's holdings of rupee securities have gone up by only Rs 24 crores and the deposits of the Central Government have gone down by Rs 35 crores. Now, how are these figures to be explained with reference to the deficits indicated in the budget and the provision for treasury bills? The budget for the current year took a credit of Rs 250 crores for treasury bills. The actual increase is now estimated at Rs 220 crores. The total outstanding Government of India treasury bills on March 31, 1954 was Rs 335 crores. By February 18, 1955, the figure rose to Rs 387 crores—an increase of Rs 52 crores. By March 31, 1955, according to budget papers, the outstanding treasury bills will rise to Rs 555 crores, an increase of Rs 168 crores between the 18th of February and the 31st of March 1955. This will presumably be effected by book adjustments with State Governments. If so, the position in respect of the quantum of deficit financing involved appears extremely confused in the papers put out by the Ministry of Finance.

MATERIAL FACTOR

There is further confusion resulting from the fact that the public holds part of the treasury bills. As far as figures are available, such public holdings declined by Rs $3\frac{1}{2}$ crores between March 31 and December 31, 1954, whereas the total outstanding increased by about Rs 15 crores, which means that the Reserve Bank holdings of Government of India treasury bills increased in the first nine months of the

current fiscal year by only Rs 19 crores. Even when considered in the context of a decline in Government balances, it may be asked whether the quantum of deficit financing and the associated increase in money supply are not being materially exaggerated.

These, however, are matters of pure mechanics. The material factor is the immediate and substantial creation of new employment opportunities. To this, it must be confessed, the budget of Shri Chintaman Deshmukh makes no significant contribution.

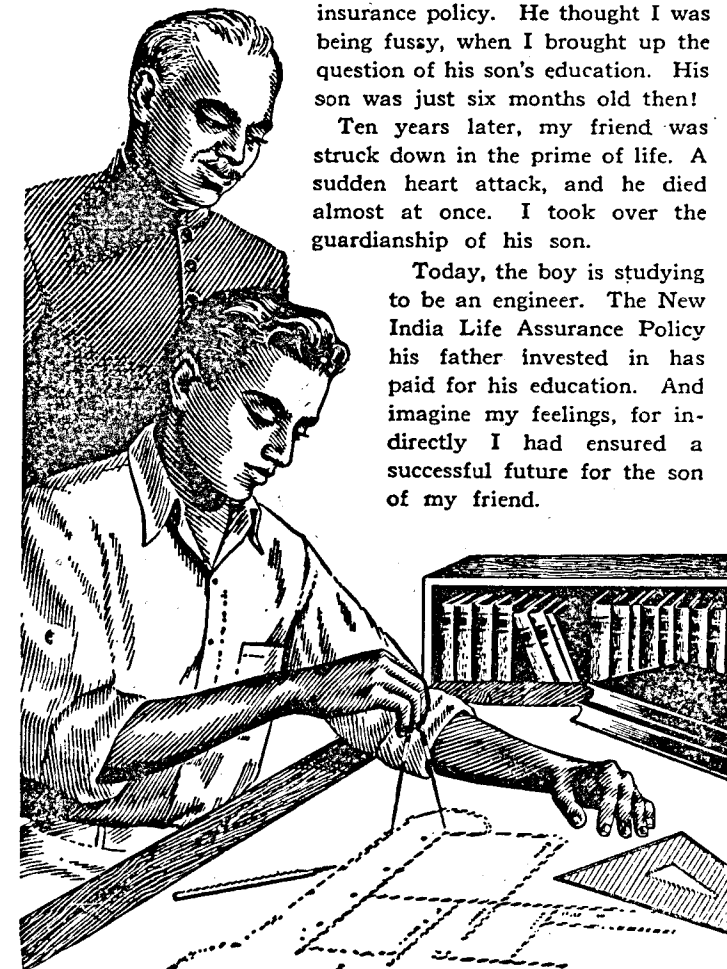
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Post-Budget Spurt

Wednesday, Evening

STOCK market speculators are intelligent people. They are more conscious of political trends and developments than the voters of Andhra. Unlike Andhra's voters, they never seriously believed in Avadi. They did not sell equities on apprehensions that Congress would be serious in its implementation of a socialistic pattern of economy. Equities were declining since October last because of fears of increased taxation. As budget proposals were less severe than market expectations, equities began to improve after the budget.

It would not be quite right to say that stock markets were not at all afraid of the re-defined Congress aim of ensuring a socialistic pattern of economy. But the budget proposals have removed fears on this account also. Stock markets have interpreted the budget proposals to mean that there is no indication of Congress honouring its pledge to base the economy on a socialistic pattern. This is the second reason why equities have been moving up since the presentation of the budget.

More Indirect Levies

As current discussions on the budget proposals seem to confuse issues, it is necessary to state the facts emphatically. There has been a slight increase in personal income-tax. But, for most of the brackets, this increase is offset by the raised exemption limit and the higher income-tax rebate on life insurance premium. There has been a relative increase in indirect taxation. Increased indirect taxation may impinge harshly on the middle class. But it is now widely conceded that the argument about the retarded investment flow because of the increased burden on the middle class can be exaggerated.

With time available to investors to study, at least, the summary report of the Taxation Enquiry Commission, they are happy to discover that their worst fears have not materialised. Some of the Commission's recommendations have yet to be implemented. But the major suggestions have already been incorporated in the Central budget. And, as it happens with stock markets, equities have been bouncing since the market came to know the actual burdens that are to be imposed on industry and the people.

Once-For-All Relief

On second thoughts, stock markets have realised that the proposed

development rebate is not deferred taxation, but a once-for-all tax rebate against development outlay. This is the British system. And the same system and the principle have been incorporated in the Central budget. There is certainly a difference. And the difference is in favour of industry. This is one of the reasons for the sustained spurt in equities since the budget.

It is, however, arguable that much should not be made of the budget proposal that business losses should be allowed to be carried forward indefinitely. If a business concern is not able to offset its losses within six years, the period of carry-forward now allowed, it is not likely ever to recoup its losses. But in one respect the budget proposal relating to off-setting of losses is good for industry and the investor. It is now proposed that speculative losses should be allowed to be set off against business gains. This is a "bull" point for stock markets.

No Bonus Tax

Clive Street has another special reason to be satisfied with the Central budget. It was drooping because of fears that bonus issues may be taxed. No such proposal has been included in the budget. Clive Street has noted with satisfaction the Taxation Enquiry Commission's remark that no tax should be imposed on bonus issues. It may now be presumed that the applications now pending before the Controller of Capital Issues should be dealt with promptly.

It is not without significance that Tea and Engineering shares have been prominent since the budget. Many tea companies are expected to issue bonus shares. Some engineering companies are also expected to capitalise reserves. There are two possibilities. Those companies which are under-capitalised but do not propose to issue bonus shares will continue to attract the attention of cornerers. It is anticipated that cornering attempts will be revived.

Two Possibilities

Like the first, the second possibility is equally "bullish" for the stock markets. If the companies feel inclined to issue bonus shares, the cornering attempts may be discouraged. Indeed, issuing bonus shares is one of the ways to foil the attempts of cornerers. But it is clear that, in anticipation of a bonus issue,

the share concerned moves up. Whatever be the future trend so far as this market aspect is concerned, Clive Street is secure in the knowledge that it is bound to be "bullish" in its repercussions.

Stocks of Jute Goods

Despite these "bullish" possibilities, Tea shares turned rather flat this week on fears of consumer resistance in Britain. Export auction prices in London have declined in recent weeks. In Calcutta, too, prices have tended to decline in export auctions in the last few weeks. Average export prices have fallen even in the current week. But Calcutta auction reports disclose that export demand is picking up. And, it is the export demand that counts in the long run.

There are reasons why Jute shares remain hesitant. For the second month in succession, stocks of jute goods with the mills in Calcutta show an increase during February. There is, therefore, statistical evidence that jute goods are not being sold as fast as these are being manufactured. Mounting stocks of jute goods have some relation to the current prices for jute goods. Since the release of February stocks data, there has been a slight fall in the prices of jute goods. But it is clear that prices will have to fall much more before demand improves.

(Continued from page 342)
investment-income ratio. Investment could further be increased if the average size of the foreign aid available exceeds 0.5 per cent of the national income.

Because of all these reasons, it does not seem unreasonable to assume that the size of the Plan could be further increased by Rs 500 to Rs 1,000 crores. The magnitude of total investment thus could be anywhere between Rs 6,000 to Rs 7,000 crores.

However, even assuming that the investment-income ratio would not exceed 10 per cent and that the capital-output ratio would be 2, the per capita income would increase by more than 3 per cent per annum and we could have full employment of labour within less than 15 years, assuming that 25 per cent of the total working force is unemployed at present and that the size of the working force increases at an annual rate of 1.25 per cent.

Peculiar Behaviour

Wednesday, Evening

BECAUSE of the Holi festival, no business was transacted on Tuesday and on Wednesday the market was officially closed. Hence the week to be covered is really a short one, from Thursday to Monday.

During the week, steel and cement made further gains on consistent bull support and bear covering. Lower carry forward charges in steel accounted for a sharp rise on Monday when Tata Ordinary touched Rs 243, a new high since September last. Calcutta advices were very firm and Indian Iron also registered a steep rise and touched Rs 35-14.

In the miscellaneous section ACC gained about Rs 7 on continued investment enquiry. Scindia, National Rayon and Premier Construction were steady.

Cotton mill shares, however, remained weak. The high rate of excise duty on cloth proposed in the Budget and discouraging reports of some of the leading mills kept buyers aloof. There were, however, occasional though mild recoveries, following short covering.

Among the latest reports of Cotton mills that have come in, Century show a decline of Rs 10 lakhs in earnings, profits of Standard Mills are also down by a similar amount and that of Gokak by about Rs 2 lakhs. The reports of some of the Ahmedabad Mills, however, are satisfactory. Among them are Arvind, Saraspur and Ashok.

Centurys, however, proved to be an exception. Considerable bull

activity was witnessed in this share, and a prominent broker is reported to be consistently buying up Centurys with the intention of acquiring a grip on them.

Carry forward charges in some of the leading textile shares show that their technical position is very healthy. Any stimulating news can cause a rally. This is very significant since a rumour is already afloat that the excise duty proposed will be reduced.

Among cash scrips, New India met with scattered support on news of excellent business.

On balance, the market is behaving in a rather peculiar fashion. Since mill shares form the majority of those on the stock exchange list, their consistent discouraging behaviour cannot be overlooked.

Any trend either bullish or bearish can only be followed when the market as a whole moves in that particular direction. Since September last, as pointed out in these columns more than once, Textiles have invariably moved in the opposite direction to steels and other shares. This can be seen easily if any of the tables of September or earlier is compared with recent tables. When Tata Ordinaries were around Rs 240 in September, Bombay Dyeing were around Rs 500 and Kohinoors around Rs 345, while currently they are around Rs 470 and Rs 315 respectively. No one expects to see textiles move every time in step with steels, but some sympathetic movement should be there.

MARKET LEADERS DURING THE WEEK

	(In Rupees and Annas)		Closing	March 7
	Closing	Week's		
	March 2	High	Low	
Tata Steel	238-0	243-0	237-0	243-0
Indian Iron	34-15½	35-13	34-15	35-13
Bombay Dyeing	472-8	472-8	452-8	468-2
Century	370-8	380-12	368-8	379-8
Kohinoor	315-0	317-8	310-8	317-0
B'bay Burmah Old	458-2	465-0	453-12	465-0
ACC	177-4	183-4	177-8	183-0
National Rayon	206-0	208-8	201-8	205-8
Premier Const	159-4	161-8	157-8	161-0
Scindia	15-11½	15-6½†	15-8½*	15-5½†
Tata Chemicals	16-7	16-8	16-1	16-6
Bank of India	149-0	149-8	149-0	149-8
Central Bank	52-4	52-8	52-4	52-8
New India	58-8	58-8	58-8	58-8
3% Con Paper	81-2	81-2	81-0	81-0

* cum-div 8as

† ex-div.

In steels, Calcutta bull operators' grip continues to be strong. As the Budget is out, and the old Bear is still short, the present bulls are in an advantageous position. The old Bear is reported to be short in Tata Ordinary by about 1,25,000 shares and in Indian Irons by about 1,00,000 shares! He is short in the true sense of the word, as he does not have these shares in his possession. All this and the general outlook show signs of further rise; textiles alone are pulling back the market. If for any reason textiles look up, the bullish tempo will gain strength.

Bullion and Cotton

DURING the last fortnight, bullion gained handsomely, especially silver, which touched a new high for many months at Rs 168-4.

Poor stocks, and strong Bull grip by the Calcutta operator made bears nervous and there was hectic short covering. The hope of the bear that the bulls may not pay the margin were shattered when they paid about Rs 50 lakhs. The carry forward charges in silver were Rs 3 against sellers.

Gold section moved up, but the rise was moderate. There is less manipulation in gold. The carry forward charges were about Re 1 against sellers. The tendency is firm, but it is difficult to judge when there is a manipulation.

	23-2-55	9-3-55
	Rs	Rs
Gold Fagan	91-6-0	93-1-6
Silver Fagan	163-1-0	167-14-0

During the fortnight ending 9th, there was a heavy fall in cotton. Excise duty on cloth was the chief reason for the downward tendency. Heavy arrivals in Madhya Pradesh made the bulls nervous and the market lost confidence. The announcement that export of cotton yarn will be allowed did not have any effect as the stipulations for export were very rigid.

Heavy excise duty on cloth kept mills aloof from buying. Weakness in castors further depressed sentiment.

The cotton market is keenly awaiting some Government measure to halt the downward trend in cotton prices.

	23-2-55	8-3-55
Cotton May	Rs 579-12	Rs 559

CURRENT STATISTICS

BANKING RETURNS

(Rs Crores)

	Latest Week†	A Week ago	A Month ago	A Year ago
Reserve Bank				
1. Note circulation	1265.56	1241.99	1231.82	1190.57
2. Rupee Coin	102.00	103.66	103.82	93.05
3. Deposits				
a) Central Government's	52.61	51.87	48.84	94.75
b) Bank's	46.14	48.36	54.89	39.26
c) Other Government's	18.65	22.68	19.36	21.67
d) Others*	20.08	34.32	34.16	42.64
4. Foreign Securities	673.15	663.15	663.15	648.18
5. Balances held abroad	58.25	65.50	71.72	94.81
6. Rupee Securities	457.74	447.74	437.63	421.34
7. Investments	55.75	66.99	69.69	71.30
8. Loans and advances to Governments	1.20	0.91	0.95	1.47
Scheduled Banks				
1. Demand liabilities (net)	578.27	580.74	569.63	574.26
2. Time Liabilities	370.62	371.37	370.43	331.38
3. Cash on hand	37.82	32.06	33.94	33.31
4. Borrowings from Reserve Bank	12.23	9.02	8.15	21.28
of which against Usance Bills	6.44	4.97	3.57	10.20
5. Advances and Bills discounted	589.43	582.26	559.98	521.41
of which Imperial Bank's	120.17	115.52	105.75	123.82
6. Investments	352.31	354.33	352.79	319.23
of which Imperial Bank's	97.64	100.41	99.26	79.58
Cheque Clearances	156.62	134.00	155.79	122.30

† For Reserve Bank and Cheque Clearances week ended 4-3-55. Scheduled Banks week ended 25-2-55.

Bombay Money Rates	4-3-55	25-2-55	4-2-55	5-3-54
Inter-Bank Call Rate	2 7/8	2 7/8	2 7/8	2 7/8
3 months deposits	3	3	3	3
6 months deposits	3	3	3	2 7/8

Bombay Bullion	10-3-55	A Week Ago	A Month Ago	A Year Ago
Gold Spot (per fine tola)	92-14-0	92-14	93-11	88-11
.. Forward ..	91-14-0	92-3	92-15	86-6
Silver Spot (per 100 tolas)	168-0-0	166-4	164-8	163-2
.. Forward ..	168-0-0	166-0	164-4	163-3

ELECTRICITY GENERATION AND DISTRIBUTION

Monthly average or calendar months
(in million kwh)

	Generation	Domestic Consumption	Industrial Power	Others	Total
1948	381	34	203	73	310
1949	409	39	214	81	334
1950	426	44	217	85	346
1951	488	50	255	94	499
1952	516	50	271	99	420
1953	559	57	292	105	454
1954	624	62	329	117	508
1954 :					
Jan	590	59	308	111	478
Feb	551	57	289	105	451
March	594	59	306	118	483
April	613	60	319	125	504
May	640	61	326	128	515
June	629	62	326	122	510
July	633	62	339	115	504
Aug	635	65	339	106	510
Sep	648	65	345	113	523
Oct	627	64	337	111	512
Nov	654	63	351	121	535
Dec	678	65	362	125	552

Source : Ministry of Irrigation and Power

INDUSTRIAL PRODUCTION

(Monthly Average or calendar months)

	Dec 1954	Dec 1953	1954	1953
Coal ('000 tons)	3,503	3,163	3,064	2,987
Finished Steel ('000 tons)	112.8	107.4	100.6	82.3
Cotton Piecegoods (million yds)	451.0	456.6	418.2	408.8
Jute Manufactures ('000 tons)	94.0	77.8	77.3	72.4
Sugar ('000 tons)	250.5	205.5	90.5	108.1
Paper ('000 cwts)	253.0	220.0	252.7	233.0
Cement ('000 tons)	398.1	369.8	366.5	315.0
Ammonium Sulphate (tons)	35,625	29,424	28,325	26,635

Source : Central Statistical Organisation

SUGAR STATISTICS

(Nov 1 to Feb 15)

(lakh tons)

	Production	Despatches	Closing Stocks	Imports
1954-55	8.19	1.98	6.78	2.67
1953-54	6.78	3.48	5.38	1.93

Source : Ministry of Food & Agriculture

FIRST "ALL INDIA" CROP ESTIMATES

(Area in '000 acres)

	1954-55	1953-54	% change
Rabi Cereals			
Wheat	25,567	23,137	+ 10.5
Barley	8,294	7,619	+ 8.9
Gram	19,180	17,326	+ 1.07
Potatoes	544	538	+ 1.0

FINAL "ALL INDIA" ESTIMATE OF GROUNDNUT

	1954-55	1953-54 (Partially Revised)	% Change
Area ('000 acres)	12,647	10,869	+16.4
Production ('000 tons)	3,823	3,573	+ 7.0

Source : Ministry of Food and Agriculture

INDEX NUMBERS OF WHOLESALE PRICES

(Base : Year ended August 1939 = 100)

Group and Sub-group	Week ended 12-2-55	A Week Ago	A Month Ago	A Year Ago
I. Food Articles	308.5	303.4	313.6	375.7
Cereals	346	340	353	438
Pulses	242	244	240	401
Others	267	262	271	281
II. Industrial Raw Materials	443.7	428.5†	437.4	476.0
Fibres	497	473	470	466
Oilseeds	366	356†	375	530
Minerals	411	411	451*	433
Others	484	482	473	406
III. Semi-Manufactures	340.1	340.8	345.3	361.2
Leather	389	388	386	398
Mineral Oils	221	221	221	221
Vegetable Oils	398	397	412	505
Cotton Yarn	442	444	453	451
Metals	242	241	241	237
Oilcakes	285	291	301	430
Others	336	335	382	306
IV. Manufactures	378.6	376.8	375.8†	367.6
Textiles	424	421	420†	407
Jute	488	467	457	424
Cotton	411*	411*	411*	402*
Rayon & Silk	464*	464*	464*†	449*
Woollen	310	310	318	313
Metal Products	340	340	340	337
Others	284	284	284	283
V. Miscellaneous	548.6	549.6	566.9	696.1
All Commodities	364.4	359.8†	365.9†	396.6

* Estimated

† Revised

INDUSTRIAL DISPUTES

(Resulting in Work-Stoppages involving 10 workers or more)

Year/Month	No of disputes Start-ing	In pro-gress	No of workers involved Start-ing	In pro-gress	Total No of man-days lost
1947	—	1,811	—	1,840,784	16,562,666
1951	—	1,071	—	691,321	3,818,928
1952	—	963	—	809,242	3,336,961
1953	—	772	—	466,607	3,382,608
1954	—	1,041	—	4,703,403	3,338,094
1954 :					
Jan	62	84	34,049	51,973	325,514
Feb	61	85	26,419	41,351	344,295
March	70	91	21,496	34,202	331,419
April	78	101	30,062	34,963	207,247
May	56	80	27,606	40,073	216,064
June	61	82	14,963	21,589	205,078
July	106	122	22,547	30,189	277,492
Aug	59	79	36,262	51,090	322,887
Sep	77	97	35,162	50,414	363,878
Oct	64	86	30,344	41,390	275,010
Nov	38	49	14,895	23,320	219,722
Dec	59	85	42,518	52,849	259,598

N.B. — Figures for 1954 are provisional

Source : Labour Bureau

WORKING CLASS COST OF LIVING INDEX

(Monthly average or calendar months)

	Bombay	Calcutta	Madras	Kanpur	Delhi	Jabalpur	Kharagpur	Ludhiana	Cuttack	Jharia
	(Base : August 1939 = 100)					(Base : 1944 = 100)				
1948	288	339	315	471	344	146	132	168	137	153
1949	292	348	330	478	344	151	137	164	147	159
1950	298	349	332	434	344	153	137	165	163	182
1951	314	370	341	451	370	168	136	167	181	184
1952	321	351	337	441	373	150	133	151	160	175
1953	346	349	358	453	366	151	139	147	157	166
1954	342	327	348	408	360	139	127	148	147	131
1954 :										
Jan	346	325	360	442	363	144	127	151	149	143
Feb	331	316	360	432	363	144	125	151	147	143
March	332	319	352	416	360	143	126	150	146	141
April	338	323	348	426	368	144	129	151	146	134
May	338	339	348	415	370	142	133	150	146	132
June	350	332	349	396	352	141	127	149	149	129
July	349	331	346	400	349	141	127	145	147	128
Aug	345	330	343	408	352	140	127	145	146	126
Sep	347	332	342	406	357	137	129	147	149	127
Oct	346	336	345	404	368	134	129	145	149	127
Nov	344	325	344	387	363	135	129	146	147	125
Dec	341	321	344	369	351	131	124	144	143	116
1955 :										
Jan	336	324	340	372	343	—	147	148	147	131

Source : (1) Ministry of Labour

(2) State Authorities

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Price Support in Reverse

DESPITE contradictory statements and a reluctance to commit itself to a general principle of price support, which is understandable when Government does not have the administrative organisation, godown capacity or storage arrangements to give effect to it, there has been no reason so far to doubt that Government is concerned about agricultural prices falling too sharply or too low and that it is also prepared to do what little it can to arrest the fall. A policy of selective and limited support to foodgrain prices has frequently been advertised; whether it has been actually applied in practice or not, is more than one can say. For Shri Ajit Prasad Jain repeated in the Lok Sabha this week also that Government would generally support wheat prices at Rs 10 per maund and that "it was already considering purchase of wheat at that price for specified periods in selected centres in case price declines below that level". The restrictions on wheat movements between the three weak zones, the Northern, Western and Eastern, have now been abolished with the self-same end in view.

In the case of rice, for which the crop has been smaller this year, the wisdom of allowing exports may not be apparent at first sight, but considering the comfortable stock position and the imports from Burma, the priority given to the need for maintaining prices at a reasonable level appears to be justified.

If in the case of food grains, intentions are good but action halting, what is one to say of the commercial crops, where the means adopted have uniformly defeated the good intentions? The same floor price has been retained for sugar cane but whether it will be maintained in practice or not still remains to be seen. To prevent unsaleable stocks from depressing prices, the export of gur has been freely allowed but within a specified date line whereby hangs a tale. It has been done in the case of all oils and oilseeds. Exports have been liberalised, fresh quotas have been announced but whether the liberalisation of exports has achieved the purpose for which it was intended, it is by no means too early to ask. True, considering the handicaps Government has to face in the matter of applying price support on any considerable scale, one may well ask how far it can go without inviting speculators to help themselves. This is broadly true, but not quite.

Delhi no longer wants to trade on its own. It has persuaded itself, nevertheless, that it can succeed in speculation. Its motive has been to keep the market guessing. It claims to know what the surplus in individual oilseeds or oils is, how much of it can go out of the country without disturbing the domestic market. So it switches on the green and red lights as it likes. The consequences have not been favourable for the markets. Prices have slumped instead of being gently supported by a regulated pull from exports. Acting on the principle that speculative support is most effective when it comes in sudden spurts, the Commerce Ministry sets a deadline for exports which is self-defeating for the simple reason that shipping cannot be arranged within the specified time. This does not help to firm up prices. On

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the contrary, a sudden rush to contract sales abroad merely brings down foreign prices. Since sales can rarely be put through without freight being booked, nor can they be negotiated successfully until licenses have been issued, withholding of licenses until shipping bills have been obtained and endorsement on shipping bills which are made valid only for 7 days, makes the business of exporting a matter of hit and miss. If price support is the object, less ingenious and more helpful methods are necessary. It is high time that the Commerce Ministry took a look at what it has done and mended its ways.

If in the matter of food grains, the policy is halting, and in the matter of commercial crops, over ingenious, what is one to make out of the following announcement that appeared in the last issue of the Food Bulletin, the official publication of the Food and Agricultural Ministry?

"A trial consignment of 500 tons of American Ghee for which negotiations are taking place between the Indian Government and the US Government, is expected to reach India during July and August. It is understood the financial aspects of the proposed deal are being scrutinized by the Government of India. The Trial consignment is intended for consumption mainly in Bombay, Calcutta and Madras, where cow ghee is sold at high prices because of heavy demand. The imported ghee, which will be the product of cow's milk, is expected to find favour with housewives in these cities. It is understood that the consignment is being offered at concessional rate." The transaction will be on Government-to-Government account, the payment to be made in rupee. The purchase price will remain in India substantially, if not in full, in a special fund to be jointly operated by the Government of India and the Technical Co-operation Mission for expenditure on approved schemes of development within the country.

As regards distribution, the consignment is proposed to be sold in separate lots by Government in public auction, subject to a minimum reserve price. Retail sales will rest with the normal trade channels.

Elsewhere in this issue, in an article entitled, "American Agriculture Surplus and India", the US offer is dismissed as likely to turn out to

be a damp squib. Parliament often behaves like dumb driven cattle. Surely if the above report is correct, it should at least stick up at least for those who keep cattle and help them to feed the cattle.

TEA POWER for industry

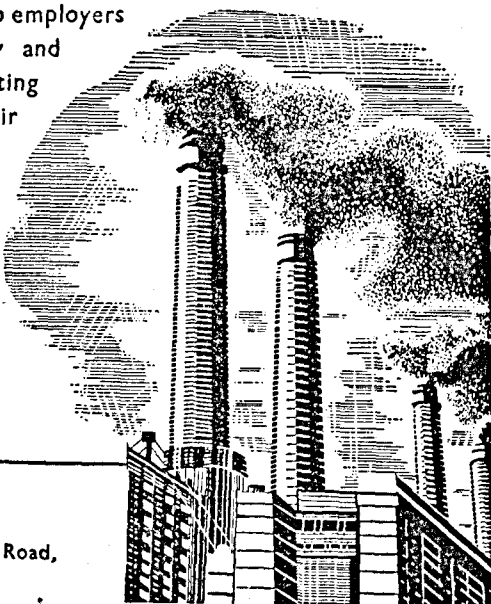
'Time study' in industry has shown that better results are achieved by the introduction of rest pauses during work, and rest pauses become more effective if the workers are provided with tea. For tea not only conquers fatigue, it promotes a new power—the tea power—in the worker to work with enhanced vigour and drive.

The Tea Board maintains a free "canteen service" to offer assistance to employers in opening new and reorganising existing canteens for their workers. So far the Board has opened and organised 2057 canteens all over India.



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The Fourth Amendment

THE reference of the Constitution (Fourth Amendment) Bill to a Select Committee of Parliament this week has focussed attention on the problems involved in amendment of the Constitution. There are many in the country who are sincerely worried about the readiness of Government to propose such amendments. As the Constitution represents the fundamental law of the land, they consider, quite naturally, that it should not lightly be touched. When four amendments to the Constitution are proposed within such a short period, there is just ground for feeling that the Constitution is being tampered with to suit the convenience of Government. If the American Constitution has had such few amendments during its long life, even though it was not at all comprehensive and could not possibly have taken into consideration many of the circumstances which arose only later, why, it is asked, should it be necessary to make so many changes in the Indian Constitution, which is so comprehensive in its coverage and the framers of which could so easily have visualised all the circumstances that prevail today?

Strange as it may seem, the need for amendment arises from the very comprehensiveness of the Indian Constitution. In the United States, the courts were left free to interpret the Constitution in favour of the expansion of governmental powers in most circumstances by assuming doctrines such as those of police power and eminent domain. As a result, specific amendment of the Constitution became unnecessary, the interpretation given by the judiciary alone being adequate to serve the changing needs of society. Profiting from the experience of the working of the United States Constitution, the Indian Constitution-makers incorporated provisions into the Constitution which were in fact added in the United States only by judicial interpretation. This has resulted in a comprehensive Constitution embodying fully the views of the Constituent Assembly with regard to the powers of the State that follow, for instance, from the doctrine of police power and eminent domain. As these powers are elaborated in the Indian Constitution, the judiciary tends to apply them strictly in relation to the specific provisions and

sees no need evidently to assume the need for additional powers for Government which could otherwise be justifiably derived from general doctrines.

The tendency is in fact to interpret the provisions in the Constitution in favour of the citizen, a tendency which is strengthened by the phraseology of the Constitution. Many of the powers of the State are specified merely as exceptions to the rights of the citizens rather than the other way about. How this view has influenced the decisions of the judiciary can be seen from almost every important judgment of the Supreme Court or the High Court in cases involving interpretation of the Constitution and in particular the Chapter on Fundamental Rights. Thus in his judgment in *D Shrinivas vs Sholapur Spinning & Weaving Co*, referring to the fundamental rights, Justice Mahajan emphasised that "... the purpose of these articles is to declare the fundamental rights possessed by the citizens or other persons residing within the Union rather than to declare the rights of the State as against them." And a little later, in connection with Article 31, he refers to "the comprehensive provisions of the saving clause of the article", evidently as making it unnecessary to except, on any general principle, cases not specified.

The crucial question which arises out of the proposed fourth Amendment, the Bill providing for which has been referred this week to Parliament, is whether it is correct to assert, as Pandit Nehru did in the course of his speech, that "... the ultimate authority to lay down what political or social or economic law we should have is Parliament and Parliament alone; it is not the function of the judiciary to do that." On balance, it has to be admitted that this is so. Ultimate decisions on such matters cannot be permitted to be made in a democracy by a body of people who, however eminent, are unresponsive to the wishes of the people and not responsible to them in any way. Faith in democratic methods of government requires faith in the legislature as representing the people. No doubt there must be sufficient liberty to propagate different views among the people and by

obtaining their support to supplant the existing members of the legislature and the executive. But the legislature must not be bound to the dictates of a judiciary on matters which are essentially matters of policy.

The present amendment is in recognition of this principle but arises out of judicial decisions which have made it very doubtful whether Government would be able to implement programmes in furtherance of its declared policy. The amendments proposed, which relate mainly to Articles 31 and 31-A and 31-B, have been made necessary by the Supreme Court judgment in the *Sholapur Mills* case quoted earlier. The question before the Court related to the interpretation of clauses (1) and (2) of the Article 31 in the light of clause (5) which is a saving clause.

Clause (1) of Article 31 provides that "No person shall be deprived of his property save by authority of law", while clause (2) provides that, "No property ... shall be taken possession of or acquired for public purposes under any law ... unless the law provides for compensation for the property taken possession of. ...". The question was whether the "deprivation" of clause (1) was the same thing as the "taken possession of or acquired" of clause (2) or whether the former term was a genus of which the latter were a species. The Supreme Court held that they were the same thing. The combined effect of clauses (1) and (2) would then be that when a person is to be deprived of his property in any form, it must be (a) by law, (b) for a public purpose and (c) the law must provide compensation and either specify the amount of compensation or the principles on which this was to be determined. In deciding this, the Court relied upon the existence of a saving provision in clause (5), and held that the only exceptions to the operation of clause (2) were provided in this clause. The Court also decided further that where all the incidents of ownership had been acquired, this amounted to the acquiring of ownership itself.

To meet the situation created by this decision which might make nugatory all the legislation for control of industry passed or contem-

plated by the Government, the main change proposed is the addition of clause (2A) which runs as follows:

"where a law does not provide for the transfer of the ownership or right to possession of any property to the State, it shall not be deemed to provide for the compulsory acquisition or requisitioning of property by the State notwithstanding that it deprives any person of his property".

It is interesting to note that none of the amendments makes any provision for rectifying the situation created by the decision in the West Bengal Land and Planning Act

Case by which compensation became a justiciable issue. Though it had originally been proposed that by a suitable amendment it should be made clear that the compensation would not be justiciable, the Bill itself does not contain any such general provision, though the impression appears to be that it does. Pandit Nehru himself in explaining the detailed provisions of the proposed Article 31-A says that this list was "not necessary because once you define that Parliament is going to be the judge of compensation, the manner and quantum of it, it is not necessary to have that

long list." But there is no provision in the Bill by which Parliament or the legislature concerned will have the last word on the question of compensation. The omission is inexplicable.

What has been done is to propose a new Article 31-A, which specifies a long list of subjects relating to which social welfare legislation, which could be challenged, exists, or is on the anvil or is planned, which would not become void notwithstanding the provision of Articles 14, 19 or 31. This article will come into effect retrospectively from the commencement of the Constitution.

Weekly Notes

Mechanisation of Cotton Growing

WHY is cotton always white? Why not red, blue, green, or mauve? Not to speak of plant breeders, even amateur gardeners often produce roses and other flowers in new colours by cross-grafting, cross-fertilisation of pollens and other methods well known even to non-professionals. Yet cotton of a colour other than white has been a *rara avis* and like the blue rose, or the black tulip, coloured cotton appears to have defied the arts of the plant breeder. Much interest was, therefore, aroused at one time when Soviet experimental stations claimed to have produced cotton in different natural colours. Nothing further has been heard about it. The Indian agricultural team which visited the Soviet Union last year saw many things but no cotton of any colour other than white.

What catches people's fancy is not always what is most important, either from the point of view of utility or of science. But is coloured cotton such a *rara avis* after all? In the early days of the khadi movement, brown coloured khadi was very popular as material for kurtas, because it did not have to be washed every day. It looked somewhat like khaki, though its colour, a dull brown, was less dull and more pleasant to the eye than the drab pale brick and sickly green colour of khaki. It was common knowledge in those days—this knowledge was not culled from any scientific literature on the subject—that Comilla in East Bengal used to grow this variety of cotton in limited quantities. This growth, however, was neither natural nor a freak of nature. The green bolls started

white and then turned brown; whether it was a plant disease or some other factor that was responsible for this dis-colouration, only experts who have made a special study of this cotton will be able to say. The result was not unpleasing; but it was nothing very wonderful either. In any case, why bother, since developments in dyeing have reached a stage that should be a despair of the plant breeder? Synthetic dyes, for instance, or even synthetic perfumes, for that matter, can produce results beyond the reach of nature. Coal tar blends can produce perfumes more enchanting than any rose that ever bloomed in Basra.

In their first flush of enthusiasm, Soviet botanists may have thought of many things, but now their agronomists have firmly settled down to mass production and mechanisation. Startling progress has been made, not in growing blue or red cotton, but in growing good cotton, not as good as Egyptian perhaps but as good as or better than American and in growing it in ever larger quantities and in lands where no cotton was grown before. The degree of mechanisation achieved in cotton growing is equally startling; it has, from all accounts, surpassed American techniques. For even today, mechanical pickers in the Southern States have far from replaced hand picking. For many decades, machine pickers have been in use in the States. They have also been constantly improved but they have not yet quite succeeded in producing the trick. Hence the survival of the small farmer, of the employment of agricultural labour on the cotton belt.

Soviet scientists seem to have attacked the problem from a different angle. Instead of trying to further perfect pickers, they set to work on the cotton plant itself, because cotton grows as a shrub, with many branches, and pickers cannot get at all the bolls. Even today the pickers in use on the collective farms do not collect all the bolls; men have to follow the pickers and collect the remaining ones. But the proportion of bolls that the pickers get at is steadily increasing; the cotton plant is being 'trained' to grow without so many branches; and mechanical trimmers are being employed for trimming the plants for the purpose. There are over 30 types of machines at the disposal of cotton growers and cent per cent mechanisation of cultivating, picking, cleaning and drying of cotton is to be introduced in the collective farms in the next two or three years. The pickers this year, a Tass agency message reports, will be able to collect 92 per cent of the mature bolls at one go.

Another device is being introduced on a large scale—square pocket cotton planters, equipped with a pocket making device so that seeds and fertilisers can be simultaneously introduced into the soil. It is useless to go into the statistics, of the hecta-acres on which cotton is being planted and one or other of these devices is being introduced.

Taken together, impacts on the minds of the Indian team of all this mechanisation was impressive. And the members of the team were not so many innocents abroad; some of them had seen cotton growing in

the States not so long ago.

For the Indian cotton grower, needless to say, all this does not mean a thing. His salvation lies in plant breeding and the simpler aids to cultivation.

New Names for Old

INDIA is surely in the throes of a social revolution—and in keeping with the best traditions, it is a permanent revolution. Hardly has the nation completed the all-important task of re-naming towns, streets and by-lanes, removing the stink of alien association, and incidentally reviving considerable popular enthusiasm in geography—hardly has this task been done when a new and more far-reaching transformation appears impending. As in almost all other things, the initiative in this matter also came from the Prime Minister himself. In one of those sudden moments of inspiration that are natural to him, the Prime Minister suggested that he would like to relieve himself of his prefix 'Pandit', as it tended to set him apart from the populace. Few could have suspected at that time the revolutionary potentialities of that little gesture. It was almost forgotten until Shri S N Agarwal leapt into the limelight last week with the self-denying proclamation that he too be allowed to sail under an abbreviated banner. Casteism and all symbols of caste had to go in new India—and could one begin better than by foregoing one's caste honorific? And off into the scrap-heap went another label—Agarwal, a suffix, this time.

Others had been watching the unfolding drama, and among them was Shri T T Krishnamachari who could not but have been feeling a little dull after his return to Delhi. Here was a chance not only to wave the blues away, but also to keep newsmen contented and deal a mortal blow to casteism into the bargain. If newsmen know where to look for news, TT perhaps knows how news is made; and anyway it was not long after Shri Agarwal had set the nation thinking of a new line of sacrifice in these days of tightened belts that Shri TT, not to be outdone in self-abnegation, came out with the hint that a Commerce Minister, by a shorter label like 'T T Krishnan' or even 'T T Krishna', could sound as good, and perhaps a little more businesslike. The ball of anti-caste drive has been set rolling, and one

waits with bated breath to see titans like Shri C Rajagopalachari dwindling to Shri (Raja?) Gopalan or even Shri Raja, (it is, in this particular case, a difficult issue between democracy and the old order) Shri Chintaman Deshmukh to just Shri Chintaman and Shri Govind Vallabh Pant to Shri Govind. Meanwhile, a few like Shri U N Dhebar and Shri S K Patil may blossom into irreconizable entities like Shri Uccharangrai and Shri Sadoba. But that cannot be helped. A revolution has its surprises. Saturnine spirits delight in the thought that revolutions eat up their young—here is cheating history of its unfair prize, by a change of name!

The Logical Conclusion

THE question is if one can rest content with dropping caste suffixes or prefixes. Panditji has been declaiming against parochialism or local patriotism and, of course, against communalism with as much fervour as against casteism. And a number of names, particularly in the South, have topographical tags attached to them which can reasonably be said to provoke feelings of a parochial nature. So the next stage in this revolution over names will naturally have to concern itself with this aspect. Shri Radhakrishnan may have to drop his Sarvapalli and Visvesvaraya not only his 'ayya', but also his Mokshagundam, reducing himself in the process to Shri Visvesvara. While there is much to be said for this process of streamlining on the ground not only of eliminating caste and such other anti-social appellations, but also of economy of expression, convenience

of enunciation and even considerations of grace and beauty, a likely result of it is bound to cause considerable perplexity. With the distinguishing marks of suffix and prefix removed, most of the names will boil down to those of a select pantheon composed of Rama and Krishna and their namesakes.

Again, if the battle against divisive forces is to be waged to its bitter end, may it not be said that most of our names smack of association with a particular creed, be it Hinduism, Islam or Christianity? And can anyone say that communalism is less dangerous than casteism? Indeed, the fact of the matter is that there can be no mere tinkering with names. The shedding of a suffix here or a prefix there may do for a beginning. But sooner or later, there will have to be a wholesale jettisoning of old names and the adoption in their place of new ones that have not the slightest tinge of casteism, parochialism or communalism for that matter—names that are aseptically secular and sufficiently colourless. If one remembers aright, they used to do something like that in Russia in the early years of the revolution, drawing upon the nomenclature of metals and the like for human christening or re-christening. Maybe, we too will have to follow that example. Or maybe, because of the sheer immensity of our population, we shall take refuge in mere numbers, each citizen being honoured with a number in some convenient order on birth. And in one respect at least, that will put us ahead of all other nations in the world, however progressive they might have been in the past and may deem themselves to be at present.

National Income, India and Pakistan

THE Central Statistical Office, Karachi, has published its estimates of National Income of Pakistan for the four years from 1949-50 to 1952-53. The estimates are on the basis of current prices. Presumably because of the difficulties of computing a general price index for the two wings of Pakistan taken together, revaluation of National Income in terms of fixed 1949-50 prices has not been attempted.

Apart from the usual difficulty of computing the money value of income originating from the non-monetised sector, which has an even greater importance in Pakistan than

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in India, the estimates are otherwise also based on incomplete data. Hence only a limited significance can be attached to them. The temptation, therefore, to compare the relative contribution of different sectors to the national income in India and Pakistan should better be resisted. It may only be noted that agriculture contributed during these four years 60 to 61 per cent to the total national income of Pakistan while in India, the share of agriculture is estimated at around 50 per cent. On the other hand, mining and manufactures accounted for 6.0 to 6.7 per cent of the total income in Pakistan while in India, their share has been estimated at 17.3 per cent of the total.

It may also be noted that the income in Pakistan originating from Government increased progressively from Rs 80.8 lakhs in 1949-50 to Rs 104.8 lakhs in 1951-52 and subsequently fell to Rs 103.2 lakhs in 1952-53. Also significant is the increase in the estimated income originating in large scale manufacturing from Rs 107.2 lakhs in 1949-50 to Rs 117.6 lakhs in 1952-53; the contribution of mining similarly increased from Rs 2.13 lakhs to Rs 3.70 lakhs.

A notable feature of these estimates is the marked effect of price

fluctuations on per capita incomes. At current prices, the capita incomes in Pakistan for the four years work out to Rs 225, Rs 226, Rs 239, and Rs 233. If fall in per capita income for 1952, it is to be hoped, was entirely the effect of price change.

The Finance Minister of Government of India gave out in the Lok Sabha last week the latest estimates made by the National Income Unit as follows: the estimated per capita income of India for the years 1951-52, 1952-53 and 1953-54 at current prices was Rs 274.5, Rs 267.4 and Rs 283.9 respectively while the per capita income for these years at 1948-49 prices was Rs 251.7, Rs 258.1 and Rs 266.5 respectively.

In comparing these figures with those of Pakistan, it should be borne in mind that the Pakistani estimates are in terms of the Pakistani rupee. Even so, it is curious that the per capita income in India at current prices registered a fall of Rs 7 between 1951-52, ie, from Rs 274.5 to Rs 267.4, as against a fall of Rs 6 in the per capita income in Pakistan from Rs 239 to Rs 233. General evidence suggests a sharper fall of prices in Pakistan; how then to explain this exactly proportionate fall in money incomes?

Pakistan's National Income by Industrial Origin

(Pak Rupees Crores)

Items	1949-50	1950-51	1951-52	1952-53
1. Agriculture	1,028.7	1,032.3	1,117.8	1,084.3
(a) Major Agricultural Crops	609.4	614.5	666.6	618.4
(b) Minor Agricultural Crops	117.2	114.0	131.3	138.8
(c) Livestock	228.2	235.0	235.0	234.7
(d) Other allied activities	73.8	68.5	84.8	92.5
2. Mining	2.1	2.6	3.0	3.6
3. Manufacturing	107.2	110.5	113.5	117.6
4. Government	80.8	85.7	104.7	103.1
5. Banking & Insurance	2.4	3.5	2.8	2.8
6. Utility Services	44.1	50.3	51.2	52.8
7. Other Services and Trade (includes services, rental income, wholesale and retail trade and construction)	415.8	424.7	441.3	443.2
8. Rest of the World	—1.0	—0.8	—0.9	—1.3
Total National Income	1,680.3	1,708.0	1,838.7	1,806.7
Per Capita Income in Rs	225	226	239	233

Source: Central Statistical Office, Pakistan.

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A MILD sensation was caused here as elsewhere by the Nagpur incident. The Prime Minister has pooh-poohed it, but it has cast some reflection on security arrangements; and there is whispered recollection of that fateful day when a desperado got at Mahatmaji. Of course, Panditji himself is to blame for having risen to power on the wave of popular enthusiasm; and then being personally allergic to all forms of snobbery, he hates security arrangements. But there is great social concern in the preservation of his life. The recent incident has only deepened the affection that the masses bear unto him. They know that he will stand by them in all circumstances and that his party henchmen are only birds of prey and passage.

But what is to be done when a man is cast in the heroic mould? He treats life as a grand adventure in which there is no room for meanness or pettiness. He is the only man who has followed Gandhiji's advice that a Minister—a Prime Minister, particularly—should occupy his chair lightly and not tightly! This was the advice given by the Mahatma to Ministers who met him in 1937 in connection with the acceptance of office under the Government of India Act of 1935. Of all the world's statesmen, including those of the Big Powers, he alone does not care for the highest job in the State. These sentiments come naturally at a time when there has been a foolish attempt to attack him.

INTERESTING SPECTACLE

One realises how much the Prime Minister has come to occupy the stage at Delhi when he is out. Parliament was in fact empty without him. It was like a coffee house at lunch time with a few stragglers talking like ghosts without life in them. With his arrival, the debate became lively and even duds began speaking brilliantly! Before I deal with the Parliamentary debate on amendments to the Constitution, there is a point that occurs to me. I must mention it—lest I miss it—though it reverses the chronological order. When the debate in the Lok Sabha closed on the motion of

the Prime Minister to refer the Constitution (Fourth Amendment) Bill to a Joint Committee of the Houses, it was a sight to see not only Members of the Congress and PSP, but also of the Communist Party walking into what may be called the Prime Minister's lobby. Pandit Nehru has achieved 'Left consolidation', which was the dream of Netaji Subhas Bose.

Now to the debate, which marks a turning point in the social history of this country. Hearing the Prime Minister was an intellectual treat. Whoever said that the Pandit is a defunct lawyer? This is an idiotic remark. Even for a lawyer, he was very good, though he humbly described himself as a layman. He made a masterly analysis of the Constitution and of the functions of the Judiciary and Parliament and described how the whole mechanism had to function in terms of desired social ends. From another angle, the Prime Minister appeared like a craftsman—or should we call him a surgeon?—sharpening his instruments before he commenced his operations? He was sure of his job, the manner of doing it and the end! There was no nonsense about it. But there was deep anxiety in him to carry along with him, as persuasively as possible, but nevertheless powerfully and decisively, all the co-sharers in political life and the whole mechanism of government to a concrete accomplishment of the socialist ideal. He wants to see the Amendments through at the budget session itself. The Joint Committee has been asked to report by March 31.

APOLOGETIC START

The Prime Minister began apologetically, justifying changes in the Constitution, as they were. Flaws had appeared in practice. Now they had had actual experience of the working of government, whereas at the time of drafting the Constitution, they had "the mere theory of it". There was no justification for circulating the Bill to elicit public opinion. The public had already been given full opportunity to consider it. Even with regard to the Select Committee, the Prime Minister made it clear that it was just

formal: "We certainly approach the Select Committee with certain firm opinions of ours in regard to the basic provisions of this amendment to the Constitution. But if any of the suggestions that have been made or that might be made, keep that firm principle intact and improve drafting, then certainly I hope the Select Committee will adopt that" (Italics mine). If we did not know the man, this would appear dictatorial. It really is, but of the Platonic type. In fact, any close analysis of the working of parliamentary life in new India—I have no knowledge of the States, but I am told on good authority that the standards are at most places lower—shows clearly that but for the masterly handling of the Prime Minister, this infant democracy would have, exactly as Plato described it in his Republic, descended into a mobocracy, with the so-called leaders of the people fighting over loaves and fishes.

The Prime Minister said in the course of the debate that the purpose of the Amendment was to restore sovereignty to Parliament in social and economic matters as was the intention of the Constitution and to limit the judiciary to purely judicial functions. He even went further and advised the Supreme Court to fit into the new scheme of things and not to obstruct social change through mere legal quibbling. This is what he clearly meant, though his language was marked by extraordinary courtesy, humility and caution. But he left none in doubt about his attitude: "... the ultimate authority to lay down what political or social or economic law we should have is Parliament and Parliament alone; it is not the function of the judiciary to do that." There was, however, no question of by-passing the Supreme Court. In fact, this very Amendment proved that Government had accepted the Supreme Court's interpretation of the Constitution and it had therefore come to the House for correcting the error in the original draft.

There was no question of expropriation. Compensation would continue to be paid in case of compulsory acquisition, but the manner

and quantum of compensation would be determined finally by the legislature. On the other hand, any alteration, modification or extinguishment of the right of property by regulatory laws, as was actually the case with regard to Sholapur Mills—here, the Prime Minister was rather bitter—was not tantamount to compulsory acquisition and would therefore be differently treated. The Prime Minister then digressed and spoke straight from his heart: "... speaking for myself, I can imagine or conceive of a thing whereby in the case of a slum no compensation might be necessary or desirable." Coming back to the principal point in the debate, the Prime Minister made an important distinction based on the deprivation of property rights in the case of individuals and changes in property rights due to what he called "social engineering".

This is somewhat of an original contribution to economic and political philosophy and to the law of the Constitution itself: "... Now, there are two types. One is compensation to an individual for depriving him of his individual property for a specific purpose. Now, that stands on a separate footing, in my view, from some social scheme, of social reform, some social engineering or the like. ... In the case of normal land acquisition, the normal laws prevail and the normal full compensation is given, but where all this affects a much larger sphere, the social sphere, then we have provided differently. If you are aiming, as I hope, we are aiming—and we repeatedly say we are aiming—at changes in the social structure, then, inevitably, you cannot think in terms of giving what is called full compensation. Why? Well, firstly, because you cannot do it. Secondly, because it would be improper to do it, unjust to do it, and it should not be done even if you can do it ... if we are giving full compensation, well, the 'haves' remain the 'haves', and the 'have-nots' 'have-nots'. ... It cannot be done, if you have to think not only of the type of property, but the history behind it, the social consequences behind it. ... The object is not to expropriate, the object is not to injure anybody; the object is a positive object, to bring about a social change for the benefit of the largest number of people doing the least injury to any group or class."

This is not Marx but Bentham. The Prime Minister then began

quoting from the Directive, but non-justiciable, Principles of the Constitution and pointed out that its very text makes it "the duty of the State to apply these principles in making laws". The Prime Minister referred pointedly to one of these Directive Principles, according to which "the State shall, in particular, direct its policy towards securing that the citizens ... have the right to an adequate means of livelihood." This is the next stage in the socialist millennium of the Prime Minister.

BUDGET DEBATE

The Rajya Sabha has been discussing Shri Deshmukh's Budget. The debate is yet to begin in the Lok Sabha. In replying to the points raised in the Rajya Sabha, Shri Chintaman was more democratic in approach than usual. He was more witty too, though some of the jokes were not edifying. Referring to the charge of the Deputy Leader of the Communist Party that it was a highwayman's budget, Shri Deshmukh remarked that coming as it did from a member of the Communist Party, it almost sounded like a term of appreciation. His references to "loose budgeting" were hardly convincing; and his ideas of balancing only the revenue budget and leaving the capital budget uncovered showed a most superficial acquaintance with Keynesian economics. Probably the Finance Minister has yet had no time to go through the voluminous Report of the Taxation Inquiry Commission, for the Commission has insisted that capital budget too be covered. The distinction between recurring expenditures being financed by current tax proceeds and 'essentially productive expenditure' by loans (from the Central Bank?) is not only archaic, but dangerous.

This is absolutely contrary to the positive recommendations of the Taxation Inquiry Commission. For implementing the Plan, the Commission is of the opinion that the community must be as highly taxed as possible under the circumstances—it is, in fact, too lightly taxed at the moment—and that the only limiting factor could be the adverse effect on capital formation. It recommends new excise and emphasises that the adverse effect of direct taxation on incentives is highly exaggerated. It is really surprising that the Finance Minister should have been at this stage so ignorant

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of the contents of a document which is supposed to guide him in his fiscal policies. But it is a democracy; Shri Chintaman is a member of the Congress Party; and he has ambitions. He has really changed since he joined Government as successor to Dr John Matthai. He was then all for rationalization, particularly in the administration, and orders actually went out for general retrenchment of surplus staff in Government departments. Quite curiously, the Ministry of Home Affairs, with its tradition of the British regime, came to the rescue of the would-be unemployed with the argument that Government would be handing over free recruits to the Communist Party and ultimately the cost of it all might prove to be greater than the economy! So the poor sheep were saved from slaughter.

DIFFERENT LANGUAGE

Now Shri Chintaman speaks a different language: "... we must ... remember that at the present moment, anything that results in retrenchment of surplus staff is likely to create more problems than it solves. I am certain that if an economy committee went into the matter they will find that we are carrying X per cent in the Ministerial and the Class IV staff as surplus. ... I have myself an open mind on the question, but I greatly fear that the result of any inquiry such as that suggested by the Taxation Inquiry Commission, would inevitably be the recommendation for overall cuts in establishment, which would be difficult to implement, particularly in the present context of unemployment." This is all very good, but I cannot help saying that though Shri Chintaman is speaking a different language, his basic philosophy has not changed. And here too, he seems to have missed the real spirit behind the Taxation Inquiry Commission's recommendation of an Expenditure Inquiry Committee. It is not in that mechanical sense that the Commission has criticised public expenditure.

Surplus staff can be looked at from two viewpoints. It may be surplus in an absolute sense, which is absurd, or in a relative sense, which is usually the case. Staff becomes surplus because of the lack of organisational ability. There is plenty of work calling to be done, even as it is. It is clear we require another Nehru at the Ministry of Finance.

THE ECONOMIC WEEKLY

From the London End

The Fate of Mr Bevan

DEVELOPMENTS on the British Labour front are still unfolding themselves and it is likely that by the time this despatch appears in print, some of them would have taken final shape. That an explosion has taken place within the Labour Party, however, is clear. When Mr Attlee presents the frightful choice, as he is reported to have done,—"It's Bevan or me", it does bring to a head the four-year-old dispute in Labour's policy and leadership. To remove for all time the central cause of disunity in the Labour movement would be a drastic surgical operation. That such an operation may kill the Movement is also a possibility, though, of course, it is quite another matter.

To say that the Bevan poser whether the opposition would support thermo-nuclear retaliation in the event of an act of aggression in which only conventional arms were employed, caused the explosion is to simplify the circumstances of the current rupture in the Labour Party. It is unfortunate, as it was confusing to Mr Bevan's supporters, that the issue in the last round of the Commons' defence debate was made to depend on this very poser. Equally unfortunate is the impression given in the popular press that the rupture is the result of "a clash of personalities" in the struggle for the "eventual leadership of the Labour Party." From a very narrow viewpoint, this may be true. But what appears equally true is the fundamental difference between the two groups in the Party on broad questions of policy. In an historical context this group relationship and its corresponding policy differences are nothing less than a reflection of an inner-party struggle for a Right or a Left policy.

The Bevanites are by no means a cohesive group. Their members appear to have been drawn together more by political instinct than by a clear unity of views. In the current rupture, the Bevanites find themselves all over the place: Messrs Crossman and Wigg supporting the Atlantic Alliance; Messrs Freeman and Acland plumping for independence and neutrality and Mr Bevan himself, in the final phase, standing up against thermo-nuclear warfare, but only in a conventional arms war. It is this confusion in the Bevanite ranks that the Shadow Cabinet's resolution hopes to exploit.

Despite differences, however, the

Bevanites do possess an underlying Left policy and it is well to work out what the Left position really amounts to in terms of foreign policy—a field where the group differences take their most extreme form. A re-reading of Mr Bevan's speech in the Commons shows that there is a thesis, which all the other Bevanites repeated in one form or another. At the risk of over-simplification, this thesis could be summarised as follows: The decision to manufacture and possess the H-Bomb is put forward by the Government and the Official Opposition as an instrument of policy—the policy being deterrence. But, says Mr Bevan, the reality of the situation is that the instrument is the policy itself. "Instrument" and "policy" are indistinguishable and to speak of "deterrence" and "positions of strength" is plain political humbug. In other words, the H-Bomb is a matter of foreign policy and not of defence and if that is the case, it must be clear that there can be no basis for negotiations with the Soviet Union. Such a foreign policy is opposed by most of the Bevanites.

This position of the Bevanites, and in particular of Mr Bevan himself, is claimed to be valid on two grounds. In the first place, Britain has become absolutely committed to waging war with nuclear weapons, if war has to be waged at all, in view of her membership in the Atlantic Alliance. This makes British foreign policy less independent and thus less flexible for the pursuit of negotiations, compromise and a settlement with the Soviet Union. Sir Winston Churchill had already intimated the extent to which his plans for high-level talks had been vetoed by the Americans. Secondly, say the Bevanites, the policy of "negotiation through strength" has proved to be worthless because the "instrument" has come to govern "policy". Sir Winston had intimated that America and its allies were stronger than Russia and yet it remains a fact that negotiations have not been carried out.

What, then, is the Bevanite alternative? There can be perceived a common denominator in the varying viewpoints of its members. In an article in the *New Statesman* John Freeman has put the position as follows:

"Mr Bevan says in effect: 'Negotiate with the Russians now, while there is still time'. Cross-

man and Wigg say: 'One supreme effort ... to find a basis for peaceful co-existence'. Here surely is near agreement".

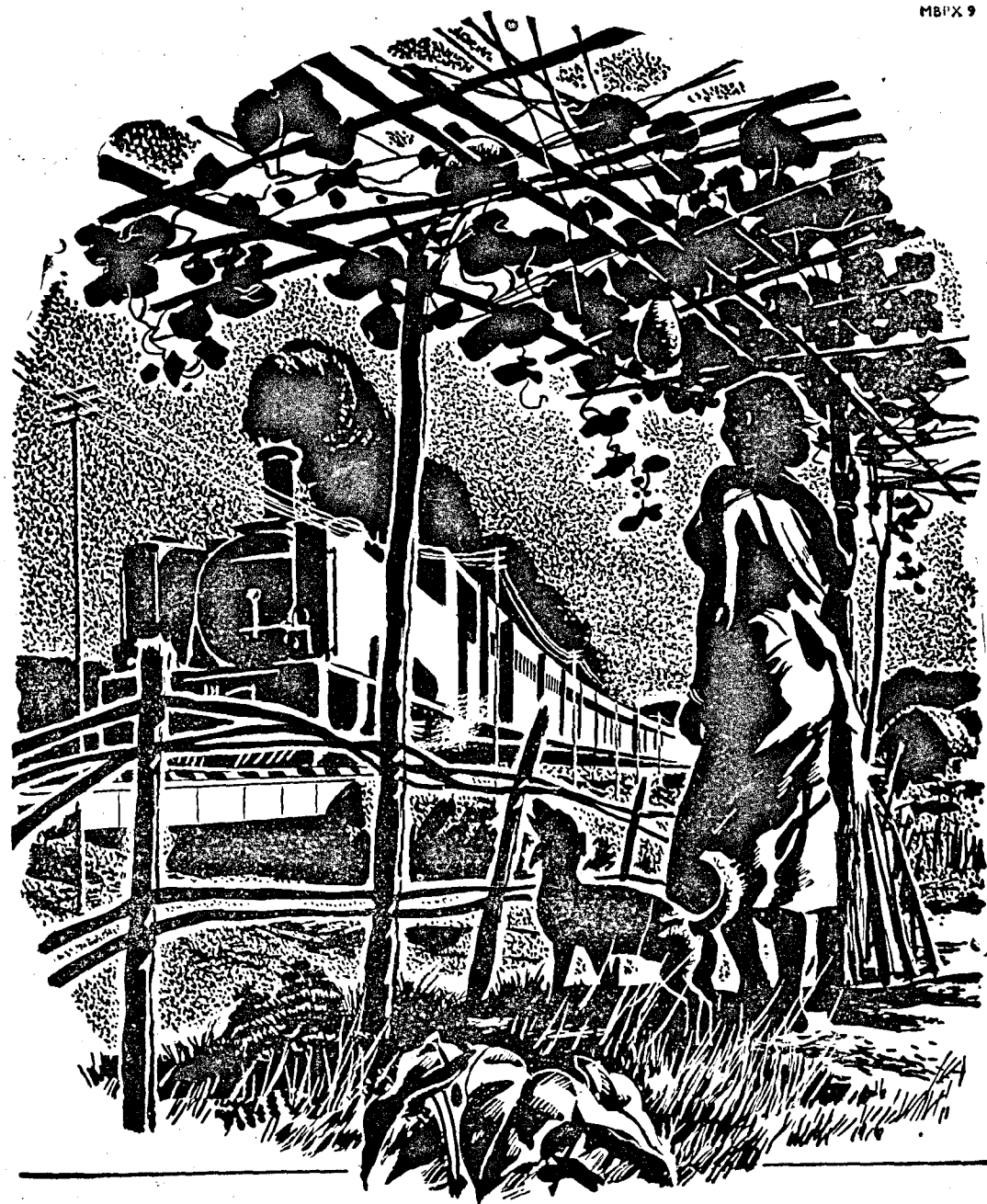
It is "negotiation now" that all the Bevanites want.

What of the Labour Party? It is now clear that the Attlee leadership had hoped for a quick withdrawal of the parliamentary whip on Mr Bevan and thus create a *fait accompli* before the rank and file woke up to the situation. Mr Bevan's indisposition—due to an attack of influenza—had averted this and already some constituency Labour Parties have made representations against the intended expulsion. But from the reported determination of the Attlee leadership to carry out the expulsion, it is clear that only the wholesale rejection of this course and thus of the leadership by the Labour MP's will save the situation.

All the circumstances suggest that the intentions of Labour leadership are thwarted by bad tactical calculations. The General Election is not far-off and the process of expulsion from the Parliamentary Party to the National Conference would subject the Party to unrelenting turmoil for some six months or so. More than that, those who think that expelling Mr Bevan would restore the Party's health reveal "an astonishing ignorance of the rank and file". It appears more likely than not that the crowds will continue to back Mr Bevan against German rearmament and nuclear strategy, whether he is thrown out into the wilderness or not. If Mr Bevan is expelled, will the other Bevanites follow him as Sir Richard Acland has done before being asked? This must remain largely uncertain until the Parliamentary Party meets next week, but, maybe here too Mr Attlee has miscalculated. The words of John Freeman, who left the Labour Government with Mr Bevan in 1951, writing in the *New Statesman*, are potent:

"With the present paralysis of leadership we should be innocent if we believed that the Movement as a whole does not seek guidance and initiative from the Left. And we should be innocent too, if we believed that ... the Left can function without Mr Bevan".

Can this mean that a new political party will arise from the expulsion if carried out?



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Is Market Research Worth the Money?

F R Iraqi

THE general scarcity, experienced during the war and post-war years, has long been over and normal economic forces have come into play once again. And with it, competition has become keen, particularly in consumer goods. A new factor has appeared on the scene, since it is now the declared policy of the Government that not only industry, but the products of industry must bear a progressively heavier burden of taxation. Customers had already become selective. So, if business had to adjust itself from a seller's to a buyer's market, today, squeezed in between consumer resistance on the one hand, and the tax gatherer on the other, businessmen will have to think out new ways of meeting the changed and changing situation. In the good old days, one could sell in the days of prosperity, and cut overheads and retrench in times of recession. That won't do any more. The Industrial Tribunal will not let you do it.

Under such conditions what role marketing can play has to be seriously assessed and tested by the Indian business. It is no secret that research, whether social or technical, has not yet acquired its rightful place in the world of Indian business. On the contrary, in many quarters, research is considered as idle luxury, a decorative appendage of big business houses. Expenditure on research, whether on marketing or on techniques, may be gradually allowed when money is flowing in; but it is the first to be pruned the moment prospects turn down.

Again, market research is different from technical research. While the results of technical research, the latest techniques can be 'imported' and applied with little modification, knowledge of internal markets cannot be gained from abroad, at least, not directly. Even the technique and methods of market research have to be modified in order to suit the local conditions. And to be of any use at all, market research must be conducted on the spot.

GETTING THE BASIC FACTS

Can commercial research make any worthwhile contribution to the industry in India? Can industry afford to spend money on it? Would the returns be worth the money? Opinions differ on these questions. Many of our business magnates and founders of big business of today

rely very largely upon a hunch that a particular product would sell and that this or that method would sell it. We have evidence of their success in the continued existence of these businesses but we have few reminiscences of the failure; organizations which failed in their infancy because they were started on a wrong estimate of demand, based on incomplete information, rarely leave behind any visible evidence.

Wherever he operates and in whichever trade he enters, an industrialist requires some basic and reliable information. The most important of these are the size of market, its trend, the relative importance of his product as compared with those of his competitors and the composition of the market by the type of product. No manufacturer can start production without giving due consideration to these facts. Whether he depends on a trained marketing research man for finding out these basic facts or employs his own horse sense, the fact that he does employ the technique of marketing research in one way or the other is indisputable. How thoroughly the market has been surveyed and the prospects for his product analysed will determine the fate of the manufacturer.

REASONABLE CHANCE

In modern business the marketing research represents the difference between a reasonable chance of success on the one hand and unpredictable results on the other. Today, radio manufacturers are faced with a minor slump in the market. The post-independent period witnessed a mushroom growth of radio factories or assemblers; the market was flooded with certain types of radio sets which happened to be in good demand at one time. But now as the supply has exceeded the demand, the manufacturers are left with unsold stocks. They have tried to meet the situation as best as they can by offering enormous discounts and entering into cut throat competition. But can price cuts push up sales? Not beyond a point. And that point is soon reached. The economic condition of consumers has to be considered, their prejudices and preferences. They could have avoided this situation had they analysed the market capacity, position of different competitors and consumer preferences and biases. Forecasting of demand is a tricky business. But with the careful application of research, potentiality

of any product can be estimated to a reasonable extent. The major contribution of marketing research is that it supplies the facts which can help the manufacturer to avoid mistakes, assess the strength of his competitors, know consumer preference and very often prevent considerable sums of money being spent needlessly.

WHAT RESEARCH CAN DO

Marketing research studies the needs and preferences of the users and consumers of merchandise and secures such information which would guide the factory to produce more saleable goods and also investigate market possibilities of the development and improvements suggested by the production department. It studies the market trend and prepares the industry for any change which might be occurring in the pattern of consumption of the population. It also guides distribution and advertising. The greatest contribution of marketing research is that it supplies valuable information of the activities of the competitors. It gives information regarding consumer sale, movement of retail stocks, retailers' purchases and their sources, live distribution in the shops, price discounts and trade displays. Value of such data cannot be overemphasised. Only if the relative position of competitive products is known can the real standing of any product in the market be assessed.

Market research can also be used in export trade to find out what one could make and supply at a price suitable to the consumers of the countries concerned. Study of export markets has its own technique, but it is not very different. If one is conversant with market research in home market, one can adopt the same methods to export fields just as one has to adjust one's products, packages and advertising to those same markets.

A CONTINUOUS STUDY

Marketing research should not be regarded as an once for all investigation, to be conducted only before launching a business or to investigate the undercurrents when sale problems knock on the door. Market research should be accepted as a continuous study. Market trend which forms an important aspect of market study, is dictated by the consumer. There is a continuous shift

in consumption pattern, which is affected by economic conditions, fashion, education and intensive advertising. In order that a manufacturer may not be caught unprepared, a constant eye must be kept on the market trend. For instance, a small team of investigators may be employed to call on shops and take stock of the products they are investigating as well as that of competitors' products. After a couple of months, they should go round again and take details of the stock and invoices. Provided that the sample is accurate, a true picture would be obtained of what is moving into the shops and what is moving out.

NOT OVERWORKED

It is usual for field workers engaged in market research to complain about the non-co-operative attitude of dealers or the public. There is ground for such complaint. To satisfy the curiosity of an investigator is a thankless job. Few would like to be bothered. Many take it as an intrusion on their private life. Some may even suspect the motive of the investigator. But don't we make a great issue of it? From my own experience I can emphatically say that these difficulties can be easily overcome and that they are by no means

peculiar to this country. The right man, with the right attitude and at the right time can certainly win the co-operation of the consumer or the dealer from whomsoever he requires information. Our townfolk have not been pestered over much by market investigators to put them on their guard and there are many who would willingly oblige. Even the returns to mailed questionnaires issued in India are usually much higher than in other countries, despite the free gifts often offered in USA and UK to the party interviewed. Moreover, one or two refusals should not discourage the investigator.

From the standpoint of cost, market research may be considered an expensive item, but certainly it is not a luxury. It is worth the money, since it provides knowledge of a kind which is important to the successful marketing of most products, provided always that the cost is kept within reasonable limits. If it were unprofitable, then obviously so many of the large firms making use of market research would not continue to do so. But it would be wrong to think that market research is a fancy item of expenditure which only big business houses can afford. It is necessary, even for businesses of a modest size.

Companies with crores of rupees can certainly afford to have extensive market research, but whatever the size of the business, market research is necessary in some form or other. Like many business operations it could be elaborate in its sphere of investigation or could be designed on simpler lines that would give the essential information upon which to act with a reasonable degree of assurance. For example, a small firm can select an intelligent girl from amongst the staff, instruct her in the technique of interviewing, supply her with a proper questionnaire and send her out amongst housewives to see what she can find out.

Moreover, many of the advertising concerns engage trained research personnel, who can give such services to their clients. It is for businessmen and advertisers to make proper use of their services. True, advertising consultants may not be able to give continuous service to the clients. But periodic consumer surveys can well be undertaken by them. The small and medium sized manufacturers' organizations may entrust their market research projects to their advertising agencies while big business houses may have their own research department, with trained staff under an expert director.

World Bank Plan for Jamaica

R K Hazari

MANY of the British Colonies have invited World Bank experts to survey their respective economies and draw up a programme of development for them. The latest are Nigeria and British Guiana. A World Bank Mission visited Jamaica during March and April 1952 at the request of the Governor of the Colony. Though it is quite some time that it submitted its report and its 10-year development programme, it is interesting to note that in the general elections held in Jamaica in January this year, the Jamaica Labour Party, the party then in office which, despite its name, is more to the right than the People's National Party which won, fought the election on a programme based largely on the development plan drawn up on the lines recommended by the World Bank Mission. It may be noted that the Jamaica Labour Party which lost the election believes in the encouragement of private enterprise, subject to certain principles and at the same time, it works for an increase in workers' wages, while its opponent, the People's National Party which won, has a comprehensive liberal programme including suggestions for a planned agricultural industry and the first steps towards a welfare state. Both the parties aim at self-government. But that is quite another story.

The first problem that the leader of the People's National Party, Mr Norman Manley, a former Rhodes scholar and distinguished West Indian lawyer, will have to face is the attempt of the Colonial Office to limit the immigration of Jamaicans into Britain. Paradoxically enough, it is the conditions which drive out West Indians from the island which helped the Socialists to defeat the Jamaican Labour Party which is labour only in name. The People's National Party has also a big development programme, particularly for the island's backward and neglected agriculture. But the World Bank programme favouring private enterprise is not likely to find favour with it. This is, however, only by way of introduction. Let us now get down to the report.*

*The Economic Development of Jamaica. Report by a Mission of the International Bank for Reconstruction and Development. Published for the Bank by the Johns Hopkins Press, Baltimore. Pages 288. Price \$5.00.

The report of the World Bank Mission to Jamaica sets out to dispel the gloom that had settled on this largest of the British Caribbean islands, with a density as high as 314 persons per square mile. Jamaica, incidentally, is familiar to demographers as one of the few underdeveloped countries, which has a long record of fairly reliable population data. The island has succeeded in nearly halving its infant mortality rate during the course of this century and has also attained a comparable improvement in the death rate. Famous for her sugar and rum (and rumba), Jamaica's most pressing problem for some time has been chronic unemployment which the IBRD estimated at about 15 to 20 per cent of the labour force. This unemployment is all the more remarkable because nearly half of her farms are between four to twenty-five acres. The Report does not mention how this unemployment has been disguised, nor like other IBRD Reports does it give the historical background to this state of affairs. The present acuteness of the problem is evidently the cumulative result of history, because from 1943 to 1950 the national income has increased at an annual rate of 4 per cent, thus keeping pace with population growth, though admittedly, employment has not expanded *pari passu* with production, due to the small scale of farming and perhaps a little rationalisation in whatever industry that does exist.

The Mission refused to be cowed down by these formidable problems and set great hope by Jamaica's large and diverse agricultural resources, variety of rainfall, satisfactory underground water resources and possibilities of further developing the tourist industry together with bauxite mining. The main solution, it found, lay in agriculture, not in mining or industry. Indeed, the Mission felt that industry had only a limited possibility because of the small size of the home market and relatively high labour costs. It emphasised that productivity needed to be increased in crops produced for the home market, which accounted for two-thirds of the area under cultivation, though sugar and rum made up nearly one-half of exports in 1950 and bananas contributed another 15 per cent. It recommends a

greater use of fertilizer—practically all of which is at present consumed by sugarcane and banana farms, for both crops as well as pasture. Production of fertilizers should not be difficult because the island has large deposits of gypsum and phosphates. To stimulate the growing of livestock, the Mission recommended a programme for the improvement of pastures and a rise in prices of beef. The Report, however, does not explain how the use of fertilizers is to be made economic for home crops. It appears, nevertheless, that the island economy would be benefited from greater attention paid to food crops.

Soil erosion, caused by deforestation, bad cultivation and growing of maize on hillsides has worked havoc in the past, with the result that forests now have only 17 per cent of the total area, when three centuries ago, they covered virtually the whole of Jamaica. A re-afforestation programme is recommended together with other soil conservation measures. The latter are in any case essential because hillside cultivation cannot be reduced, far less abandoned, as only 20 per cent of the land is flat. Proposals have also been made for irrigation and reclamation projects, largely to benefit small holders. The World Bank Mission also lays its finger on a sore spot when it points out that as much as one-third of the agricultural land is under annual tenancy; wasteful exploitation and absence of incentive to improvement are inevitable in the circumstances. It suggests taxation of land on the basis of unimproved rather than improved values, to give additional incentive to development. In order to capture the imagination of the people—the Mission is convinced that "timid half-measures will not solve Jamaica's problems"—development should be launched in a big way with a complete aerial and ground survey as a basis for proper planning of land use.

Deploring the number of agencies which approach the farmer for agricultural improvement, the report suggests the co-ordination of all effort through a Land Development Corporation, practically autonomous of the government. The IBRD's zeal for autonomous corporations is, of course, well known. But in the context of Jamaica's subsistence

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farming, this suggestion is significant for two reasons—(1) agricultural extension through farmers' societies in Jamaica has a long history and it is supposed to have made good progress and (2) it is the confusion created by different agencies approaching the peasant that led our Planning Commission to evolve the Community Project. One would have liked the Mission, therefore, to investigate such other alternatives as the Indian type of Extension Blocks, or improving the farmers' societies which are perhaps cheaper as well as capable of arousing more public co-operation. But the latter is a virtue very difficult to inculcate in any backward country. In a non-self-governing territory, it must be much more difficult. But since such co-operation is in any case essential for the admittedly optimistic programme suggested by the Mission, there is some justification for experimenting with Extension Blocks.

It is in many ways symptomatic of industrial conditions in underdeveloped countries that industrial wages in Jamaica have risen faster since 1946 than in Britain and that Jamaican labour unions are controlled by rival political parties. Industrial strife, however, has abated since employers have come to tolerate organised labour.

The transport capacity of Jamaica is considered broadly sufficient by the Mission, though the Railways are operating at a low level of efficiency and have never been able to cover their debt charges and between 1946 and 1952 did not even cover their operating costs. An increase in fares and freights which are unduly low has been recommended.

The Mission has the usual things to say about the 'bookish' education imparted in Jamaican schools and the attitude to manual work such education fosters. A markedly literary, instead of a technical bias in education, however, as in other economically backward countries, is due to the lack of demand for vocationally trained people in adequate numbers. Technical education is not impeded so much by social attitude as by the absence of industrial development to absorb trained men, inadequacy of facilities for the necessary training as well as the financial difficulties of parents. 'Bookish' education is the cheapest and the only one available in most cases. In other words, the fault lies not so much in the

educational system *per se* as in the social and economic milieu.

Jamaica, however, shows distressing symptoms of psychological tension which is not entirely explained by chronic unemployment and poverty; the island has more patients in its mental hospitals than in all other hospitals put together. Unless for some special reason there are more hospitals in Jamaica to take care of minds in distress than of ailing bodies, which is unlikely, this extraordinarily heavy incidence of mental diseases shows a lack of social adjustment which must be unique for underdevelopment countries which are often blessed with stabler, and therefore more satisfying social and family relations.

The total development programme drawn up by the Mission, which has been fully phased out from year to year, amounts to £34.5 million, to be allocated as follows:

	£
Agriculture	13.7
Railways (Capital investment)	0.7
Harbours	0.08
Airports	1.2
Land Survey	0.7
Industrial development (incl. sugar mill, loans and technical service)	5.6
Rural Housing and water supply	3.5
Urban Housing	2.0
Education (Capital outlay)	4.4
Health (Capital outlay)	2.7
Total	34.5

The period of maximum concentration of investment would be from 1955-56 to 1958-59. The Mission lays particular stress on not allowing the provision for social services to outstrip the available resources or to divert them excessively from other channels.

In anticipation of possible financial difficulties in achieving an increase of 75 per cent in the national income within a decade from 1952, the Mission also put forward a Maximum and Minimum Programme. It is against raising direct taxes which already contribute 25 per cent of the public revenue, and suggests a greater recourse to indirect taxation. Loan financial expenditure is expected to, raise debt charges from 5 per cent of revenue in the base year to only 7.4 per cent of estimated revenue at the end of 10 years. An indication of the institutional progress already attained in Jamaica is pro-

vided by the ability of insurance companies, building societies, banks, and crop insurance and price stabilisation funds of some agricultural groups to contribute slightly less than half of the projected borrowing if they are properly roped in, the remaining being expected from the UK.

The process of economic growth in underdeveloped countries has been generally accompanied by the rise of plural economies which while not entirely disconnected nevertheless remained unintegrated. Food shortages, balance of payments difficulties and a reduction in international capital movement have now rendered it necessary to look after the 'economic interior' too and align it with available knowledge and techniques. These shortages and difficulties are to some extent blessings in disguise, offering new and pressing challenges, and inviting creative responses. The IBRD Report on Jamaica would have served its purpose well, if its programme provided a framework for these responses.

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American Agricultural Surplus and India

AMERICAN farm policy has two sides to it. It protects the American farmer by assuring him a minimum price for his produce, guaranteeing him fixed real income in terms of the things which he buys and so on. It does not always work out that way in fact. Realised net income of all farm operators from farming in 1953 was 7 per cent less than in 1952, and 13 per cent less than in 1951. And the purchasing power of this income was less in 1953 than in any year since 1940. But maintenance of agriculturists' income is the idea behind price support. This is done in the first instance at the cost of the American taxpayer, or the national economy, put it whatever way you like. The Commodity Credit Corporation, with unlimited capital, buys up from farmers at fixed prices whenever farm produce in the open market falls below support price. It may not always buy, for the farmers may not want to sell. Price support in that case would mean that agricultural produce or dairy products would move into loan stocks. The farmer will get his price just the same, but he will keep a lien on his produce in case the market subsequently moves up.

Following this policy during the past few years, the Commodity Credit Corporation has acquired huge stocks of all sorts of agricultural produce and dairy products. When the world was short of almost everything at the end of the war, it was not for industrial products alone that the rest of the world was dependent on the US. It was equally dependent on the US for cotton and wheat to mention the principal ones, particularly cotton, in which US is by far the biggest exporter. At the time, the fate of the world depended on American farm policy in the matter of both food and clothing, particularly clothing, because the rest of the world had to go naked if America chose to maintain too high a price for cotton, which she did.

These agricultural surpluses however cannot go on accumulating indefinitely. After all, even America has a limit for paying farmers for things which are not saleable at the market price. With the improvement in world production of agricultural commodities in the last few years and the falling trend of prices after the Korean boom, the production outlook for many of the commodities has changed for the better. This has aggravated the problem of the disposal of surplus American stocks such as those which are now

being held by the CCC. So when America suddenly reversed her policy and decided to dispose of her surplus stocks in world markets at below the support prices maintained at home, agricultural countries, specially those dependent on agricultural exports, had to sit up and take notice. In his Foreign Economic and Trade policy statement in last September, the US President declared:

"1. The world supply and demand situation in agricultural products requires in the interest of the general welfare, an orderly and gradual liquidation of our surpluses. Such a policy, arrived at with the full knowledge of friendly nations, would go far to eliminate fear arising from uncertainty.

"2. The United States cannot be satisfied with the position of holding its own supplies off the market and accumulating surpluses while other countries dispose of their entire production. Accordingly the United States will offer its products at competitive prices. At the same time, the United States will not use its agricultural surpluses to impair the traditional competitive position of friendly countries by disrupting world prices of agricultural commodities.

"3. The United States will seek in co-operation with friendly countries to utilise its agricultural surpluses to increase consumption in those areas where there is demonstrable under-consumption and where practical opportunities for increased consumption exist or can be developed in a constructive manner. The United States will attempt to utilise such opportunities in a manner designed to stimulate economic development in friendly countries and to strengthen their security position.

"4. The United States recognizes that movement of goods in foreign trade is dependent upon the enterprise of private business—foreign and domestic. In implementing these policies with respect to agricultural commodities, the United States Government will seek to assure conditions of commerce permitting the private trader to function effectively."

Subsequently, these policies were incorporated in the statutes passed by the Congress concerning dollar aid; the disposal of US agricultural surplus was henceforth to be made a part of whatever economic assistance the US gave to other countries. At the end of March 1954, US

Government stocks of surplus agricultural produce amounted to over \$6,200 million and they were still going up fast. The CCC, reversing its previous policy, started to sell many commodities abroad at world market prices which were far below US export prices. Mark the word "world market prices"; it means prices ruling at a time when American supplies had not been on the scene at all. Naturally, therefore, the reaction of agricultural countries changed from one of concern to consternation, as disposal of US farm products began in a big way. The stocks at the end of March 1954 with the CCC were as follows:—

Stocks held by Commodity Credit Corporation

	as on March 31		
	1952	1953	1954
(Million United States dollars)			
Wheat	503	1,126	2,183
Maize	651	819	1,292
Cotton seed oil	5	98	184
Linseed oil	60	55	20
Flax seed	4	14	57
Butter	—	64	222
Cheese	—	15	129
Milk	5	22	95
Tobacco	202	227	275
Cotton upland	62	322	1,306
Cotton linters	2	31	56
Wool	—	67	81
All others	237	206	329
Total	1,731	3,066	6,229
Total excl cereals	505	1,095	2,616

The reaction of agricultural countries to the implied threat to their home as well as export markets was pin-pointed in the proposal put up by Argentina for the formation of a body inside the FAO for 'International Action for the Defence of World Markets for Primary Commodities'. As the GATT is the body to investigate, review and regulate, if not to adjudicate cases of export subsidy, it is natural enough for the agricultural countries or member-countries with substantial interest in agriculture to represent their cases before the GATT when it met to review the Agreement. In the representation made by Canada, for instance, it was pointed out that

"The Agreement should recognize more fully and effectively the damage that one country can do to the trade and production of other countries by means of export subsidies and other artificial aids to its exporters. In particular, we believe

that the Agreement should clearly limit the use of export subsidies".

Australia went a step further and suggested that

"The GATT should not only impose an obligation on exporting countries to refrain from using export subsidies or disposing of surpluses in a manner harmful to other exporters, but should also require importing countries to take steps to protect the interest of third countries against subsidized goods disrupting their markets."

"The GATT should also provide safeguards governing the entry of surpluses into world trade and ensuring that subsidized goods did not obtain more than a fair share of world trade."

The Australian Government did not consider that domestic subsidies of agricultural and other commodities were necessarily harmful to world trade. It considered, however, that such subsidies should be subject to some kind of control similar to that operating on tariffs and quantitative restrictions and that the GATT should have a provision which "would make possible the development of effective principles and procedure for consultation and action on commodity problems".

The New Zealand representative made no secret of the fact that

"His Government was disturbed, however, by certain trade developments which tended greatly to lessen the value of the GATT and which, if maintained, could undermine its structure as to render it futile."

This is the background against which has to be reviewed the more recent developments in the matter of disposal of American surplus produce. The US Government, which approved a 50 per cent increase in the tariffs on Swiss watches to protect the American watch industry, and which also at the same time talked freely about "free trade" is reported to have decided to sell on world market 10 million lbs of butter out of the stocks with the Commodity Credit Corporation on a "best bid" basis by scrapping its minimum price programme.

It may be recalled that hesitant attempts on the part of the US Government to sell butter in the recent past brought forth a storm of protest from Denmark, Holland, New Zealand and Australia and the US Government was accused of attempts to "dump" American butter outside. Being forced to put this proposal in cold storage, the USA next seriously thought of selling dairy products to USSR. When

it realised that the chances in this regard were not bright, it sent out "ghee" experts to India to study the Indian ghee market, as not much opposition was to be expected from the leading dairy countries like Australia to this particular enterprise. But what about Indian farmers' interests?

According to reports, price of American ghee will be roughly half of that at which Indian ghee is available. The internal purchase price for butter offered by US Government to American farmers is about 58 cents per lb. Taking the cost of conversion (from butter to ghee) at 4 cents a pound, this ghee is expected to be sold in India at 25 cents per lb. In other words, the US Government will be subsidizing to the extent of about 40 cents per lb.

Now about the ghee prices in India. Granting that good and unadulterated ghee is rarely available in urban markets, it cannot be denied that ghee prices have already shown a marked decline in the last 3 years as is evident from the table below.

It is against the falling prices of ghee that the American offer of selling ghee at subsidised rates will have to be viewed. If it were some industrial product, there would be a hue and cry about American attempts to "dump" in the Indian markets, but as it is only an agricultural product, some of our people think that it will (1) conduce to the health of the nation, (2) lead to new wide-spread understanding of American goodwill, (3) cause a desirable expansion in consumption which had been curtailed due to high prices, (4) be a graceful gift, which will rule high in many acts of unparalleled generosity on the part of America to nations in need, and (5) make a noteworthy contribution to a better diet for India.

Moreover, among farm products, dairy products are not believed to be of a magnitude that may seriously disrupt world trade. That the Indian market has not been seriously perturbed by the proposal of ghee import from America under the less familiar but less alarming name of 'Butter Oil' is perhaps because the

magnitude involved is not considerable and producers of ghee are small and scattered. The possibility must also be reckoned with that the American offer may after all turn out to be a damp squib. In the first place, it still remains to be demonstrated that America is actually prepared to sell its ghee at sacrifice prices. The contrary, in fact, appears to be the case, for according to a report emanating from Washington Pakistan has agreed to take 4 million lbs of American butter at a negotiated price of 50 cents per lb. This is equivalent to a price of Rs 2-12 per lb of ghee. Moreover, consumer resistance in the past against Australian ghee and the extreme dependence of ghee sales upon local tastes and preference make the prospect of heavy sales of the American product uncertain.

For the first time, after many years, thanks to the improvement in the agricultural situation and the declining trend in agricultural prices, ghee is again reappearing in the market and is becoming more readily available. This will of course please everybody except perhaps the manufacturers of Vanaspati. But it will be hoped that improvement in supplies will not be nipped in the bud by subsidised exports from America at cut-rate prices.

Actually, if a part of the American assistance has to be taken in the form of surplus produce, the obvious choice should be cotton. If such cotton is to be used for manufacture of cloth for export markets, there may be some protest. But in that case India would be in the same boat with the other textile exporting countries and since all 'friendly' countries would be free to avail of the American offer, there would be no valid ground for discrimination against India. In any case, in a matter like this, guidance will have to be sought from international agreements. In view of the considerable stir created by the threat of large-scale dumping of American surplus, agreement on the trade policy to be adopted in respect to such surpluses both by exporting and importing countries should soon be sought on an international level.

Price of Ghee: Bombay Market

Date	Agmark Special		Agmark General		Belgaum
Feb 22, 1952	..	223 8 0	217 8 0	215 0 0	
Feb 28, 1953	..	216 0 0	208 0 0	208 0 0	
October 31, 1953	..	205 0 0	198 0 0	176 0 0	
October 30, 1954	..	200 0 0	192 0 0	172 0 0	
Dec 25, 1954	..	192 0 0	184 0 0	156 0 0	
Feb 19, 1955	..	180 0 0	170 0 0	146 0 0	

The Kohinoor Mills Company Limited

Speech of the Chairman, Mr E D Sheppard, delivered at the Sixteenth Ordinary General Meeting of the shareholders of the Company, held on March 17, 1955.

Gentlemen,

I expressed the hope when I last addressed you that wiser counsels would prevail all over the world and some lasting agreement would be reached among nations for the preservation of world peace. During the course of the year we saw the end of the war in Indo-China and, once again, India was in the forefront of those who were attempting to bring about an armistice in this war-torn area. When finally an armistice was signed, a three-nation committee was set up under the Chairmanship of India to undertake the onerous task of partitioning of the country, evacuation of contending forces, repatriation of prisoners-of-war and general rehabilitation. Once again it has been proved that the Indian Army is second to none in its impartiality, its discipline and its efficiency in dealing with difficult situations. It would seem, however, that we are not yet free from the attentions of the many-headed hydra of war as no sooner was Indo-China relieved, than trouble started between the two Chinese governments, and the People's Army has started its offensive against the Nationalist Chinese government in Formosa. The world situation is again explosive, and it is to be fervently hoped that this issue will be localized and will not evolve into a wider conflict. The Prime Minister of India along with others is sparing no effort to bring about a peaceful solution of this vexed problem.

Nearer home I am afraid the situation remains a stalemate. Despite meetings between the Prime Ministers of India and Pakistan the setting up of Joint Commissions, etc, the problem of an understanding between these two neighbours eludes solution. There is little improvement in trade between the two countries, and they still go their several ways, with a consequent strain on both their economies.

INTERNAL IMPROVEMENT

At home, during the course of the year, there was a definite improvement in economic conditions and, after many years, India achieved self-sufficiency in food with the consequent abolition of rationing all over the country. There has been a pro-

gressive fall in the prices of food-stuffs but, unfortunately, this fall has not been reflected in the cost of living index compiled by the Government of Bombay. This is difficult to understand.

A plentiful monsoon saw the end of the bogey of electric power rationing. Furthermore, after years of deliberation, the Government of Bombay at last gave the green light to Tatas for the erection of the second half of their thermal power station of 100 MWS at Trombay. The commissioning of further sets in the Government/Railway Power House at Kalyan has further eased the situation and, at the present time, power is fairly freely available for all normal expansion of industry. Early this year, the Government also started work on their Koyna Hydro Electric Scheme, and it would now seem that, for some years to come, at least Bombay will not again be handicapped, as it has been in the recent past, by a shortage of that essential for economic growth and expansion—the watt. In the wider context, the first Five-Year Plan is nearing completion and the second is getting under way. With the setting up of major industries like Steel and Chemical Works, Oil Refineries and the development of river projects, India is making a start towards its goal of economic and industrial self-sufficiency.

EXPORT AND EXCISE DUTIES

Turning now to the Mill Industry, conditions during the year under review were not quite so good as in the previous year. Although a fairly satisfactory demand for cloth and yarn continued, there was a definite downward tendency in prices and this became more marked towards the end of the year. The off-take from your Mills was as good as could be expected in the circumstances, and they also had their fair share of the export trade where the demand continued to be good. The export duty on coarse counts continued throughout the year but has recently, under the new budget, been reduced to 6¼ from 10 per cent. This should improve the demand for export, but Government have seen fit to enhance the excise duties for local consumption. Whereas, before there were four categories, superfine, fine, medi-

um and coarse, these have been reclassified into two, superfine and others. The duty on superfine remains at 2½ annas, fine goes down from 1½ annas to 1 anna, coarse and medium are enhanced from 6 pies to 1 anna. The duties previously leviable on the linear yard will henceforth be applicable to the square yard. The effect of these changes is very serious, they would cost your Company Rs 8 lakhs per annum, and the Millowners' Association is sparing no effort to persuade Government to revise their policy and reduce this extra impost levied on your industry. The additional excise of 3 pies per yard for the development of the handloom industry continues. It would also seem that the policy of Government is to ban or, in any case, to restrict the installation of extra loomage, although they are prepared to sanction increases in spindleage.

Apart from the additional levies on the textile industry the budget proposals are of unusual severity especially in regard to direct personal taxation. I recall that two years ago, Mr Butler, the Chancellor of the Exchequer, in presenting his budget to the House of Commons, after referring to the "numbing" effect of excessive direct taxation, said "We must banish the hopeless feeling that extra effort is not worthwhile". He then proceeded to reduce the rate of income-tax. The progress made by the United Kingdom since then is a clear vindication of the policy of alleviating direct taxation and the concessions then given have most certainly paid good dividends.

FINANCE MINISTER'S PROPOSALS

Unfortunately in India the recent proposals of the Finance Minister have brought "the hopeless feeling" to business executives all over the country, and indeed many may be excused for wondering whether any effort is now worthwhile.

You all know the story of the man who killed the goose that laid the golden egg. In the context of those embarking on new ventures it now seems that the Government of India is proposing to strangle the gosling before it can reach the stage of laying an egg at all!

Let us hope that the Finance Bill

will emerge from the Select Committee with at least some incentive restored to honest industrialists to develop and expand their undertakings so that India may enjoy the benefits of increased production and employment.

I would like to mention one point of very great interest to you all. Very recently, the Appellate Tribunal of the Industrial Court awarded an extra 5 per cent to mill labour on the bonus paid to them in respect of the year 1952. This has cost the industry a sum approximating Rs 50 lakhs. Furthermore, the Tribunal has also enhanced the rate of dearness allowance payable in the following manner:

Between CLI 325/335	5%
" " 336/350	7½%
Above " 350	10%

This measure will cost your Company Rs 8 lakhs and the industry approximately Rs 2 crores per annum, as long as the index figure remains above 350.

COST OF LIVING INDEX

In this connection I would refer you to the remarks I made earlier in the speech. Although the rates of most commodities have declined sharply, the Bombay City cost of living index has even at times increased. To take a comparison, until recently the DFA in Ahmedabad was about Rs 20 higher than in Bombay, but in the last few months it has gone considerably below the Bombay level. I for one cannot see any reason for this increase in Bombay City alone and hope that Government will institute a searching enquiry into the method of compiling this index figure.

As regards prospects for the future, I do not look for any marked change as far as your Company's affairs are concerned. The new Excise rates and the increased dearness allowance will of course reduce the potential profits to some extent. On the other hand, your Mills remain in a strong financial position and with the programme of modernisation and rehabilitation nearing completion, the benefits which it is hoped will be derived therefrom should soon become apparent. I would mention here that the limit of development has now been reached in the present Mill premises and if it is decided that further expansion is desirable in the interests of your Company, then additional property will have to be acquired.

This will require careful consideration and one cannot escape the feeling that should the level of profit rise, then the lion's share will fall to

the predations of Industrial Courts and that Excise enthusiast, the Finance Minister.

Before I conclude, I know you would wish me, on behalf of you all, to thank all the staff both at the Mills and in the Head Office for their hard work throughout the year. That so much erection and re-arrangement of machinery could have been carried out without loss of production indeed calls for congratulations.

Our Selling Agents have served us well in a difficult year and deserve our gratitude.

Decline in Automobile Registrations

BATTERY dealers from all over India met in a three-day conference in Calcutta which concluded on February 25.

Addressing the conference, Mr H R Gregson, General Manager of Chloride & Exide Batteries (Eastern) Ltd, said that it was only during the last war that manufacture of storage batteries was first undertaken in India on any considerable scale.

In the 10 years since, the industry's installed capacity and annual output had steadily increased. There were in 1954 some 20 manufacturing units with a total production of about 1,80,000 units.

Some very specialised types of batteries were still imported but Mr Gregson said that efforts were being made to manufacture these progressively.

The Indian industry's principal problem today was its dependence on imports for its raw materials, although processing of these was being increasingly done within the country.

Battery makers, however, were seriously concerned over the fact that the number of new vehicles registered each year in India was tending to decline. Mr Gregson hoped, however, that when the Indian automobile industry had overcome its teething troubles, sales would follow a rising curve in keeping with the country's general development.

As the Conference concluded before the budget was out, it could not possibly have anticipated the problems that arise from the imposition of an excise duty on batteries. In its main emphasis on automobile registration as the prime mover of the industry, the Conference was undoubtedly right.

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Jute Industry Takes Stock

(From a Calcutta Correspondent)

OPTIMISM, tempered with an adequate appreciation of the difficulties that lie ahead, marked the Chairman's address at the annual general meeting of the Indian Jute Mills' Association at the Bengal Chamber on Thursday. This is Mr Gardner's second address as Chairman and his swan-song. He leaves India before long, as the firm whose destinies he controlled passed into the hands of the Bangurs last year. I was a trifle surprised that he did not strike a note of sentiment. But then I remembered he was an Englishman, and that too in the jute industry.

The year 1954 was marked, said Mr Gardner, by the industry winning back some of the ground that it had lost in the disastrous reverses which have occurred at intervals during the last five years. The considerable expansion of world demand enabled the industry to increase its working hours successively and raise them to 48 hours per week for the first time since March 1952. Without exception 1954 witnessed in all the overseas markets of the industry a degree of prosperity and increased trade and production which surpassed anything experienced since the artificial boom conditions produced by the Korean war. Another significant development of the year was the partial removal of the restrictions on free purchases of jute goods which had affected some of the industry's important markets, although a modified form of control still lingers in the UK and Australia.

The main shipment feature of 1954 as compared with 1953 was the marked recovery in respect of sacking which totalled 4.3 lakh tons as compared to 3.24 lakh tons in the previous year, while there was a slight fall in the export of hessian from 3.88 lakh tons to 3.7 lakh tons caused by a corresponding fall in exports to the Argentine. That country still represents, however, a most satisfactory stabilising factor in India's exports to overseas markets.

The industry today is in a better economic position to the extent that its productive capacity and its labour are somewhat more fully employed, but Mr Gardner was careful to point out that they had still very far to go before the whole of the very

considerable remaining productive capacity was employed. At this point he struck a note of warning, that the industry may not succeed in maintaining the present working levels if the increased offtake of 1954 conceals a degree of restocking which would mean that demand would recede later as consumption took place from stocks rather than from current purchases. In any event, he said, market trends should be studied with vigilance for experience in 1954 showed how important it was to act quickly and decisively if it appeared that production was running seriously ahead of demand.

Stressing the vital importance to the industry of an adequate supply of raw jute Mr Gardner referred to the uncertainty with which the mills have had to grapple since the fatal day when instead of drawing their raw material from what was almost a hinterland they had to "import it from a foreign country". It would not do to retort that there are many industries in other parts of the world which depend on raw materials from foreign sources; the jute industry grew up with its raw material in its back-yard for over nine decades.

The difficulties of the industry in maintaining present markets and the ominous growth of jute manufacturing capacity in foreign countries were also reflected in the year's working. The trend towards greater economic independence in the manufacture of jute goods is daily gathering momentum. This tendency is particularly marked throughout the East which for such a long period has been a consistent buyer of a substantial quantity of our heavy goods. The Association has received information of the planning or construction of jute mills in Egypt, Iraq, Iran, Burma, Thailand and the Philippines. It received most valuable information about the near Eastern countries as a result of the visit paid by an official delegation led by Shri M P Birla to this area at the end of last year. It is also reported, although a confirmation is yet to be received, that manufacturing capacity in the Chinese Republic is also being augmented. But perhaps the most potent source of competition is Japan which is in a particularly favourable position to supply jute goods to the most

important West Coast markets of the US because of lower freights and labour costs. Indian goods have suffered in competition. The industry in Pakistan continues to make steady progress and as soon as a substantial capacity is in operation, Pakistan mills will present stiff competition with all the advantages that a closed domestic market offers.

That the industry should do all it can to meet the situation need hardly be emphasised, but Mr Gardner also suggested that the industry should receive every assistance from Government to meet this development. He mentioned in this connection three lines of attack: assuring a larger and better supply of raw jute, the installation of modern equipment and the retention of costs at realistic levels bearing in mind the productive efficiency of India's rivals in other countries.

Mr Gardner was full of praise for the valuable work that the Association's delegation to the United States had done in reassessing the market there. Their report was a "most valuable document", which has improved the industry's understanding of that market. The delegation is also reported to have made certain very interesting and positive proposals for new uses and adaptation of jute goods. Work has been started on these and Mr Gardner was confident of valuable results accruing from the research which is now in process. It must be recognized that with a few exceptions, the expansion of our trade along traditional lines is unlikely in such highly developed markets as the United States.

Mr Gardner is succeeded by M P Birla as the Chairman and D P Goenka succeeds Mr Walton as Deputy Chairman of the Association.

* * *

Trouble in the Calcutta docks looked like flaring up seriously on Monday. That evening the shipowners and stevedores suspended all loading and unloading operations with the exception of coal ships and ships discharging salt. Hasty conferences were held between the employers and workers, the West Bengal Government and the authorities of the Calcutta Port Commission.

On Wednesday the shipowners and stevedores commenced work-

ing on three steamers with police protection. It is reported that there have been a few instances of violation of terms on the part of the employers. Fortunately, however, such cases are not being exploited by interested parties to produce a stoppage of work. They are to be dealt with in a constitutional manner through the good offices of the Regional Labour Commissioner.

The dispute originated with tally

Around Bombay Markets

Steady to Firm

Thursday, Morning

AFTER mid-week drop due to heavy profit taking especially in steels, market recovered smartly at the end around previous week-end quotations.

About 25,000 Tata Ordinaries were liquidated and the share lost about 7 points. Century also met bull liquidation. Thereafter market recovered partly on replacement buying. News regarding Commerce Ministry taking charge of Steel Industry caused renewed bull support and the market recouped most of the losses at the end. The undertone is firm.

Calcutta advices were very firm, and Indian Iron met bull support. The Calcutta bull who is long in Tata Ordinary is reported to have taken delivery of about 5,00,000 Indian Irons in Calcutta.

Textiles, though their performance was not very encouraging, behaved better than before. Under

clerks and the workers demanded that these clerks be extended the benefits of the scheme of decasualization which other categories of labour are enjoying. Dr Roy is understood to have assured them that he would discuss the matter with the Chairman of the Calcutta Port, and if he failed to get a satisfactory solution there, he would then move the Ministry of Labour in New Delhi during his forthcoming visit there.

the present circumstances, even this improvement has some significance.

Directors of Bombay Dyeing announced their decision not to issue bonus shares. The results of Bombay Dyeing were also disappointing. All this discouraged fresh buyers in Bombay Dyeing. Against this, the firm tone of Ahmedabad textiles and possibility of cut in excise duty helped to keep textiles steady and called forth some bear covering.

At the end of the week, Kohinoor attracted modest bull buying and this share which has behaved discouragingly for the last four months showed a definitely better tendency.

Century which had shot up sharply last week, met heavy selling. There was scattered support for Tata Mills on rumours of a higher dividend.

In Ahmedabad, textiles are very firm due to satisfactory reports by the leading mills. Ambica has rais-

ed its dividend by Rs 2 to Rs 20. Calico has decided to issue bonus share at the rate of one for every ten.

In the Miscellaneous section, Associated Cement was lower on profit taking, after last week's marked rise.

National Rayons were steady. Reports of National Rayons issuing debentures discouraged fresh buyers at higher levels. Their dividend announcement is keenly awaited.

Premier Construction also met profit selling and shed top gains. Scindias and Tata Chemicals were steady.

Walchandnagar have announced higher dividend by Rs 2 at Rs 16. This share has been promoted to the forward list on Bombay Market. BIC shares behaved strangely when there was sharp rise of about a rupee. Some Calcutta speculator is reported to be buying heavily. BIC has recently announced nominal dividend of one anna.

On balance, the market displayed steady to firm tone at the end.

Jobbers Suspend Business

BOMBAY Bullion market after touching new high level in silver at 166-8 (Chaitra) remained closed since last Monday on jobbers suspending business.

Bullion Board's refusal to apply margin on new Chaitra delivery created a great stir, and there has been a lot of agitation against this. For the Bullion market this sort of suspension is nothing new. On Wednesday, nominal kerb quotations were around Rs 165-12 for silver and Rs 92-12 for gold.

New Low for Years

DURING the week under review cotton touched a new low for years at Rs 546. Delay in excise duty cut, consistent weak advices from up-country and mills keeping aloof from buying, pending the outcome of industry's representation to Government regarding excise duty, all caused nervousness and there was heavy selling pressure. Even lower rates could not attract new buyers. Thereafter market recovered partially on short covering. Traders are keenly awaiting some Government measures to halt the rot.

Technically the market is over-sold and is likely to rally further on bear covering.

Mar 8 Mar 16
Rs as Rs as
Cotton—May 559-0 557-1

Alkali and Chemical Corporation of India Limited

Speech of the Chairman, Mr N D Harris, at the Eighteenth Annual General Meeting of the Company, held at Calcutta on March 10, 1955

Gentlemen,

"The audited accounts and Directors' report for the year ended 30th September, 1954, have been in your hands for some time and, with your permission, I propose to take them as read.

"The working of the Calcutta factory at Rishra was satisfactory throughout the year, and I propose to give you a brief review of the operation of its separate units.

"The extensions to the chlorine and caustic soda plant were completed satisfactorily during the previous year, thereby providing greatly increased production capacity. The total production capacity for chlorine throughout India has, however, temporarily overreached consumption and, because of keen competition, it has not been possible to use the capacity of our plant to the full. Nevertheless, sales of chlorine were reasonably satisfactory. We had no difficulty in disposing of all the caustic soda manufactured.

NEW OUTLETS FOR CHLORINE

"We are giving much thought to finding new outlets for chlorine, in particular for the manufacture of other products. The hydrochloric acid plant, a consumer of chlorine, has recently been operating at its maximum output and the maximum quantity of chlorine is also being used in the benzene hexachloride plant. Extensions to these plants will be considered, if desirable, as well as the manufacture of other products. A small plant for production of zinc chloride was installed during the year.

"In my speech last year, I mentioned that the crude benzene hexachloride (BHC) plant had not fulfilled our expectations, but I am glad to report that we have overcome our initial difficulties and full rated production has now been achieved. As a result, the Tariff Commission's recent recommendation that your Company should use its full capacity for the manufacture of benzene hexachloride has already been implemented. Despite keen competition, the high reputation enjoyed by our 'Gammexane' formulations, particularly our 'Gammexane' water dispersible powder, has assured us of a good demand.

The insecticide market is extremely competitive and each year new factories are planned for their manufacture. I mentioned to you last year that Tatas were putting up a BHC plant which is expected to be in production this year. The Government DDT plant, located at Delhi, will shortly begin to produce and another Government DDT plant is under consideration. Both are so planned as to permit their initial yearly capacity of 700 tons being doubled.

PAINT PRODUCTION

"The paints unit has worked well and production has been maintained at a high level to meet the increasing demand. We have had to meet keen competition, but 'Duco' and 'Dulux' have earned a high reputation in the market and the technical service our selling agents are equipped to render gives us a substantial advantage. Our technical advisers, Imperial Chemical Industries Limited, have given us every assistance in maintaining a high degree of plant efficiency and we are grateful to them. Consideration is being given to increasing the capacity of the existing plant.

"Our varnish plant was completed during the year and meets most of our requirements. We have also put on the market, under licence from American Chemical Paints Company, a full range of metal pre-treatment products. These products are used for treating metallic surfaces before the application of paint to ensure a clean surface and with it good adherence. We have also constructed a paints development laboratory to study technical problems connected with this industry.

"The technical service station erected by our selling agents, Imperial Chemical Industries (India) Limited, has proved invaluable and customers have made full use of the facilities offered.

"You will remember the sale of our Khewra alkali works in Pakistan was completed in 1953, and this year's accounts are the first without Khewra sales.

NET PROFIT SLIGHTLY BETTER

"The previous year's accounts

included the sales from the Khewra factory for eight months of that year which accounts for the lower turnover this year. Despite the lower turnover, the net profit of Rs 8,37,316 is slightly higher than last year's figure of Rs 8,14,151, a result which may be regarded as satisfactory. With the addition of the balance brought forward from the previous year of Rs 1,03,311 there is a balance available for distribution of Rs 9,40,627. There is no liability to taxation for the year, due to initial allowances on the new plant installed, but a sum of Rs 3,00,000 has been transferred to reserve for deferred income-tax liabilities. The dividends on the preference shares for the year absorbed Rs 1,55,000 and the Directors recommend the payment of a dividend at the rate of 6 per cent on the ordinary shares. This will leave a balance of Rs 1,13,627 to be carried forward.

"During the year Mr Edward Martley, General Manager of the Rishra Factory, resigned from the Board on his retirement from service. Mr Martley was connected with the Rishra Factory since the formation of the Company and was largely responsible for building it. Mr P M G Hutton was appointed an Additional Director.

"The Directors retiring by rotation are myself and Sir Biren Mookerjee and my colleagues on the Board recommend our re-election. Mr P M G Hutton ceases to be a Director under Article 113 and is recommended for re-election. A resolution seeking your permission to Mr Hutton occupying a position of profit under the Company is also being put to you for your approval.

"The Auditors, Messrs Lovelock and Lewes, also retire and you are requested to reappoint them for the current year at a fee of Rs 6,000 which is the same as that for the previous year."

The report and accounts were adopted. Mr N D Harris, Sir Biren Mookerjee and Mr P M G Hutton were reappointed Directors. The Auditors, Messrs Lovelock and Lewes, were reappointed.

MARKET LEADERS DURING THE WEEK

(In Rupees and Annas)

	Closing	Week's		Closing
	March 2	High	Low	March 7
Tata Steel	243-0	242-8	236-8	242-8
Indian Iron	35-13	36-0	35-6	35-14
Bombay Dyeing	468-2	470-0	459-6	467-8
Century	379-8	388-0	379-8	383-8
Kohinoor	317-0	320-12	314-8	319-8
B'bay Burmah Old	465-0	470-0	459-6	463-2
ACC	183-0	184-0	180-0	180-12
National Rayon	205-8	207-12	200-8	203-8
Premier Const	161-0	164-4	159-0	159-8
Scindia	15-5½	15-13	15-3	15-6
Tata Chemicals	16-6	16-6	16-1	16-3½
Bank of India	149-8	149-12	147-8	148-0
Central Bank	52-8	52-4	51-0	51-4
New India	58-8	58-4	55-0	55-0
3% Con Paper	81-0	81-0	80-15	80-12*

* XV

CURRENT STATISTICS

BANKING RETURNS (Rs Crores)				
	Latest Week†	A Week ago	A Month ago	A Year ago
Reserve Bank				
1. Note circulation	1281.19	1265.56	1242.57	1194.00
2. Rupee Coin	101.11	102.00	103.10	92.76
3. Deposits				
a) Central Government's	55.22	52.61	52.58	99.06
b) Bank's	48.47	46.14	48.78	41.21
c) Other Government's	18.50	18.65	11.08	21.51
d) Others*	21.68	20.08	34.03	42.79
4. Foreign Securities	678.15	673.15	663.15	648.15
5. Balances held abroad	52.73	58.25	69.30	97.92
6. Rupee Securities	472.64	457.74	447.74	421.34
7. Investments	51.36	55.75	64.05	70.96
8. Loans and advances to Governments	1.20	1.20	0.95	2.01
Scheduled Banks				
1. Demand liabilities (net)	575.53	578.27	571.77	515.67
2. Time Liabilities	371.29	370.62	369.17	330.71
3. Cash on hand	33.29	32.82	32.77	32.13
4. Borrowings from Reserve Bank	17.32	12.23	9.53	24.37
of which against				
Usance Bills	8.26	6.44	4.59	11.40
5. Advances and Bills discounted	601.64	589.43	569.93	527.60
of which Imperial				
Bank's	124.01	120.17	112.95	105.77
6. Investments	347.48	352.31	354.47	318.76
of which Imperial				
Bank's	92.03	97.64	101.45	81.24
Cheque Clearance	114.65	156.62	131.19	127.26

† For Reserve Bank and Cheque Clearance week ended 11-3-55. Scheduled Banks week ended 4-3-55.

Bombay Money Rates	11-3-55	4-3-55	11-2-55	12-3-54
Inter-Bank Call Rate	2 7/8	2 7/8	2 7/8	2 7/8
3 months deposits	3	3	3	3
6 months deposits	3	3	3	2 7/8

Bombay Bullion	17-3-55	A Week Ago	A Month Ago	A Year Ago
Gold Spot (per fine tola)	93-6-0	92-14	92-14	89-6
„ Forward „	92-4-0	91-14	92-1	88-15
Silver Spot (per 100 tolas)	166-12-0	168-0	164-3	165-11
„ Forward „	165-12-0	168-0	163-14	165-15

COAL PRODUCTION AND DISTRIBUTION (Monthly average or calendar months) (in '000 tons)

	Raisings	Despatches	Stocks at pit-heads
1948	2,485	2,155	2,262
1949	2,621	2,339	1,417
1950	2,666	2,235	2,008
1951	2,859	2,626	2,646
1952	3,019	2,625	3,519
1953	2,982	2,563	3,411
1954	3,080	2,662	3,771
1954:			
Jan	2,903	2,424	3,474
Feb	3,056	2,244	3,902
March	3,071	2,594	4,003
April	3,037	2,599	4,051
May	2,977	2,621	4,093
June	2,885	2,576	3,850
July	2,966	2,810	3,693
Aug	2,958	2,926	3,380
Sep	3,171	2,887	3,210
Oct	2,921	2,787	2,914
Nov	3,322	2,728	3,161
Dec	3,503	2,747	3,468
1955:			
Jan	3,153	2,672	3,482

Source: (i) Monthly Abstract of Statistics
(ii) Inspector of Mines

TOBACCO PRODUCTION—SELECTED COUNTRIES

	('000 metric tons)		1953	1954
	1934-38 (average)	1948-52 (average)		
US	590	958	933	998
Canada	28	62	63	83
India	343	248	245	260
Japan	63	93	101	118
S. Rhodesia	10	41	48	55
Greece	57	51	61	63
Turkey	55	86	113	94
Yugoslavia	13	24	30	30
Western Europe	124	171	183	167
Total	1,283	1,734	1,777	1,868

SUGAR PRODUCTION BY CONTINENTS

	(Million tons, raw value)			
	1934-38 (average)	1950-54 (average)	1953/54	1954/55 (Estimate)
Europe	6.6	8.6	10.6	9.3
N. and C. America	7.0	11.7	11.0	10.9
S. America	1.8	3.3	3.9	4.1
Asia	4.3	3.9	4.6	4.9
Africa	1.1	1.6	1.9	2.0
Oceania	1.8	1.9	2.5	2.4
USSR	2.3	2.7	3.4	3.2
Total	24.9	3.37	37.9	36.8

Source: Monthly Bulletin of Agricultural Economics and Statistics, FAO

INDEX NUMBERS OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-group	Week ended 26-2-55	A Week Ago	A Month Ago	A Year Ago
I. Food Articles	300.5	304.9	302.5	370.3
Cereals	344	343	336	431
Pulses	232	236	246	370
Others	252	264	264	282
II. Industrial Raw Materials	433.2	438.8	427.8	460.1
Fibres	479	492	473	443
Oilseeds	358	359	360	509
Minerals	416	411	389	456
Others	482	482	481	402
III. Semi-Manufactures	337.2	340.8	342.0	357.2
Leather	390	389	387	396
Mineral Oils	221	221	221	221
Vegetable Oils	375	395	402	497
Cotton Yarn	440	441	445	451
Metals	242	242	240	237
Oilcakes	297	307	301	424
Others	337	337	334	305
IV. Manufactures	376.1	376.6	376.5	369.6
Textiles	420	421	421	410
Jute	475	480	464	428
Cotton	409	409	411	405
Rayon & Silk	455	455	464	456
Woollen	310	310	310	313
Metal Products	340	340	340	337
Others	284	284	284	283
V. Miscellaneous	559.0	563.7	571.8	685.0
All Commodities	358.9	362.3	360.0	392.0

FOREIGN SEA AND AIR-BORNE TRADE OF INDIA

	(Rs crores)		
	Exports*	Imports	Balance of Trade
1950-51	606.81	581.17	+ 25.64
1951-52	751.56	862.84	- 147.23
1952-53	556.78	632.95	- 76.17
1953-54	515.39	541.87	- 26.48
1952-53 (Apr to Jan)	472.34	551.18	- 78.84
1953-54 („ „ „)	436.14	456.35	- 20.21
1954-55 („ „ „)	476.86	491.32	- 14.46
1954-55			
April	30.43	46.33	- 15.90
May	38.07	49.53	- 11.46
June	42.31	43.87	- 1.56
July	46.21	53.22	- 6.01
August	44.94	44.27	- 0.67
September	49.35	46.66	+ 2.69
October	46.75	51.91	- 5.16
November	65.11	57.76	+ 7.35
December	59.65	46.74	+ 12.91
January	54.04	51.03	+ 3.01

* Includes re-exports

Note:— Figures for 1954-55 are provisional

INDUSTRIAL PRODUCTION

	Units	1954								Monthly Average	
		Dec	Nov	Oct	Sept	Aug	July	June	1954	1953	1952
I. Consumer Goods											
(1) Cotton Textiles	crore yds	45.10	42.1	37.9	41.2	41.6	44.1	43.2	41.8	40.65	38.3
(2) Woollen Manufactures	lakh lbs	16.80	18.25	17.05	17.49	17.45	17.82	16.02	16.87	16.04	13.82
(3) Matches	'000 cases	—	—	41.9	44.9	47.6	46.3	34.1	—	49.2	50.7
(4) Sewing Machines	Nos	8,130	7,146	3,896	6,166	6,301	7,105	6,470	6,685	5,202	4,170
(5) Vegetable Oil Products	'000 tons	16.91	19.62	17.95	15.98	14.45	16.75	19.03	19.23	15.97	15.90
II. Raw Materials or Intermediate Goods											
(1) Cement	'000 tons	394.4	367.8	372.3	361.5	342.5	365.1	352.5	366.5	315.0	294.8
(2) Chemicals:											
(a) Sulphuric Acid	„	—	—	13.55	13.06	14.46	11.93	11.42	—	9.1	8.0
(b) Caustic Soda	„	—	—	2.60	2.60	2.61	2.34	2.31	—	1.91	1.42
(c) Soda Ash	„	5.26	—	4.34	3.33	3.79	3.13	2.98	—	4.74	3.69
(3) Coal	lakh tons	35.03	33.2	29.2	3.17	29.6	29.7	28.8	80.6	29.9	30.2
(4) Cotton Yarn	lakh lbs	14.30	13.50	12.30	13.10	13.20	13.60	12.80	13.04	12.55	12.08
(5) Jute Manufactures	'000 tons	94.0	88.6	75.1	79.0	78.2	80.7	74.6	77.3	72.4	79.3
(6) Non-ferrous Metals:											
(a) Copper	tons	642.0	630.0	665.0	605.0	606.0	623.0	560.0	602.5	410.0	506.6
(b) Aluminium	„	488.4	465.8	498.6	56.70	514.6	438.6	234.6	407.2	313.2	297.2
(c) Lead	„	240.0	200.0	77.5	94.5	139.0	150.0	85.0	139.8	141.2	94.3
(d) Antimony	„	46.0	51.5	80.0	85.0	35.9	5.8	56.0	45.0	10.9	15.1
(7) Paints and Varnishes	'000 tons	—	—	2.78	2.60	3.10	2.98	3.34	—	2.67	2.68
(8) Paper and Paper-boards	„	12.7	15.0	13.96	13.00	12.80	13.25	12.71	12.6	11.64	11.46
(9) Iron and Steel											
(a) Pig Iron	„	—	153.2	151.7	140.6	153.4	146.0	138.4	—	137.9	140.4
(b) Steel Ingots and Castings	„	—	143.3	143.2	133.1	140.4	141.4	131.0	—	125.6	131.5
(c) Semi-finished Steel	„	—	128.3	120.6	119.2	123.5	122.5	115.3	—	102.5	109.0
(d) Finished Steel	„	112.8	105.0	102.5	99.3	100.4	102.9	96.9	100.6	84.8	91.9
III. Capital Goods											
(1) Machine Tools	'000 Rs	—	—	414.7	409.7	382.1	551.1	431.0	—	367.3	369.8
(2) Diesel Engines	Nos	1,047	851	640	718	625	704	773	721	310	354
(3) Electric Motors	'000 HP	—	16.5	13.8	16.0	16.0	17.6	15.2	—	13.6	12.1

The Economic Weekly

A Journal of Current Economic and Political Affairs

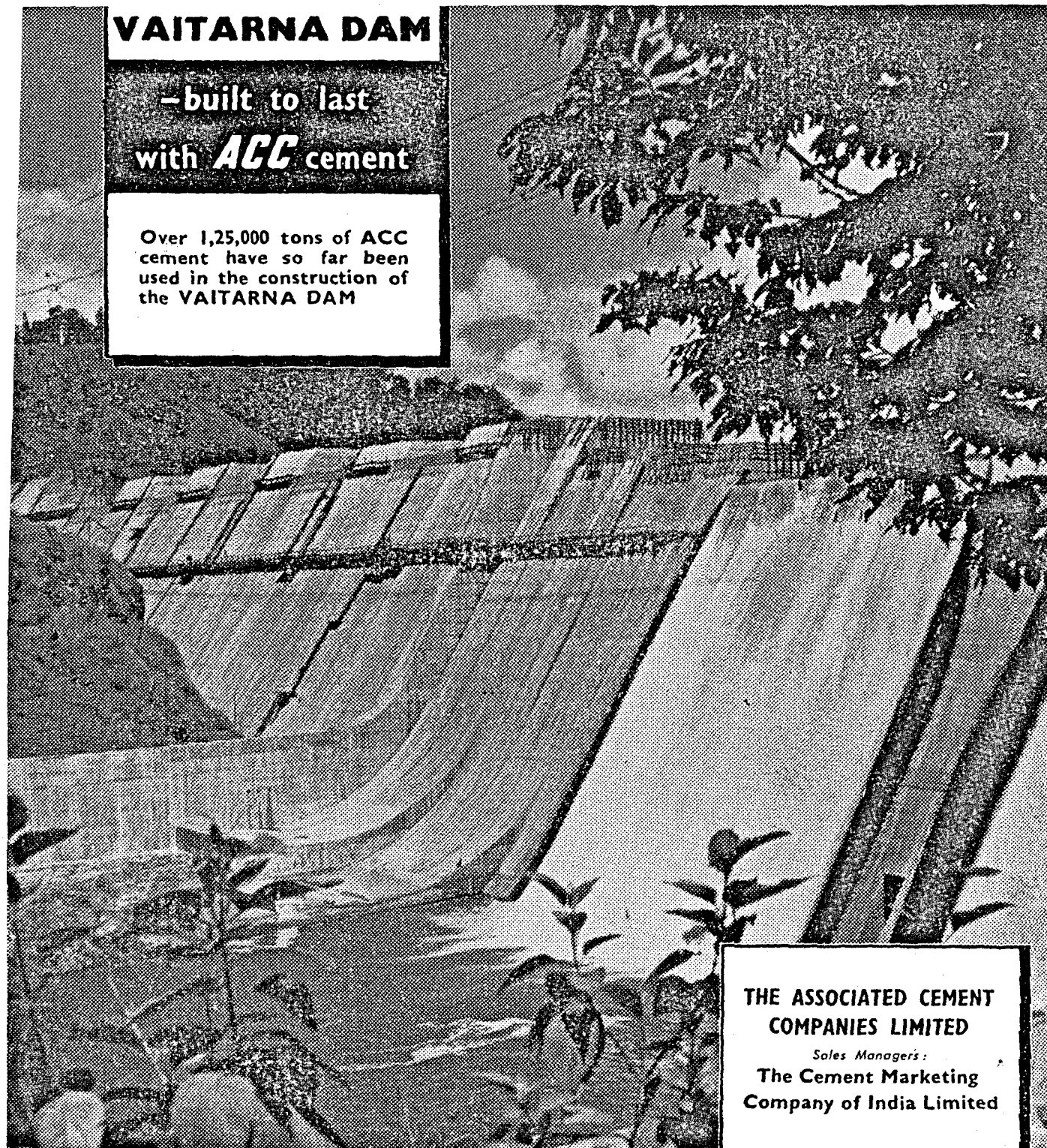


ESTABLISHED JANUARY 1949

March 26, 1955

Volume VII—No 13

Eight annas



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—built to last
with **ACC** cement

Over 1,25,000 tons of ACC cement have so far been used in the construction of the VAITARNA DAM

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Sales Managers:
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More cement means better living for all; and the ACC continues to produce more and more quality cement

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Code of Fair Trade

A CODE of fair trade which all countries could accept without any mental reservation and therefore with respect and observe in practice has long been recognised as essential, if world trade has to develop freely and all countries are to benefit from it equally. Such a code is still a far distant objective. Concluding their deliberations that have been going on for the last four months at Geneva, the contracting parties have produced a draft for regulating trade and tariffs. It now awaits the acceptance of individual countries. Meanwhile, the *status quo* will be maintained. The contracting parties to the GATT have agreed to extend the life of the present agreements to the end of 1957, after which the revised agreement will come into operation.

The existing arrangements are themselves a temporary make-shift. When problems of world trade came to be discussed at the end of the war and some order was sought to be restored in what was a state of chaos, international economic relationship had been so far disrupted that no country could be expected to get back to normal, until the damages of the war had been substantially made good and the breaches repaired. So all the countries decided to retain the crutches until they were in a position to discard them. Prolonged use of crutches, however, has not strengthened the injured limbs; quotas and restrictions have created vested interests and guided developments along lines from which in many cases no return is possible.

This concession to the abnormal situation existing at the end of the war did not imply, however, that it was a question of merely getting back to the pre-war norms. This was not the case, for the pre-war norms were far from those of free and fair trade. On the one side there were the free traders who stood to gain by free trade. On the other side were ranged the rest of the countries who saw in the continuation of free trade nothing but a perpetuation of their inferior economic status, if not subjection. The case for the countries which were industrially undeveloped, had come to be recognised long ago. This was, however, not the only obstacle to free and fair trade. Far greater obstacles than protection of individual industries were the measures adopted by so many of the countries in the inter-war period to insulate their domestic economies from the unfavourable impact of deflationary or other disturbing forces that were transmitted through foreign trade and payments. These measures had been multiplied, reinforced and systematised after the war.

Mutual interest in the development of world trade, therefore, neither appeared to be axiomatic nor has it been accepted as such by the trading countries. On the contrary, the unequal bargaining strength of the industrially advanced and the economically backward countries which produced only raw materials had divided the world on the issue of free and fair trade. With growing appreciation in recent years that uneven rates of development in different countries are themselves an impediment to trade, and a potent cause of balance of payments difficulties, the necessity of measures to help development of the countries which are relatively backward has now been recognised and formally

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incorporated in the revised agreement.

When the charter for world trade was drawn up at the end of the world war, it was also proposed to set up an International Trade Organisation to act as a court for the enforcement of the code of fair trade. The proposal was not accepted among other reasons because it would have brought the high and mighty as well as the lowly ones under the jurisdiction of some world authority in which the former might not always be able to dominate.

In the absence of such a body to regulate world trade, the countries which believed in international action set about the business by mutual negotiations. This was done within the framework of a general agreement. The purpose of such negotiation was not to free trade of tariffs and restrictions all at once—this was clearly impossible—but to proceed by stages towards this objective.

So long as currencies are not convertible, there is a general provision for restrictions on the ground of balance of payments. The prolonged review of the General Agreement on Tariffs and Trade in the light of the past seven years' experience of its working, however, has led to a clear recognition that under-developed countries may need

such restriction even when convertibility of currencies has been restored. They would be free to control imports by quotas, if necessary, in order to conserve their foreign exchange earnings for the development of their respective economies. They will also be given considerable latitude to continue or impose quota restrictions for the protection of their nascent industries, but with the prior approval of the Organisation for Trade Co-operation, the new body that is proposed to be set up.

Quota restrictions for maintaining vested interests by countries which are fully developed, however, also get the same indulgence from the GATT reviewers. While other countries have been conceded a temporary waiver for five years from the obligation to eliminate quota restrictions, those imposed by the USA under the terms of its Agricultural Adjustment Act have also been allowed a waiver, but this is not a temporary waiver for a fixed time limit of five years, though it will be subjected to an annual review.

Imperial Preference which has survived seven years of GATT, will be lopped off if the revision eventually gets through, and retained only in the case of imports from the colonies. This has been allowed in view of the special responsi-

bility of the United Kingdom towards its colonies which depend largely on its markets. These rights, it is further qualified, will apply only in cases where the industry or branch of agriculture of the colony would be benefited but no industry or agriculture in the UK or any other country.

In the case of export subsidy however, the negotiations did not appear to have produced large results. The dumping of American agricultural surplus which raised a chorus of protest from so many of the Dominions as well as Argentina and other agricultural countries and the strong representation made on their behalf has not yielded in any better than the imposition of an obligation on the contracting parties, not to use export subsidies on primary produce "so as to obtain for themselves more than a fair share of world trade". In the case of non-primary products, which do not affect the US, however, the contracting parties are more firm; in their case, no new or increased export subsidy would be permitted.

The stand taken by India on behalf of all under-developed countries has been vindicated. But all the concessions made in the revision are not for the weaker countries. The draft code has to pay a price to gain an acceptable compromise.

Bombay Cost of Living Index Misbehaves

THE strange behaviour of Bombay cost of living index, its persistent stickiness when the cost of living index has been going down in other industrial centres within the State and outside, and particularly, the inverse movement of the food group in the Bombay index to that of other centres, all this has long mystified those who have followed this index during the last one year and a quarter. And which employer can afford to be indifferent to the movements of this index, since on it depends the amount of the dearness allowance which has to be paid to industrial workers? By drawing attention to it in his speech at the last annual meeting of the Kohinoor Mills, Mr Sheppard has rendered a distinct service, not only to the millowners, but to all those who have been confounded so far by this apparently inexplicable disparity of the Bombay cost of living index with the others and who look for some sense in figures. His demand that Government should "institute a

searching enquiry into the method of compiling this index figure" will, therefore, be widely endorsed.

After derationing of food grains, the index suddenly shot up by several points in June last year, when open market quotations for rice and other cereals were substituted for the controlled prices. This happened because not only were a new set of prices adopted for food grains, the composition of food grains and the relative importance or weights given to different cereals was also altered. During the period of rationing, the consumption of food grains could not be assumed to be the same as in the base year which for this series is the year ending June 1934. For measuring month to month changes in consumption, the actual monthly offtake of different cereals was estimated and the index was computed accordingly. After rationing ended, the offtake of different cereals was no longer easy to obtain and the Labour Department, therefore, reverted to the weights of the base year. The logic

of this procedure may appear to be strange; but it appears that this is what happened.

It may be suspected that the index as currently constructed gives a larger weightage to rice than is justified by present standards of consumption, that the quality of rice for which the prices are taken differ widely from those of the base year and since price of quality rice has not fallen, the Bombay index stays put while the indices of the other centres, based on larger consumption of cereals other than rice, prices of which have fallen a good deal, show a commensurate fall.

There have also been some subsequent refinements in the Bombay index which might have further distorted it. Changes in the pattern of consumption are not always easy to incorporate in such an index. An instance is the disappearance of *patni* from the household budget of industrial workers of the present day. It continues to figure as one of the components in

the food index; some other prices are being used for it—whatever the choice, it is bound to be arbitrary—which certainly do not tally with the present day facts. Then, again, the Bombay index has its usual quota of false and fictitious prices as a cursory glance at the price sheets will show. For example, in the latest issue of the *Labour Gazette* which is for February, under the sub-group 'clothing', the prices taken for dhotis, are quotations for September 1952, those for sarees and shirting are for April 1953, and the quotation for khans,

not a negligible item since it is given a weight of ten in this sub-group, goes as far back as April 1949.

Such attempts at refinements may partially explain disparate movements as shown below:

While in the past 15 months, the cost index for Ahmedabad and Sholapur have fallen by 70 points and 45 points respectively, it is only since last November that Bombay has registered a fall of 9 points. It will be noted that until November, compared to the same month

a year ago, the Bombay index had not changed at all, while Ahmedabad had moved down by 53 points and Sholapur by 39 points. Again, from September, from which month the Bombay index has shown a slight fall, the fall has been only of 12 points as compared to a fall of 26 points in the case of Ahmedabad and 10 points for Sholapur; but in the case of Bombay it is a fall of 12 points on 364, that is, not even 4 per cent as compared to a fall of 10 per cent in the Ahmedabad index.

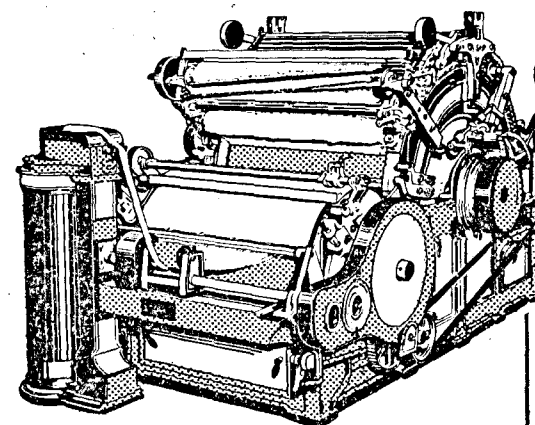
As consumption habits have changed so much since household budgets were last studied, the case for a fresh family budget enquiry and compilation of a new set of index numbers would appear to be unanswerable, particularly when the attempt to maintain continuity lands the computers into refinements which merely distort the series as well as destroy all comparability. A fresh start, however, would inevitably raise the question of consolidating dearness allowance with basic wage, a disputed issue on which agreement would be difficult to secure. There would be no disagreement, however, that the Bombay cost of living index should be looked into; it is high time that something was done to make a more sensible use of this very well established branch of statistical studies.

		Bombay (yr ending June '34=100)	Ahmedabad (yr ending July '27=100)	Sholapur (yr ending June '28=100)
1953				
	November	361	280	319
	December	359	268	315
1954				
	January	363	269	312
	February	348	257	303
	March	349	257	301
	April	355	255	305
	May	355	251	307
	June	367	240	297
	July	366	241	286
	August	362	237	286
	September	364	236	284
	October	363	235	281
	November	361	227	280
	December	358	217	284
1955				
	January	352	210	274

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Weekly Notes

Rivers Award for Indian Sociologist

THE award of the Rivers Memorial Medal this year to Prof M N Srinivas of the Baroda University does not, of course, confer international status on Indian social scientists for the first time. Prof Srinivas himself had the distinction of lecturing at Oxford and had also been invited to the Manchester University as a Senior Research Fellow in Social Studies. But it is probably for the first time that such high recognition has been won by an Indian sociologist for field work.

The Rivers Memorial Medal commemorates a great anthropologist, the late W H R Rivers and the previous recipients of this major award have been such internationally famous figures as Malinowski, Radcliffe-Brown, Raymond Firth and Evans-Pritchard. Rivers, it may be recalled, carried out a field study of the Todas of the Nilgiris at the beginning of this century and the work for which the Council of the Royal Anthropological Institute of Great Britain has made the award, as mentioned in their citation, is the field study of the Coorgs which Prof Srinivas carried out in 1940-41 and the Coorgs live only a 100 miles from the Todas as the crow flies.

The *Economic Weekly* has special reason to be gratified for Prof Srinivas has been closely associated with this paper right from the beginning and has been responsible for planning the series of village studies which has been appearing in these columns and getting contributions for the series from trained sociologists who had done actual field work in India. The warm reception that has been extended to this series and the interest it has aroused, not only in the rank of professional sociologists but also among those who have perforce to take a greater interest in the Indian villages, speaks eloquently for the success of the series. The West Bengal Government has undertaken to bring out these studies in book form. The publication has eagerly been awaited for many months now, but it has been delayed because of pressure of work in the Government press. It is now expected to come out shortly. Orders for this book and enquiries may now be forwarded to the Development Department of the Govern-

ment of West Bengal, Raj Bhavan, Calcutta.

Prof Srinivas, however, is continuing the village series in this paper and a couple of contributions from his students at the MS University of Baroda have appeared in recent issues. More will follow in due course and as before, contributions are sought from and some have been promised by field workers in the various parts of the country.

No Expansion of Mill Production

AN appraisal of the net effect of the tax changes on the cotton mills could not have been expected from the Chairman of the Kohinoor Mills. The reduction in export duties, proposed as a partial offset to the excise duty, applies only to medium and coarse varieties. Kohinoor Mills produce mainly fine stuff. Mr Sheppard's complaint about the excessiveness of the excise duties in the budget proposals have since been met, and though he violently differs from one of the contentions of the Matthal Commission, viz, that the disincentive of higher taxation is generally exaggerated, the working of the Kohinoor Mills is a happy confirmation of the Commission's other contention that well conducted concerns have been able to carry out replacement of plant and equipment, despite taxation and depressed conditions in the capital market. Kohinoors maintain a strong financial position and have been able to put through a substantial programme of modernisation and rehabilitation which is nearing completion. In the circumstances, one must have every sympathy with Mr Sheppard that the Kohinoors, in spite of their ability and willingness to do so, are not allowed to instal more looms and expand production of cloth.

This is a sacrifice called from the progressive units in the industry in the larger interests of the country since it is now the undeclared policy of the Government, and also the idea behind the Second Five-Year Plan which is being acted upon in advance, to check further expansion of organised consumer goods industries. Mills which are in a position to divert more of their production to export markets or to produce exclusively for export should legitimately be entitled to

especial consideration in this regard, for a concession made in their case would be quite consistent with the general purpose of the plan. It is a little illogical, though, that the Congress should be sold to handlooms and yet oppose high excise duty on mill-made cloth, however much the mills may be thankful for such small mercies.

Left High and Dry

INDIA and perhaps also a large bit of the curious world around has been denied the grand spectacle of a sadhu, Dorahawa Baba, reputed to be more than a hundred years old, climbing down from his tree-top perch for the second time in 30 years to confer the title of 'Brahma Rishi' on our philosopher-statesman Vice-President, Dr S Radhakrishnan. Earlier, the Vice-President had agreed to accept the title, though not without a murmur of modesty that he was not wholly worthy of the honour. Great preparations had been made for the occasion; and if reports speak true, 50 richly-caparisoned elephants, 101 priests and a countless number of the ageless sadhu's followers were to mingle in a mighty ovation to the would-be 'Brahma Rishi'. Then suddenly came the stunning news that Dr Radhakrishnan had changed his mind and that the sadhu might not after all take the trouble of descending from his lofty abode to honour a mere mortal—anyway, not until he should pick on a new candidate for his saintly beneficence.

All this may be deemed past history in this fast-moving age; but the question remains: Why did Dr Radhakrishnan refuse the title? Could it be that his initial hesitancy, due to modesty, grew in intensity as the days passed? Or was it the surname-shedding fashion set by Shri S N Agarwal and Shri T T Krishnamachari that came in the way? May it be that when other worthies were trimming even their original names to suit the prevailing ideological wind, Dr Radhakrishnan could not bring himself to indulge in the extravagance of adding to his name or creating a new caste of Brahma Rishis? But if this was what weighed with the Vice-President, it is a pity, for what with half a dozen new castes already created by the institution of titles and honours by the State, there

would have been no serious danger to the concept of social equality in a title conferred by a sadhu surveying the worldly scene from a dizzy altitude. And the pity of pities is that if in the process of refusal the sadhu has been denied the rare exercise of a descent to reality, the world has been deprived of the stimulus of a soul-lifting scene. The sadhu is addicted to high places; why should the commonalty be robbed of a chance of mingling with the high?

Handicap of Strength

THOUGH it may be facetiously claimed that the unanimous election of Shri B Gopala Reddi as leader of the United Congress Party in the new Andhra Assembly augurs well for the State, it is doubtful whether it actually betokens the future trend of events. The first round has been won by the Congress High Command, thanks primarily to the pressure or, to put it more politely, the power of persuasion that it could exercise over the two rival candidates for the leadership, Shri N Sanjiva Reddi and Shri T Prakasam, so as to keep them out of the field of contest. The Congress President, Shri U N Dhebar, has lost no time in paying his compliments to both of them, congratulating the one on his 'gracious gesture' and appealing to the other for his 'blessings', lest they should change their mind. Meanwhile, Shri Sanjiva Reddi, obviously with his gaze fixed on the future, has had no hesitation in lauding his own gesture as a 'magnanimous' one—"I chose to be magnanimous and gave up my claims for leadership"—and the octogenarian Shri Prakasam, no longer in a position to be prodigal of time, has been fretting and fuming with ill-concealed fervour. When the new leader of the Party and his two rivals separately or in combination will be locked in combat again, is more than can be foreseen; and neither is there any knowing at this stage whether Shri N G Ranga, chief of the KLP now merged in the Congress, may not also choose to jump into the fray, creating further complications all round.

Apart from these purely personal factors, the United Congress Party, even more than its label suggests, is not only an alliance of political parties as such, but also a sort of 'hold-all' of not so compatible territorial and communal groups which have already started bargain-

ing for representation in the new Cabinet. For the time being, Shri Gopala Reddi has managed to rig up a team of sorts; but it is clear even at this stage that it will have to be enlarged to accommodate a number of claims that might have been deferred now, but cannot be rejected. With Pandit Nehru reportedly against the expedient of expansion to muffle discordant voices, Shri Reddi will certainly have a hard time of it trying to promote contentment in his Party ranks. And if discontent breaks out in a big way, it may be that Shri Prakasam is too old to take advantage of it; but this cannot be said about Shri Sanjiva Reddi, who is likely meanwhile to get into a strategic position, nor about other potential leaders who may be biding their time. The United Congress Party has been preening itself on its huge majority in the Assembly; but in the fissiparous atmosphere of Andhra, given to fierce individualism, the

very largeness of its size and the heterogeneity of its composition might prove to be the undoing of the Party.

Standing on the Head!

THAT in the industrialised west, output has been expanding faster than capital in recent years, or in other words, the marginal productivity of capital has been going up is not a matter of speculation, but a question of fact, on which one has to rely on statisticians. Mr Colin Clark has found that it is so. One explanation of this high marginal productivity is purely technical,—the presence or emergence of a combination of those factors which give rise to what used to be called 'increasing returns' in industry, increasing external economies resulting from larger social capital. Another is the progressive widening of the market. Marginal doses of capital can be applied to the strategic points and co-operant factors can be used to the best advantage. Division of Labour being limited by the extent of the market, profitability of investment depends on the scope for carrying division of labour a step further.

Apart from technical factors that set a premium on new investment at strategic points, there is continuing expansion of demand. Existence of demand is nowadays sometimes regarded as a part of external economies. It also explains profitability of investments and high marginal productivity. This is much more apparent in the USA, in the demonstrative consumption and increasing standard of living. Keeping up with the Joneses, going in for new gadgets, better and bigger cars each year, television sets and dish washing machines, all these maintain the demand for fresh capital at a steadily expanding rate and the domestic market continues to imbibe fresh capital with the same steady appetite with which some people are supposed to consume beer. Is it any wonder then that blue chips on Wall Street should go on yielding 6 to 7 per cent while earnings per dollar are even higher?

To the lay observer, this is the ready and an adequate explanation of the enormous appetite that the American economy has displayed in recent years for absorbing fresh capital. Economists might add to it US tariff policy, high level of Government expenditure and even



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the large volume of foreign aid which combine to maintain the marginal efficiency of capital so high. Critics of American monetary policy may also enter a caveat that right from its inception, the Federal Reserve has gone its own way with the result that bond and money rates in US have always been higher than those in Britain.

But Britain, too, has her sheltered markets in the colonies and has always been looking for soft spots here and there; for strategic and other reasons, the city still manages to scrape together some capital for investment overseas. Specially favourable scope for colonial investment apart, the appetite of British industry to absorb capital has shown no sign of abating. Hence British Chancellor's concern for keeping demand for investment at home under check.

Given these high marginal returns in UK and USA, how on earth can one expect capital to flow out from these countries in a steady stream to fertilise the under-developed and capital hungry countries abroad where marginal returns, in the present state of their development, are far from attractive? This must be at the root of the conspicuous and persistent tardiness of the flow of private capital from UK and USA during all these years. The desirability of the flow has been stressed as much as the scantiness of the flow has been lamented. The need for investment in the poorer half of the world and the exhortation on the part of the well-meaning people, both in Britain and USA, that private capital should flow out have both been stultified by the high marginal productivity in Britain and USA.

From this premise of high productivity, Mr Colin Clark in a talk on "The Declining Importance of Capital" in the Third Programme of the BBC drew the conclusion that advanced countries can now do with less capital and that they should, therefore, invest in India and other under-developed countries where, on his own showing, the minimum returns would be much lower. If medals were awarded for parading economic statistics, *The Economist* suggests that Mr Colin Clark would be a much decorated veteran, though in interpreting them, he sometimes seems to stand on his head. People in the under-developed countries will heartily agree.

Larger US Assistance for Asia

WHEN Mr Harold Stassen, the US Foreign Operations Administrator was in Delhi, it did not look as if he had come to conquer or even that he had anything up his sleeve. His was one of those routine visits of which Delhi has ceased to take any notice. And not only the newsmen but, as the saying goes, those closest to the Finance Ministry had no idea that America was going to produce a Marshall Plan for Asia. The Economic Adviser's Office had its hands full doing the secretarial work for the forthcoming Afro-Asian Conference. It could switch over, of course, to investment co-efficients necessary to step up the national income of South East Asian countries to whatever target might be set, and within the given number of years. This it could do much more readily than unravel the complex economic relationship among all these countries, for which the needed data are inadequate or non-existent. To work out estimates according to models, with various stated assumptions, is so much easier. But the fact of the matter is that it was not asked to do any such thing.

American move for massive economic assistance to Asians for raising production rate by 30 per cent in 8 years—but why 8, and not 5 or 10?—make head line news. To say that it has taken the average newspaper reader by surprise is not necessarily to be cynical about it or to mistrust the news item as mere speculation or worse, but to state the bare fact. Foreign assistance for the development of underdeveloped economies has been discussed *ad nauseum* for the last 10 or 12 years. It has not come up on the scale necessary to create an impression of the desired magnitude. It is not at the moment a subject under serious discussion. Does Stassen's statement change all that?

True, the President's economic report to the Congress did devote considerable attention to the flow of American capital abroad. But it was largely on the well known lines of tax concessions on private investment abroad, and the only new suggestion it had was that of setting up an international corporation to facilitate such investment. It did not try to answer the question why on earth an American should send out his money for an uncertain 6 per cent or less, when he can earn

more on Wall Street or in Latin America.

To put the fairest interpretation on Stassen's statement, it is enough to say that the State Department has always been more liberal than the Republican Party, that the Administration is not the Congress and therefore what it thinks and wants to do is not always what the Congress thinks and wants to do. The points to be noted in Stassen's proposal are that the appropriation to be recommended to the Congress is to be a much bigger one but it is to be made up of economic and military aid, that larger appropriation is recommended for the Asian countries situated like an arc stretching from South Korea to Afghanistan. It is not clear yet whether what Stassen wants is an economic counterpart to SEATO.

Whether US wants aid to come in a big way or not, Asia is determined to go ahead. It is good to know that Stassen returned from his tour with the conviction that the countries of Asia, through their own self-help programmes and the intelligent use of whatever aid they have received are laying a firm foundation for a successful development effort. A significant difference in Stassen's proposal, however, is the emphasis on Government aid. The President's report was largely concerned with freer movement of private capital; the latter is now relegated to a secondary place or rather, it comes in only at a later stage, to take over from Government aid. The magnitude of American assistance required by these countries is rightly made dependent on the relative prices of raw materials but not so rightly on the flow of private US capital.

Preferred method of financing probably will take the form of long-term, low interest loans, repayable largely in local currencies. This is believed to be the most effective means of stimulating the kind of basic development the Asian countries need, in contrast to the rapid reconstruction the Marshall Plan spurred in industrialised Europe. Grants also may be used, but chiefly when a loan would impair the credit standing of a recipient nation.

Technical co-operation will be an important part of the Asian programme, whatever shape it may take. Much of the aid will be handled on a bilateral basis. But such existing channels as the Colombo Plan may also be utilized.

Our Delhi Letter

Socialism and Unemployment

Wednesday, Evening

BY his budget speech in the Lok Sabha, Shri Chintaman Deshmukh raised a veritable hornets' nest. Almost the whole House was at him, particularly for the total absence of any socialist bias in the budget proposals. Shri Chintaman, however, remained unconvinced and bravely retained the monopoly of having discovered a very substantial and significant element of socialism in his budget proposals. Quite a number of politically-minded people inside as well as outside the House have, however, been uncharitable enough to ascribe a certain measure of opportunism to the great Finance Minister. They felt that there was a subtle irony in his concluding remark: "... Our objective is an equalitarian, egalitarian and progressive society." Why was Shri Deshmukh so emphatic? How did he manage to pick up the words 'egalitarian' from the Prime Minister's speech in Parliament and 'equalitarian' from his Chandigarh speech and combined these with his 'progressive' element into a rather high powered phrase—too strong for the philosophy he practises? To these matters, however, we shall return presently.

WHERE ARE THE LOANS?

With falling agricultural prices and growing unemployment, the House apparently was in a somewhat angry mood. The recent report of the Director-General of Resettlement and Employment that the number of registered unemployed in the country have passed the six lakh mark aggravated to a certain extent the feeling in some parts of the House. Shri Chintaman's reaction, while more conciliatory—he announced certain concessions in respect of the cotton excises and withdrawal of the excise duty on sewing machines—was really less democratic in handling the House. In fact, he exhibited signs of irritation and cried out against the *simhas* to the right of him and *simhas* to the left of him, to the front and to the back of him, much like the Russian lady, who cried "germs, germs, germs" when surrounded by a crowd of *muzhiks*. There was hardly any *muzhik* in the House, but who were the *simhas*? The first Parliament of the Indian Republic has hardly ever

exhibited any leonine fury. In fact, the only character the Houses of Parliament have uniformly displayed is a sheep-like docility in the presence of the Great Master, Pandit Nehru.

EMPLOYMENT, BRICK BY BRICK!

In his references to the problem of unemployment, the Finance Minister repeated his old doctrine about the First Plan being devoted to capital formation, from which it followed that the unemployed must wait for the Second Plan. But if the economics of the First Five-Year Plan have gone all wrong, where is the guarantee about the soundness of the Second Five-Year Plan to be drafted by the same economists who made all the miscalculations of the First Plan? In any case, the question is being repeatedly asked inside and outside the Parliament, "Why should the unemployed have to wait?". Much of the talk of capital formation, it is being increasingly suspected, is merely to confound the issue. There is growing impatience with the Deshmukh philosophy of "building up new types of employment, *brick by brick*" (italics mine).

There were references to China in the budget debate in the Lok Sabha. It is curious, however, that the members spoke about all the other achievements of China in a somewhat exaggerated manner, but made no reference to China's solution of the problem of unemployment. The major achievement of all communist countries has been a complete and effective solution of the problem of unemployment—which has been the principal attraction for the masses. Shri Deshmukh's comparison between India and China is interesting and significant: "... in the system they (the Chinese) have elected to operate, starting from backwardness as a result of many historical incidents, they are bound to make a better showing in the beginning than we can". This appears to be a somewhat unwarranted concession to communist doctrine. In fact, if Shri Deshmukh could be converted to the view that there is no economic justification for the existence of unemployment, particularly in an under-developed economy, and that while other eco-

nomic problems (production and productivity) might take time, there is no real obstacle to the immediate creation of full-employment conditions, our achievements, at any time, would far surpass those of the Chinese.

RUSSIA MUCH IN THE PICTURE

There were also references to Russia in the budget debate. Both, the members of the House as well as Shri Chintaman Deshmukh, however, got into a medley of errors. There was really no point in saying that direct taxation in Russia was only ten per cent, the overwhelming part of the Soviet budget being financed by a heavy turnover tax at source. But the way that Shri Chintaman Deshmukh dangled some price data, without any reference to money incomes, to say the least, exhibited a crudeness and lack of perception that one does not like to associate with a Finance Minister with his background. Either he is badly advised or he does not care to check up his information. He referred to prices in Russia and proudly claimed that a pair of shoes in this country did not cost Rs 150 as in Russia and an overcoat, Rs 2000. To quote these prices without any mention of income levels is grotesque misrepresentation. He ought to have added—I do not know, if he or his advisers know it—that the average wage in the Soviet Union works out to Rs 750 or even more—this calculation is based on a very conservative estimate and may even be out-dated—as compared to about Rs 100 in Bombay and Rs 60 in Calcutta. These are obviously rough figures but they do decisively indicate the incomparability of prices.

There have been other political references to Russia during the week. The Prime Minister also referred to the Soviet Union in his speech at Chandigarh: "... Russia (has) made remarkable progress during the last 20 or 25 years but the methods adopted by it were different from ours. *It is not our path and nor, I hope, will it be. Russia does not have a democratic system of government...* Many of the freedoms which the people enjoy in India are lacking there..." (italics mine). It is clear that this speech is likely to be misunderstood. These references, while well

intentioned, were not equally well-advised. While the Prime Minister is fully entitled to have his own political philosophy, the preaching of it has necessarily to be limited by political considerations. Not that we should be afraid of the Soviet Union, or of the United States, but in the world in which we live it would be worse than folly to make enemies. In fact the outstanding achievement of Pandit Nehru's foreign policy has been that we have been making friends with almost every one and trying to take the fangs out of our enemies.

Incidentally it occurs to me—this, of course, is frankly cynical—that the Indian Embassy in Washington would make capital out of Pandit Nehru's speech. The record of this Embassy has been one of unmitigated failure. Whatever our politics, our representation in Washington should be stronger than it has been. If we could afford a Radhakrishnan for Moscow and a Panikkar for China, we could well have afforded a man of equal eminence and comparable political philosophy and learning for the United States. It appears only correct that the Americans should be as well informed of Pandit Nehru's liberal philosophy as of his socialism, but the foreign services are now becoming a monopoly of the ICS, who will see that a safe man goes to Washington.

There was a third reference to Russia—this time by Dr Ambedkar in the Rajya Sabha in connection with the constitutional amendments. Of course it was natural to expect that these references would not be complimentary, but despite the violence of his phrasing which takes away much from the value of his speech, the points that Dr Ambedkar raised are really important and need to be carefully thought over. He said that he could not understand the theory of no compensation unless, as in Russia, State undertakes the responsibility of giving employment to every one and providing every one with the necessities of life and "of feeding, clubbing, housing and scrubbing the citizens". The language used by the learned doctor may not exactly be scholastic but the point Dr Ambedkar makes, however, needs examination, as also his judgment that peasant proprietorship would be the cause of ruination in the country.

The delegation of civil servants and businessmen—co-existence in

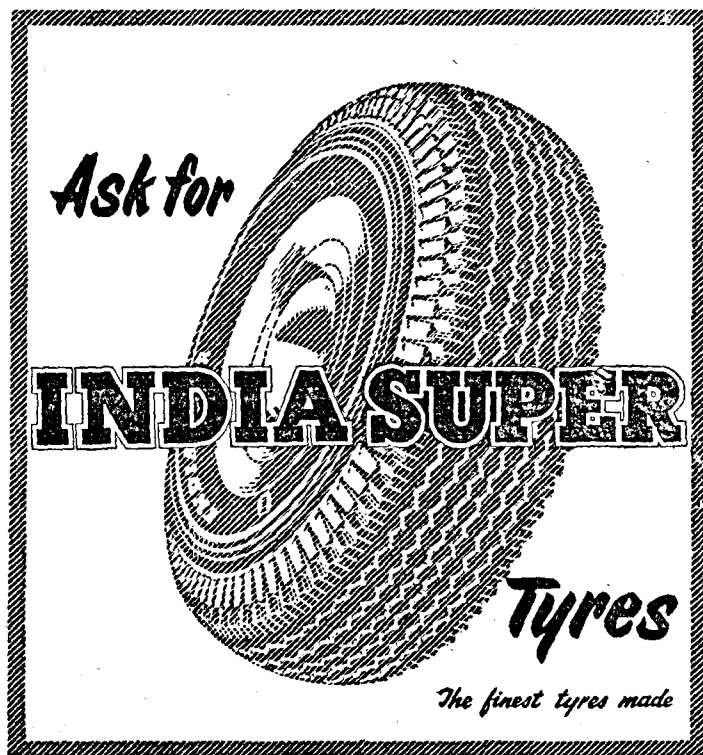
practice—has come back from the GATT conference at Geneva after a six months' gala time. Immediately came out a statement by one of them, patting himself and his colleagues on their backs for the grand achievement of reorienting—not regretting, that was the British phrase—the GATT to suit the economies of under-developed countries. We can now go ahead, so goes the official statement, with our Five-Year Plans according to schedule. How long will it take the Government of India to realise that the mechanics of international trade, not, of course, without their importance and significance for a developing economy, have to be geared to the purposes of planning? They surely do not have the importance which is given to them. With the Randall Commission recommendations as the basis of the US foreign economic policy and the attitude of the US Government, as exemplified in the case of Swiss watches, the future of the proposed international trade organisation does not seem as bright as our representatives have made it out to be.

NEWSPAPER SOCIETY'S BUILDING OPENED

Newspaper owners had a grand meet for the opening ceremony of their new building in New Delhi. In his opening speech, the Prime Minister rightly went at them; "I find that our newspapers are very

eloquent on political issues but remarkably timid when social and economic issues come up . . . Indian newspapers have yet to make a serious effort to reach the *broad masses of the people*" (italics mine). Of late, there is some evidence of a leftist swing in the phraseology of the Prime Minister, but it is quite probable that I am seeing more meaning in it than it contains. Judging from the speech of the President of the Indian and Eastern Newspaper Society, it appears that the Prime Minister's speech was totally lost on them.

The newspaper proprietors want the Press Commission's Report to be scrapped, for its implementation would bring disaster! Disaster to whom?—to the owners, to the working journalists or to the newspaper readers? It was really funny that the President should have said that the Press Commission was not representative of the press. Was not Chellapathi Rao of the *National Herald* a member of the Commission? There was, of course, no representative of the vested interests, but apart from the fun of it, it is really tragic that these people are in no mood to adjust themselves, as the Prime Minister has been advising them repeatedly—in fact, *ad nauseum*—and they will go under. But why weep over the fate of people who are determined to go along the road away from glory.



17.9467

From the Calcutta End

Prosperity of the Tea Industry

Wednesday, Evening

LAST week the Indian Tea Association had its 74th Annual General Meeting. That makes it a couple of years older than even the Indian Jute Mills Association whose Chairman's address I had occasion to report in the previous issue. But Mr Mackay Tallack's speech at the Tea Association did not give the slightest impression of age—this is something to be proud of, and which the jute mill people unfortunately could not achieve. Both by his spoken word as well as his personal bearing Mr Mackay Tallack radiated confidence. He was fully aware of the difficulties and problems of the tea industry but looked even more fully conscious of its ability to meet the challenge that they presented.

For some months now the prosperity of the tea industry has been reported often in these columns but an unequivocal assessment of the factors that have produced this seeming prosperity is not yet in sight, just as much as the 1952 crisis can still evoke considerable differences of opinion and heat.

OUTPUT INCREASED WITH DEMAND

At the beginning of his speech, the Tea Association Chairman agreed that 1954 had seen considerable increase in demand in almost all countries of the world. Contrary to the general belief, however, the production of tea in 1954 was also greater than in 1953, and it would seem from the purely statistical angle that production in fact kept pace with consumption. But then the trouble is that there is an enormous time-lag between the manufacture of a pound of tea and its arrival at the grocer's shop. This time-lag does not matter when demand is stationary, but it becomes of immediate significance when demand shows a rapid increase and stocks are dangerously depleted.

FACTORS SLOWING DOWN SUPPLY

Certain other factors were also at work in 1954. For example, buyers feared that the Government of India would not release as much tea as the International Agreement allowed. Actually Government did make a steady release of quotas but the anxiety continued, and prices rose accordingly. Then there were

the floods in the Dooars. The Assam Link was seriously breached and was out of action for over three months. This breakdown in the normal lines of communication inevitably disrupted the despatch of tea from the gardens, and added greatly to the anxieties of the markets. Even more dangerous, said Mr Mackay Tallack, was the shortage of foodstuff in the gardens, and of supplies essential to manufacture, notably furnace oils. To make good these shortages the industry turned to air transport—

"It is difficult to pay adequate tribute to the pilots who, operating in times of deplorable weather condition, and on air strips all of which had been affected by the monsoons, and one of which had been partly washed away, managed to keep the gardens and their labour forces supplied with essentials until the floods subsided, and until surface transport was able to resume. In these difficult monsoon months, *Jamair* pilots made 803 emergency trips and I am glad to have this opportunity of expressing my admiration."

The ITA Chairman also paid a handsome tribute to the River Steamer Companies who carried record cargoes to and from the gardens.

LONDON STOCKS DANGEROUSLY LOW

The London dock strike had also no mean role in sending tea prices to the levels to which they rose. Ever since the last war, stocks of tea in London have been considerably below the levels considered normal before 1939. In November 1954, however, as a result of increased consumption and the dock strike, stocks fell to about 60 million lbs when a level of 100 million lbs was generally regarded as a very low figure. Buyers were desperately anxious to acquire tea lest they should run out of supplies. Their anxiety communicated itself immediately to the Calcutta market as well. Before the year was out, another obstacle to the speedy despatch of tea was contributed by the 'go slow' movement in the Calcutta port.

Regarded in the light of these

more or less extraneous influences on the tea markets, Mr Mackay Tallack remarked, with perhaps a momentary touch of bitterness, that the prosperity of the industry "in which people believe so much more fervently than they did in our adversity" will prove less permanent than is generally expected.

SKYMASTER FOR COUNTRY LIQUOR

The Tea Association Chairman drew the attention of his audience to the fact that while the real wages of the workers have risen by 125 per cent during the last seven years, there are aspects of this increase which have caused the industry considerable disappointment. The consumption of liquor has increased enormously in the tea districts, and though the official explanation is that illicit distillation has been checked, the industry does not share that optimism. There has been a 42 per cent increase in consumption in Lakhimpore and 45 per cent increase in Sibsagar during 1954. One particular country liquor shop near Doomdooma is reported to have shown a 600 per cent increase in consumption since 1945, and it is an open secret that a Skymaster was chartered to take country spirit to an area which was running short of supplies.

Mr Mackay Tallack pointed to another disturbing feature, *viz*, that with higher wages the workers tend to limit their day's work. In a recent discussion in Calcutta it was urged on behalf of the workers that the wage for the morning's work should be increased so that workers would not need to work after mid-day. There has been in the Dooars a resolute attempt to secure a 4-hour day, and to gear the work performed during that period to the speed of the slowest worker.

With a touch of humour, Mr Mackay Tallack said that he realised that there are cynics who reach for the salt cellar whenever businessmen talk of the national interest, but he remained of the opinion that it was against the national interest for wage increases to be frittered away on unworthy objects, and for a handful of malcontents to be allowed to interfere with the vast bulk of the workers who are

still prepared to do an honest day's work.

The tea industry is reported to be accelerating the process of Indianisation, and has prepared a five-year plan of recruitment which Government has accepted. This plan envisages the filling of vacancies with a three or four to one proportion of nationals to non-nationals. The number of vacancies, however, is less than is generally imagined. The prejudice against service in a tea garden is lessening and Mr Mackay Tallack said that he felt gratified to be

assured by one candidate who understood that there were "several quite respectable people" working in the tea industry.

* * * *

INFLUX OF REFUGEES CONTINUES

The West Bengal Government as well as the Government of India are becoming daily more concerned at the fresh influx of refugees from East Bengal. This seems to upset all the plans that the two Governments had jointly worked out to rehabilitate the refugees.

It is reported that the bulk of the refugees coming in now belong to the community of Nama-Sudras—the semi-prosperous cultivating class. They are fast losing their source of livelihood in East Bengal and, what is more, are in constant fear of being exposed to the outburst of communal frenzy. The political situation there is none too happy, with the unsettled relationships between the Krishak Praja and Awami League. It has been seen in the past that disturbances between political parties often involve communal riot.

From the London End

Economic Interdependence in the Soviet Bloc

THE *Economic Survey of Europe* in 1954, just released to the public, is another sprightly and first-rate document from the UN Economic Commission for Europe. The Commission's comments and forecasts all bear the stamp of reasoned caution while its recommendations carry considerable supporting and convincing analytical data. The particular virtue of the current *Survey* is the information provided on various special problems of the European economy. The more interesting of these studies are those which deal with economic relations between members of the Soviet Bloc. This despatch aims to review this part of the *Survey* with the purpose of assessing the Soviet view on the relation between rapid economic development and international trade and specialisation. The economies of South-Eastern Europe have all along possessed the character of under-development. Their importance in international trade before World War II arose from the fact that they were important producers of foodstuffs and other primary commodities for export to the more advanced countries of Western Europe. With the ascendancy of Communism in the post-war period, however, the considerable emphasis placed on balanced economic development had for a time reduced their importance in intra-European trade. In 1953-54, there appeared to have been some changes in basic economic policy, which gave the impression that recognition was now being given to questions of comparative cost advantage and international specialisation. The ECE's *Survey* considers these new attitudes and policies and their

implications. Unfortunately, the study was published just before the more recent changes in Soviet and Hungarian economic policy.

The ECE's study of economic interdependence in the Soviet Bloc deals with developments in the "Eastern World Market" the emergence of which was heralded by J V Stalin in his *Economic Problems of Socialism*. It has always been difficult to understand the Communist argument that imperialist expansion was the result of a search for markets where production surpluses could be disposed. It has become all the more difficult when we find the following passage in Stalin's work:

"... it may be confidently said that the pace of development (in the Soviet Bloc) it will soon come to pass that these countries will not only be in no need for imports from Capitalist countries, but will themselves feel the necessity of finding an outside market for their surplus products."

In any event, the development of the new market is now a fact, and trade over an ever-widening area of products is taking place together with a high rate of national development.

Steps towards re-moulding the trade pattern of East European countries appear to have been taken in 1947, when a number of broad bilateral agreements on economic assistance and co-operation between the USSR on the one hand, and Bulgaria, Czechoslovakia and Poland on the other, were concluded. Technical Assistance and the supply of equipment and credit for

rapid economic development were a feature of these agreements. The development of a separate market in the sense described by Stalin had apparently taken a more formal and collective character with the creation of the Council for Mutual Economic Assistance in January 1949. These were subsequently strengthened by some co-ordination of national development plans among the countries concerned, and in this way a degree of specialisation in each of the economies was introduced.

According to the ECE, the Soviet Union had between 1937 and 1953 increased its trade with countries in the Eastern world market by some 5000 per cent. In the same period, Soviet trade with Western Europe had remained stationary, and that with the overseas countries of Asia and Latin America had increased by some 200 per cent. Similarly, the trade of Eastern Germany, Czechoslovakia, Poland, Hungary, Rumania and Bulgaria, have all been reorientated towards serving the Eastern world market. A basic change in the distribution of the trade of this area has taken place.

Although the actual mechanics of balancing of trade still remain based on strict bilateralism, a considerable growth has taken place in the provision of credit facilities covering the delivery of industrial equipment and raw materials and foodstuffs to each other, as also in the provision of credits in the form of gold and foreign currency. It would appear that USSR has remained the most important creditor nation in the area. Poland's vast plans for the

development of engineering production, and of the establishment of large steel plants, is based on credits from the Soviet Union. Two large equipment credits have been granted to China by the Soviet Union, and it appears that countries like Eastern Germany and Czechoslovakia, each of which are highly industrialized, are participating in an important way in the economic development of the Chinese mainland and the more backward areas of South-Eastern Europe.

Certain fundamental changes in the commodity pattern of trade are also recorded in the *Survey*. Trade is no longer confined to the traditional exports of raw material and foodstuffs against manufactured imports. Each of the countries concerned buy from each other mechanical equipment, heavy engineering products, consumer goods and foodstuffs, and it would appear that the trade in machinery and equipment plays what the *Study* calls an "impressive part in the Eastern world market". Something like one-third of the total exports moving within this group of countries is composed of machinery and equipment. Countries like Poland and Rumania—traditionally agricultural countries—are exporting machine tools and heavy industrial equipment to the Soviet Union and import grain in return.

Such an impressive interchange of goods must necessarily call for a revision of the traditional autarchic policies of Communist countries. Some revision appears to have taken place, though the aim of balanced economic development has not been abandoned. The ECE found that increased attention was being given to "comparative costs of production and to the benefits of greater international specialisation" and apparently production for export is assigned new importance in discussions on the allocation of investment funds. But the advantages to be gained from specialisation are superseded by the general desire to complete quickly the plans for balanced economic growth. Thus trade and specialisation is likely to become more and more important for each of the economies as soon as the plans for heavy industry are completed. "This approach," notes the *Survey*, "if not pushed to the extreme, can offer very great advantages in that it does not allow economic development to be blocked as frequently happens in some other countries."

The specialisation of production where it currently exists in the Eastern world market is regarded as temporary, in view of the fact that it originates largely from natural conditions. But these are being changed, and some examples of this are given. In the second half of 1954 agreements for the co-ordination of light industries, largely consumer goods, were concluded between Czechoslovakia and Hungary, Czechoslovakia and Eastern Germany, and Hungary and Eastern Germany. In the chemical industries, East Germany and Poland made a special agreement for the former to specialise in products derived from brown coal and the latter for products derived from hard coal. Further, the aim to secure increased benefits by way of specialisation is being manifested in the co-ordination of economic programmes, starting at the beginning of next year, when Eastern Europe as a whole will inaugurate new long-term plans timed to coincide with their next Five-Year Plans.

The increased emphasis on trade within the Eastern world market

arises from "the advantages which it offers of greater specialisation" at higher levels of economic activity. This does not appear to imply any weakening of the area's basic aims of national industrialisation and balanced economic growth, but rather to emphasise, as the ECE puts it, "the effort to promote the attainment of these objectives through closer attention to the question of relative cost and efficiency." The benefits from trade in such a context would be a function of the degree of co-ordination between the national planning of each of the countries concerned. And here, as shown above, some progress has been made towards achieving this co-ordination. While the full benefits of this co-operation in the Eastern world market must await the future, an element of uncertainty has been introduced into all this in view of the current drastic redirection of Soviet and now Hungarian economic planning. It is not easy to guess how trade within the area will be affected by the new emphasis on heavy industry.

EMPIRE'S...

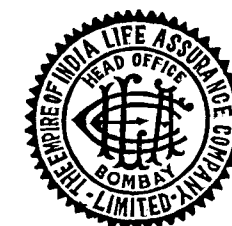
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Economic Stability Through Collective Absorption of Losses

R M Mitra

THE Avadi session of the Indian National Congress has set the stage for future economic progress in India. Indian economy will be geared to conform to the "socialistic pattern" of growth and expansion. The decision has been announced with a flourish which has disturbed the sedate leaders of trade and industry. Questions are being anxiously asked if private investments will be taken over by the State and misgivings are being expressed whether centralised control and ownership will not atrophy initiative which is an essential prerequisite for advancement—technological or organisational.

In the welter of confusion caused by the new proclamation of faith, an important question seems to have received scant attention. Does 'socialism' represent a precise economic concept? Is socialism a carefully considered regimen of applied economic science; or is it a creed of piety? Is there any well recognised economic doctrine to enlighten the path to socialism; or is there any organised economy functioning to guide socialistic endeavour?

DOCTRINES OF SOCIALISM

It has been said that socialism is a process of "polarisation of society" into a few owners of means of production and many workers, resulting in an organisation in which employees themselves are their collective employers. It is a pity, that though the various socialistic doctrines have concerned themselves so much with the devising of means and elaboration of the case for socialism, the institutional end sought to be achieved has often tended to be indistinguishable from the means advocated or the 'desiderata' preached. Even when some of the doctrines do not lose sight of the objective of collective ownership of productive wealth, they do not provide any consistent pattern of an organisational set-up. There are socialists who would wind up the State; some will tolerate the State and others will use and build on the State. These differences do not even follow any group-line. In the same group of Utopian socialists, Saint-Simon's bitter opposition to politicians reconciles itself with the existence of State, Louis Blanc

actively utilises the State; but Fourier would extinguish it. Saint-Simon's "regime administratif" (administration of things) and Louis Blanc's "Peoples' workshops" are designed not to be incompatible with the concept of State, while Fourier's "Phalanstere" (a self-sufficient economy with people working in a co-operative manner) would liquidate the State. Similar antithetical approach is reflected in the attitude of the Social Democrats who build on democratic evolution of State as against that of the Syndicalists in whose estimate a man is a worker and not a citizen and is primarily a producer, if incidentally a consumer also. The concept of collective ownership seems to have assumed so many different shapes, that one might be tempted to conclude that the dominant note of socialism is its "protean character".

NO COMMON PROGRAMME

An analysis of the case for socialism shows that the 'desiderata' intended to be served through achievement of socialism, are equally varying in character. Saint-Simon is anxious that inefficiency should be eliminated through the creation of a socialistic society; Fourier bewails the sufferings of workers uprooted or displaced by Industrial Revolution and wants to establish socialism mainly to remove inequity. Means to attain socialism, also, vary between the methods of 'inevitable crisis' (Karl Marx), conscious and continuous combats (Rosa Luxemburg) and slowly developing strategy (Social Democrats *qua* Fabians). It seems clear, that "socialism", whether viewed as an organisational concept, or the socio-economic gains to be expected, or the means to achieve, or an amalgam of all these elements, has not yet acquired any definitive connotation, however powerful it may be as a slogan. It is disturbing, therefore, that while socialism has no common programme of action, it threatens to be used to strengthen the influence of a common danger that is developing in almost every form of economy now in existence, however different they may be in other respects.

GROWING EXECUTIVE CONTROL

Sufferings from dislocation and losses from unequal competition for

markets have been an inescapable accompaniment of the changes that are being brought about by industrial and technological development. It is being increasingly recognised that technical efficiency and large and more efficient production will not bring about economic progress unless stability of employment and stability of market are ensured, and the productive system is shielded against unregulated competition and alternate bouts of wild activity and freezing despondency. Present-day economic planners have, therefore, been assigned the task of forecasting, as far as they can, economic disequilibrium, that may accompany or arise from future developments in the fields of production, distribution and consumption; and further of evolving mechanisms to prevent the emergence or to neutralise the effects of disequilibrium. Some sort of planning, whether in the form of *ad hoc* adjustments or a systematic and deliberate process, has been in operation for the last half a century in almost every country with an organised economy. Though State socialism in Germany whether under monarchical or Nazi totalitarianism varies from that in democratic Australasia, and though State socialism, Russian communism and private economy (or democratic socialism?) of the USA and England, differ in essential particulars, a significant but ominous development, however, characterises almost all of them. It is the common trend towards more comprehensive and rigid control by the executive organ of the State of the economic forces of supply, demand and price. It is for the business leader to realise that this trend, if unchecked, may slowly take away the substance of ownership, by

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whichever name the economy in his country may be known, and whether 'socialism' succeeds in growing into a consistent system or not.

SOCIALISTIC TRENDS IN INDIA

A study of the socio-economic developments in India discloses that while the political bias is toward gradual elimination of the private sector, the apparent social motive is removal of inequity, if not inequality. The political approach is illustrated by the announcement of the decision to nationalise or socialise the Imperial Bank, and the social trend is reflected in the recent speech of Shri Deshmukh in defence of his 1955-56 budget. The Finance Minister is reported to have held that his budget conforms to the desired "socialistic pattern", because it aims at removing disparities in income. The legislative powers of the State already are, if indirect, sufficient to bring about complete de-thronement of the private sector. The further measures that are under discussion (including amendment of the Constitution) seem only an accentuation of emphasis, and not really a closer approximation to the latent political goal of disappearance of the private sector. But the confusion created by the mixing up of the political and social motives has unfortunately inaugurated a policy of "muddling through".

It is time, therefore, that a real heart-searching was undertaken and further thought given to the objective goal and practicable measures, and less energy was spent on a debate about whether our goal and methods should be called socialistic or capitalistic, or by any other flamboyant or prosaic name. It should be possible to agree that economic progress may be affected by private exploitation on the one hand and destruction of initiative on the other, according as the economic organisation is privately owned and controlled or publicly owned and controlled; but both the forms of ownership may be thwarted by the common difficulty of regulating or "educating" demand to equate supply, not only in statistical measures of quantity or value, but also in terms of individual satisfaction of 'economic want'.

and also lead to either destructive anarchism or exploitory or tyrannical dictatorship. Again, mass ownership which tries to effect a physical equalisation of demand and supply, will fail to provide that satisfaction to the individual consumer in terms of his 'economic want'. Unregulated and unprotected individual ownership will, on the other hand, lead to scramble for markets with recurring dislocation and periodical disruption of marginal units of production resulting in distressing unemployment.

It is not, therefore, the ideological patterns which may provoke excited feelings of either admiration or hostility, that will prove competent to deal with the real dangers. A realistic appreciation of the practical measures which Roosevelt initiated in the USA and which have succeeded in making American banking failures a forgotten chapter of history, may perhaps indicate the way.

A system in which the competitive structure of private enterprise is preserved, but which provides for collective absorption of individual losses and disturbances, seems to be taking shape in the USA. The regulative function of the State is to consist in determining and enforcing the method of absorption of losses, and the protective function to consist in arranging merger of the units of production which have been battered by competition. While the private sector is expected to pay the price for stability and opportunity of continued functioning, it is not to be burdened with continuance of uneconomic units, nor is the consumer to be called upon to undergo the torment of reducing himself to the status of a cog in the wheel of production, without the right to satisfy those human impulses which remain vital though profaned by the vulgar name of "economic want".

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BURMAH-SHELL... IN INDIA'S LIFE AND EVERY MOVING PART OF IT

reorganise the existing co-operatives and start new co-operatives and village councils on a nation-wide scale. Social centres should continue as citizens' advice bureau, as protectors of their civil and economic rights, to educate the farmers about their social responsibilities, and as social service agencies for the disabled, handicapped and the under-privileged and of such other activities as would improve the life of the community. Co-operative societies and village councils cannot replace social centres which are people's organisations to make better use of their leisure and improve the quality of their life generally. The activities of these centres may change according to the state of development of the people and the nature of services rendered by the state. But "even in a country so all-of-a piece as Great Britain a distinguished social thinker like William Beveridge finds wide social aims which even today can best be explored and advanced by groups independent of Government. This is the burden of his—Voluntary Action—a report on methods of Social Advance." (*Communities for Better Living*—Dabir-Harper.) This should be much more true of Middle East countries which need strong voluntary societies to inspire the farmers with an urge for undertaking community responsibilities.

FINDINGS

1. Social centres were organised in Egypt from the year 1939. They filled the gaps left in the services of different Government departments, eg, supply of seeds and fertilisers and of credit to the farmer, medical relief and preventive health work, etc.
2. Neither state expenditure on a large, centralised and high-grade superior officers' cadre nor on provincial staff is justifiable for rendering various technical services under a special department, when other state departments already exist for providing these services.
3. The objective of the social centres is to arouse mass enthusiasm to assume community responsibilities, and train leaders for running community institutions. The programme of the centres has neither been formulated nor implemented from these points of view, though some success in these directions is bound to result when a number of committees function and when small local collections are made from the public.
4. The tests for the successful working of social centres are their

ability to raise funds, to make maximum use of local resources, to promote self-help, and take advantage of state technical aid. A minimum contribution has not been made obligatory for the centres. As compared to state aid, local contribution is insignificant. Development of local resources through crafts has not been a success, as no organisation was set up to supply credit, raw materials and equipment, and market the products. Self-help is best promoted through co-operative societies but the workers of the centre had no contacts with the latter except unofficially. Either owing to the inefficiency of the departments, or want of proper co-ordination, technical aid from Agricultural and Co-operative Departments has not freely flowed to these centres. The Health Department did not consider social centres as their own to be fostered.

5. The organisation of the centres by a state department, their control by a superior staff different from that of rural departments, their administration by a paid staff on the spot (not that of the centres but of the Fellah Department), financial grants from the state far in excess of local contributions, and erection of imposing buildings mainly at the cost of the state have weakened their sense of community responsibilities, lost for them the co-operation of the Rural Department, and transformed them into semi-state projects.

6. The agricultural graduates who are the social workers appointed by the Fellah Department have little opportunities to utilise their capacities for agricultural development but are engaged in activities as health, literacy, sports, youth clubs, etc, which might as well be done by a staff with lesser qualifications. These graduates should be absorbed in the Agricultural and Co-operative Departments or as secretaries of co-operative societies.

7. Nurses belonging to the social centres can do better work under the Health Department.

8. Social centres should be restored to their old voluntary status instead of being established by the state, financed by the state and controlled by a state staff. Rural reform societies show more community spirit. The federation of such societies will be a better organisation for promoting community spirit.

9. With the growing expansion of Rural Department and the strengthening of co-operative societies and

village councils, social centres can enter on their legitimate tasks. They can play a great part in awakening the farmers to the importance of combined action in protecting themselves against the profiteering of private banks and trade, and an awareness of civil rights in their daily life and work. They can represent public needs to the authorities concerned. They can continue their present activities, eg, management of kindergarten and primary schools, recreation and youth clubs. They can render social assistance to the needy. They can educate the farmers in their rights and responsibilities as members of co-operative societies and village councils.

10. Grants for social centres in the future should come from the departments concerned but only those centres which are non-political in character and are not dominated by political parties should be entitled to such grants.

11. The administration of state technical aid should be reorganised. Departments such as co-operation should be brought under the Ministry of Agriculture, a council should be formed consisting of the heads of the departments concerned with rural life in order to co-ordinate the activities of these departments at the state and provincial level; and a similar advisory council of non-officials and non-official institutions should also be formed with the same end in view. An extension staff working through agricultural co-operatives, and a co-operative department to supervise and direct credit, supplies and sales of co-operatives, and an independent evaluation and audit section to review agricultural extension and co-operative activities will provide the necessary technical aid to the farmer. The Health Department should have a sufficient number of nurses for village dispensaries and sanitation staff to look after environmental sanitation.

12. The immediate need is the provision of trained workers as secretaries of agricultural co-operatives and village councils. The former will be a cadre under the agricultural bank and the latter under a central federation of provincial councils. Every village should have a village council and an agricultural co-operative society. Community organisers should be provided in adequate numbers to reorganise the existing co-operatives and start new co-operatives and village councils throughout Egypt.

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INVEST IN INDIA'S FUTURE

The Central Bank of India Limited

Speech delivered by the Chairman, Sir Homi Mody, at the Forty-fourth Ordinary General Meeting of the Bank held on March 25, 1955

"THE operations of banks in India," observed Sir Homi Mody, Chairman of the Central Bank of India, Limited, in the course of his speech at the Annual General Meeting of the Bank on March 25, 1955, "recorded a substantial improvement in volume during the year 1954. Total deposits of scheduled banks averaged Rs 887 crores in 1954, as compared with Rs 853 crores during the preceding year, but they were still below the peak of Rs 990 crores attained in 1948. Demand deposits showed an improvement of Rs 16 crores as compared with the previous year, while Time deposits maintained the continuous rise witnessed since 1948. The average amount of bills and advances of scheduled banks during the year was Rs 532 crores, as compared with Rs 508 crores in 1953."

Economic Position

Sir Homi pointed out that the economic position in India, following the general pattern in the US and Britain, had shown a further improvement during the year under review. "The food deficit," said Sir Homi, "which necessitated at one time considerable imports involving heavy commitments of foreign exchange, was practically wiped out and controls were lifted. Side by side with this, a substantial recession in food prices took place, and that has posed a somewhat difficult problem, but if the deficit financing envisaged in the Budget materialises, it is bound to arrest the decline in prices, and may even lead to inflationary pressures."

Referring to the substantial improvement in industrial production, Sir Homi observed that in several industries the targets fixed under the Five-Year Plan had been achieved or exceeded. A number of new enterprises had been started and both in the public and private sector, substantial improvements were recorded. Inland and foreign trade were also at a higher level than in the previous year.

Commenting on the employment situation which had continued to cause anxiety, Sir Homi said that the malady was deep-seated and short-term remedies were not likely to provide anything more than a

palliative. He felt that only by large scale expansion of production and distribution would it be found possible to reduce it to manageable proportions.

Company Law Amendment

Sir Homi then commented on some of the measures vitally affecting the future of industrial development in this country initiated during the year. He first referred to the Company Law Amendment Bill. The changes proposed in the Select Committee stage of the Bill were very drastic, and they would in effect mean not the reform of the Managing Agency System, but its total elimination in due course. He hoped that when the Report of the Select Committee was published and the full implications of the measures proposed were appreciated, industrialists and investors alike would make an organised effort to press their views before Parliament and see that their case did not go by default.

The Constitutional Amendments, now before Parliament, presented a very alarming picture, said Sir Homi, and he felt that steps should be taken to ensure that Parliament was not left in any doubt with regard to the reactions of the public which is affected towards measures which would largely do away with the Fundamental Rights secured to the citizen under the Constitution. "Section 31 of the Constitution," he continued, "relating to compensation for acquisition of property, had been framed after prolonged and anxious deliberation, and nothing has happened, in my opinion, to warrant the drastic curtailment of the rights which holders of property enjoy in every other free society."

Budget Proposals

Although the Budget presented to Parliament did not come under a review of the events of the past year, Sir Homi felt that it was impossible to avoid a reference to it. "While the Development Rebate of 25 per cent which the Finance Minister has proposed should be of undoubted benefit to industry, the proposals for direct taxation in respect of the middle and upper income groups can be understood only if it is the declared policy of

Government to eliminate the savings from which investment capital is created and to destroy all incentives. The Report of the Taxation Enquiry Commission contains some very radical suggestions, calculated still further to cripple the capacity of the entrepreneur to perform his functions. Some of the recommendations already find a place in the Finance Bill now before Parliament, and if the process goes any further, I cannot but think the economic development of the country will be seriously jeopardised."

Improvement in Business

Turning to the Directors' Report and Statement of Accounts for the year, Sir Homi stated that the total gross earnings of the Bank showed an increase of nearly Rs 30 lakhs, but that due to substantial increase in expenditure, the ultimate net profit for 1954 was only Rs 1,38,000 more than in the previous year. He pointed out that the increase during the year under 'Interest paid on Deposits, Borrowings, etc' and 'Salaries and Allowances, etc' shown on the Expenditure side of the Profit and Loss Statement, accounted for nearly Rs 25 lakhs.

Sir Homi next dealt with the Item relating to Interest on Deposits, Borrowings, etc, which showed an increase of nearly Rs 10 lakhs. "This was on account of the continuance of the high rates required to be paid on Deposits, particularly on Call and Short Term Deposits. There are no signs of any appreciable diminution of such rates in the near future. In this connection, you will appreciate the Bank has to maintain its long standing connections with its valued constituents and cannot afford to forego Deposits and let business pass to other Institutions."

Sir Homi also stated that the Establishment Charges increased by nearly Rs 15 lakhs, more than two-thirds of which was accounted for by the emoluments of the Clerical and Subordinate Staff.

Balance Sheet

Referring to the Balance Sheet, Sir Homi said, "On the liabilities side you will see that the figures of Deposits show an appreciable increase compared to the previous

Size of the Next Five Year Plan—An Amendment

(Contributed)

WHEN the note on "Probable Size of the Next Five-Year Plan" which appeared on March 12, was prepared, I did not have with me the provisional estimates of national income for the years 1951-53 of the National Income Unit. Now I have got these estimates as published in the Report of the Taxation Enquiry Commission.

These estimates are up to the year 1952-53. For the year 1953-54, the Taxation Enquiry Commission has made its own estimate in terms of current prices. I have converted this estimate into 1948-49 prices. From these estimates, it will be found that the real national income has increased at an average rate of about 4.2 per cent per annum during the first three years of the Plan. I have projected this rate of increase for the last two years of the Plan, and have thus obtained the national income figures.

I find that I had underestimated 'other private investment'. I now take it at Rs 200 crores per annum during the Five-Year Plan period. Perhaps it was greater during the first two years and smaller during the third and the fourth year of the Plan.

Table I gives the figures regarding national income, investment etc., for the years 1950-56. We find that the average capital-output ratio would be about 1.34:1 and the average investment-income ratio, 5.6 per cent. Allowing for some under-estimation of investment, the average capital output ratio would be 1.5:1. This low ratio is partly the result of the utilisation of unused capacity, eg, in textiles, and the more than expected increase in agricultural production as a result of favourable monsoons.

For the reasons given in the earlier note, it is assumed that the average capital-output ratio for the next Five-Year Plan period would be 2:1 and the average investment-income ratio would be 10 per cent. On these assumptions, the feasible size of the next Five-Year Plan has been recalculated below. Thus amended, the total volume of investment in the Second Plan would be about Rs 6,600 crores (Table II). For the reasons given in the previous note, this figure could be raised to about Rs 7,500 crores.

Table I (Rs Crores)

	(1) National income at 1948-49 prices	(2) National income at current prices	(3) Public invest- ment	(4) Private invest- ment in organised industries	(5) Other private invest- ment	(6) Total invest- ment (2) to (4)	(7) Invest- ment income ratio (6) as % of (2)
1950-51	8,850	9,530					
1951-52	9,160	9,990	260	26	200	486	4.8
1952-53	9,640	9,760	269	26	200	495	5.0
1953-54	10,000	10,500	355	44	200	499	5.9
1954-55	10,420	10,748	450	68	200	618	5.7
1955-56	10,857	11,200*	600	68	200	768	6.8

Rate of Increase of Real Income 4.2 per cent

Capital output Ratio 1.34:1

Average Investment Income Ratio 5.6 per cent

* Calculated on assumed increase of real income at 4.2%

Table II (Rs Crores at 1948-49 prices)

	National income	Total Investment	Investment income ratio
1956-57	11,294	903	8
1957-58	11,802	1,062	9
1958-59	12,392	1,240	10
1959-60	13,073	1,438	11
1960-61	13,867	1,664	12

6,307

Rate of Increase of Income 5 per cent

Capital-output Ratio 2:1

Average Investment-Income Ratio 10 per cent

External Resources left unutilised

at the end of 1955-56 Rs 300 crores

Feasible size of the Plan Rs 6,607 crores

Motor Vehicles in India

ACCORDING to information given in the Lok Sabha, 1,55,234 privately-owned automobiles, 38,728 buses and 91,125 trucks are plying in the various States of India. The following table gives the number of private cars, buses and goods vehicles taxed in the various States during the last quarter of the financial year 1952-53:

State	Private cars	Buses	Goods vehicles
Assam	4728	1317	4577
Bihar	6783	1417	3978
Bombay	37315	4511	15061
Madhya Pradesh	4500	1277	3460
Madras	23227	6128	9319
Orissa	2097	656	2110
Punjab	2865	1413	3004
UP	10112	3975	6119
West Bengal	27278	8425	25918
Hyderabad	7090	1343	3110
Jammu & Kashmir	260	496	1212
Madhya Bharat	2081	541	903
Mysore	5590	1063	1630
PEPSU	1500	802	763
Rajasthan	4959	2112	2916
Saurashtra	1966	445	1530
Travancore-Cochin	3438	1612	2131
Ajmer	1040	126	198
Bhopal	321	80	347
Delhi	7135	490	1586
Other States	940	492	1535

year; the aggregate total was higher by Rs 6 crores.

"The increase in Bank's business in 1954 is further reflected in higher figures under the heads 'Bills Payable', 'Bills for Collection' and 'Acceptances, Endorsements and other Obligations'.

"On the Assets side of the Balance Sheet, I would refer you to the item of Investments. At every suitable opportunity endeavours have been made to reduce our Investment Portfolio so that the proceeds realised therefrom may be utilised in other channels like Advances and Bills yielding a higher return. Securities of the Central and State Governments and other Trustee Securities accordingly stand reduced by nearly Rs 2,30,00,000. Under other heads, such as Shares, Debentures and other Investments, there have been increases of a few lakhs, with the ultimate result that the grand total shows a reduction of Rs 1,20,00,000.

Investments

"At the end of 1953, the difference between the Book Value and

the Market Value of the Bank's Investments stood at Rs 3,13,00,000. The difference has since come down to Rs 2,41,00,000. It has been our constant anxiety to see that the gap is narrowed and we hope that the profits of the Bank in future years would enable the Directors to set apart larger amounts. In the year under report, it was not found possible to transfer to the Bank's Investments a larger sum than Rs 15,00,000."

Sir Homi then called the attention of the shareholders to the Item relating to the Advances and Bills business of the Bank which on the closing date showed an aggregate increase of a little over Rs 2 crores and 85 lakhs, including a rise of over Rs 1 crore and 9½ lakhs under the heading of "Moneys at Call and Short Notice"; the average during the year stood at a still higher figure.

Bonus

Sir Homi regretted that after making the necessary Appropriations which were no more than required in the present circum-

stances, the ultimate available surplus in the hands of the Directors did not permit the provisions of a higher Bonus to the Staff than one-twelfth of the Basic Salary earned by each member during the year. In this connection, he repeated what he had said last year, that if the position had warranted it, nothing would have pleased the Board better than to have sanctioned a larger amount by way of Bonus.

At the conclusion of his speech, Sir Homi thanked all those engaged in the service of the Bank. "The Managing Director, Mr Captain," said Sir Homi, "has not spared himself in the performance of his duties; he is carrying a burden which has become particularly onerous in the times through which we are passing. Mr Karanjia, Manager, Branches, and Mr Cooper, Secretary, have heavy responsibilities which they are discharging to the entire satisfaction of the Board. To them, and to all other members of the Staff, as also to the local Committees at the various centres, I desire to convey our grateful thanks."

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Indo-US Agreements on Fertiliser Supply

AN operational agreement was signed between India and the USA providing for US assistance for a project for augmenting fertilizer supply in India. It is proposed to acquire about 44,000 tons of fertilizers for which the US contribution is \$4 million. The Government of India's contribution for this joint project amounts to Rs 12 lakhs which will be used mainly for meeting internal costs of handling and transportation.

The fertilizers imported under this project will be sold to cultivators in India. The Ministry of Food and Agriculture shall be responsible for the general administration and execution of the project. Procurement of the fertilizers for the project shall be by a procurement agency of the Government of India, or otherwise as may be agreed upon by the US Technical Co-operation Mission and the Government of India.

The Foreign Operation Administration will furnish such specialists as are mutually agreed by two Governments subject to the availability of personnel and funds for such purpose.

Earlier, an agreement was also signed between the two Governments for procuring fertilizers for purposes of demonstration in India. Under this agreement, India would be able to import about 14,500 long tons of different types of fertilizers. The total estimated joint cost of the acquisition and distribution of the fertilizers is \$1,151,000 constituting US contribution, and Rs 28,31,000 which will be contributed by the Government of India.

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Textiles Pick Up

Thursday, Morning

AFTER many a week, Textiles fared better on Bombay Stock Exchange during the period under review. They were being neglected recently due to many reasons explained before in these columns such as fall in profits, labour award, etc. Moreover, they were subject to bear selling, and there was also some 'hedge' selling. Many a bull in steels often hedges his holdings by selling textiles. All these factors naturally made the technical position of textile shares healthy and this was clearly noticed in the last settlement carry forward charges.

Last week better Ahmedabad advices caused some activity in textiles and this week Government's announcement of a reduction of excise duties on coarse and medium varieties contained in the budget proposals led to considerable short covering and bull buying. Kohinoors, especially, were well supported by influential parties, and this one time favourite once again came into limelight. Bombay Dyeings also met moderate support. Centurys which had recorded sharp rise a fortnight ago, more or less maintained their value. As against this, Swadeshis once again displayed weakness on rumours of lower dividend.

Steels were very steady this week and movements were confined within narrow limits. Better sentiment in textiles helped smooth absorption of profit taking. The volume of trading in steels, however, during the last days, was significantly low. Indian Iron shed their top gain on big profit taking in Calcutta—the undertone, however, remained steady.

Among the Miscellaneous section, Bombay Burmahs were in demand on rumours of further compensation. Dividend for Premier Construction was announced at Rs 7 per share, and it was up to the market's expectation. The share however shed its top gains on profit selling. National Rayons, Scindias and Tata Chemicals were very dull. Indian Coppers were slightly better on firm advices from the copper market.

The closing tendency of the market generally was steady with firm undertone, but two factors are worth some attention. First, at higher levels in Tata Ordinary, which is the centre of speculation in the market, volume was very thin. Secondly, in the recent rise public participation has been mostly absent. In fact, the second factor is largely responsible for the first.

In bullish activity of a major type, public always comes in, and the tempo gathers momentum. During the spectacular rise in last September, public participation had reached a record since 1947. Without any public interest, the present working of the market appears to be like a sort of tug of war between two strong parties.

The 'Old Bear' continues to carry his huge short sales—and the Calcutta Bull, together with another local Bull, has a sizeable long position. In the absence of public participation, the tussle may continue as both the sides are very strong. The bulls however are in an advantageous position due to such factors as bright prospects for the steel industry, big deficit financing, but the most important of all is the factor that the Bear has no actual shares to deliver! But, then, there is always a danger of other investors dis-investing at higher levels and if this happens, the Bear's position may turn out to be equally advantageous.

The market is being currently controlled by a few big speculators and as such, no real trend can be judged. If left to find its own level, and there is public participation, the market should prove ideal for investors and traders. This is possible however if both the bulls and the "Bear" reduce their position to normal, which at present is certainly abnormal.

Trading to be Resumed in Bullion

Trading continued to remain suspended during the week. However, it may be resumed within a day as the decision to impose margin on new Chaitra delivery has been taken. Margin is quite big at Rs 500 per bar of silver and Rs 7 per tola in gold on commitment of more than 50 bars of silver and 2500 tolas of gold.

The announcement of a cut in excise duties for coarse and medium varieties of cloth induced some activity in the cotton market but the initial small gains were wiped out, due to tired bull liquidation. At present the downward trend seems to have been arrested, but cheerfulness is conspicuously absent. There are rumours of further export quotas; this may bring some relief. Spot advices are again dull after initial improvement.

16-3-55 23-3-55
Rs as Rs as
Cotton—May 557 12 556 12

Market Leaders During the Week (In Rupees and Annas)

	Closing March 16	Week's		Closing March 23
		High	Low	
Tata Steel ..	242- 8	244- 8	242- 0	242- 0
Indian Iron ..	35-14	36- 4½	35- 4½	35- 4½
Bombay Dyeing ..	467- 8	478-12	467- 8	471- 4
Century ..	383- 8	386- 4	382- 8	383- 0
Kohinoor ..	319- 8	318-18†	323- 8*	316- 8†
B'bay Burmah Old	463- 2	478- 2	462- 8	473-12
ACC ..	180-12	184- 0	181-12	181-12
National Rayon ..	203- 8	204-12	200- 4	201- 4
Premier Const ..	159- 8	162- 0	157-12	157-12
Scindia ..	15- 6	15- 9	15- 5	15- 6
Tata Chemicals ..	16- 3½	16- 4	16- 1½	16- 2
Bank of India ..	148- 0	149- 0	143- 8†	143- 8
Central Bank ..	51- 4	53- 0	51-12	52- 4
New India ..	55- 0	55- 0	54- 0	54- 4
3% Con Paper ..	80-12	80-12	80-11	80-11

* Cum-div

† ex-div

CURRENT STATISTICS

BANKING RETURNS (Rs Crores)					JUTE STATISTICS				
	Latest Week†	A Week ago	A Month ago	A Year ago		Jan 1955	Dec 1954	Nov 1954	July to Jan '54-55
Reserve Bank					Production ('000 tons)				
1. Note circulation	1277.18	1281.19	1241.16	1190.11	Hessian	32.5	36.5	35.8	232.5
2. Rupee Coin	101.64	101.11	103.29	93.00	Sacking	48.5	54.4	49.8	327.2
3. Deposits					Others	2.9	3.1	3.0	19.8
a) Central Government's	67.95	55.22	51.74	64.02	TOTAL	83.9	94.0	88.6	579.5
b) Bank's	47.72	48.47	51.08	38.92	Total Production in the corresponding months of:				
c) Other Government's	53.42	18.50	14.12	62.56	1953-54	67.3	77.8	69.0	500.9
d) Others*	22.08	21.68	34.07	42.78	1952-53	73.0	78.8	72.2	528.9
4. Foreign Securities	643.37	678.15	663.15	648.15	Stocks:* ('000 tons)				
5. Balances held abroad	88.77	52.73	68.59	101.88	Hessian	24.0	23.3	27.0	—
6. Rupee Securities	507.43	472.64	447.74	421.34	Sacking	51.4	45.2	40.6	—
7. Investments	50.17	51.36	68.25	66.36	Others	1.2	1.3	1.4	—
8. Loans and advances to Governments	0.52	1.20	1.20	0.48	TOTAL	76.6	69.7	69.0	—
Scheduled Banks					Stocks at the end of the corresponding months of:				
1. Demand liabilities (net)	574.45	575.53	571.24	518.57	1953-54	95.7	98.6	98.3	—
2. Time Liabilities	376.47	371.29	370.95	329.57	1952-53	128.4	115.0	104.4	—
3. Cash on hand	34.47	33.29	32.00	31.75	Despatches:† ('000 tons)				
4. Borrowings from Reserve Bank	26.43	17.32	10.26	28.73	Hessian	31.6	39.8	32.9	246.1
of which against Usance Bills	18.61	8.26	4.92	16.40	Sacking	42.8	49.6	54.3	326.1
5. Advances and Bills discounted	609.18	601.64	575.26	530.34	Rope, twine, etc	2.2	2.5	1.5	14.8
of which Imperial Bank's	124.93	124.01	112.88	125.04	TOTAL	76.6	91.9	89.5	587.0
6. Investments of which Imperial Bank's	347.46	347.48	355.24	318.03	Total despatches in the corresponding months of:				
Cheque Clearance	166.05	114.65	137.06	129.04	1953-54	68.5	75.5	73.5	537.3
† For Reserve Bank and Cheque Clearance week ended 18-3-55. Scheduled Banks week ended 11-3-55.					Raw Jute Consumption: (lakh bales of 400 lbs each)				
Bombay Money Rates	18-3-55	11-3-55	18-2-55	19-3-54	1954-55	4.84	5.46	5.18	32.09
Inter-Bank Call Rate	2 7/8	2 7/8	2 7/8	2 7/8	1953-54	4.03	4.53	4.15	29.05
3 months deposits	3	3	3	3	1952-53	4.22	4.62	4.36	30.93
6 months deposits	3	3	3	2 7/8	IJMA Mills' purchases of raw jute (lakh bales)				
Bombay Bullion	24-3-55	A Week Ago	A Month Ago	A Year Ago	Pakistani	0.86	0.36	1.10	5.96
Gold Spot (per fine tola)	93-10-0	93- 6	92- 9	89- 1	In corresponding periods of:				
„ Forward „	92- 9-0	92- 4	92- 1	88- 2	1953-54	0.45	1.12	0.94	5.16
Silver Spot (per 100 tolas)	166-15-0	166-12	164- 9	167- 6	1952-53	0.31	0.40	1.19	9.41
„ Forward „	166- 1-0	165-12	164- 5	167-14	Indian	5.42	4.11	6.84	31.36
					In corresponding periods of:				
					1953-54	3.31	4.30	4.65	24.31
					1952-53	2.06	4.01	2.48	23.84
					* Stocks at the end of the month.				
					† Despatches include exports and sales for internal consumption.				
					Source: Monthly Summary of Jute and Gunny Statistics issued by the Indian Jute Mills Association.				

INDEX NUMBERS OF WHOLESALE PRICES LATEST "ALL-PAKISTAN" CROP ESTIMATES

(Base: Year ended August 1939 = 100)					1954-55			
Group and Sub-group	Week ended 12-3-55	A Week Ago	A Month Ago	A Year Ago	Rice (Second) Area ('000 acres)	1954-55	1953-54	% Change
I. Food Articles	297.3	301.1	308.5	368.9	Bajra (first) Area ('000 acres)	2,397	2,422	-1.0
Cereals	339	344	346	429	Jowar (first) Area ('000 acres)	1,317	1,324	-0.5
Pulses	231	230	242	359	Maize (first) Area ('000 acres)	1,024	1,004	+2.0
Others	250	254	267	284	Jute (final) Area ('000 acres)	1,150	760	+51.3
II. Industrial Raw Materials	418.7	425.9	444.1	468.7	Production ('000 bales of 400 lbs each)	2,708	2,503	+8.2
Fibres	459	475	497	453	Cotton (first) Area ('000 acres)	2,824	3,067	-7.9
Oilseeds	342	350	367	518	Sugarcane Area ('000 acres)	962	864	+11.3
Minerals	424	393	411	465	Source: Ministry of Food & Agriculture, Pakistan			
Others	483	482	484	404				
III. Semi-Manufactures	334.8	335.7	340.1	354.7				
Leather	390	358	389	387				
Mineral Oils	221	221	221	221				
Vegetable Oils	357	365	398	472				
Cotton Yarn	444	441	442	448				
Metals	242	242	242	237				
Oilcakes	285	292	285	413				
Others	334	336	336	305				
IV. Manufactures	377.9	377.5	377.8	372.6				
Textiles	422	421	423	414				
Jute	479	474	488	431				
Cotton	409	409	409	405				
Rayon & Silk	468	468	464	491				
Woollen	310	310	310	313				
Metal Products	340	340	340	337				
Others	287	287	284	286				
V. Miscellaneous	556.5	556.0	561.8	686.1				
All Commodities	355.5	358.0	364.5	393.3				

SUGAR STATISTICS

(Nov 1 to Feb 28)

(in lakh tons)

	Production	Despatches	Closing Stocks	Imports
1954-55	9.67	2.49	7.75	2.80
1953-54	7.95	3.98	5.95	1.93

Source: Ministry of Food & Agriculture

SUMMARY OF THE LATEST "ALL-INDIA" CROP ESTIMATES 1954-55

	Estimate	Area ('000 acres)			Production ('000 tons)		
		1954-55	1953-54	% Change	1954-55	1953-54	% Change
Cereals							
Rice	second	68,502	76,324	-4.0	21,593	23,455	-7.9
Jowar	first	26,366	27,009	-2.4	—	—	—
Bajra	"	25,174	26,629	-5.5	—	—	—
Maize	"	8,927	8,825	+1.2	—	—	—
Ragi	"	5,045	4,981	+1.3	—	—	—
Wheat	"	25,567	23,137	+10.5	—	—	—
Barley	"	8,294	7,619	+8.9	—	—	—
Pulses							
Gram	"	19,180	17,326	+1.07	—	—	—
Tur or Arhar	"	5,526	5,459	+1.2	—	—	—
Other Kharif Pulses	"	—	—	—	—	—	—
Potato	"	544	538	+1.0	—	—	—
Sugarcane*	second	3,617	3,503	+3.3	47,469	42,111	+12.7
Oilseeds							
Groundnut	final	12,647	10,869	+16.4	3,823	3,573	+7.0
Linseeds	first	2,441	2,501	-2.4	—	—	—
Sesamum	second	4,540	4,534	+0.1	—	—	—
Rape and Mustard	first	2,244	2,185	+2.7	—	—	—
Fibres†							
Cotton	third	16,116	15,010	+7.4	3,657	3,297	+10.9
Jute	final	1,273	1,196	+6.4	3,153	3,129	+0.8
Mesta	second	502	376	+33.5	999	574	+74.1

* Production in terms of 'cane'

† Production in bales of 400 lbs each in case of Jute and Mesta and 392 lbs each in case of Cotton.

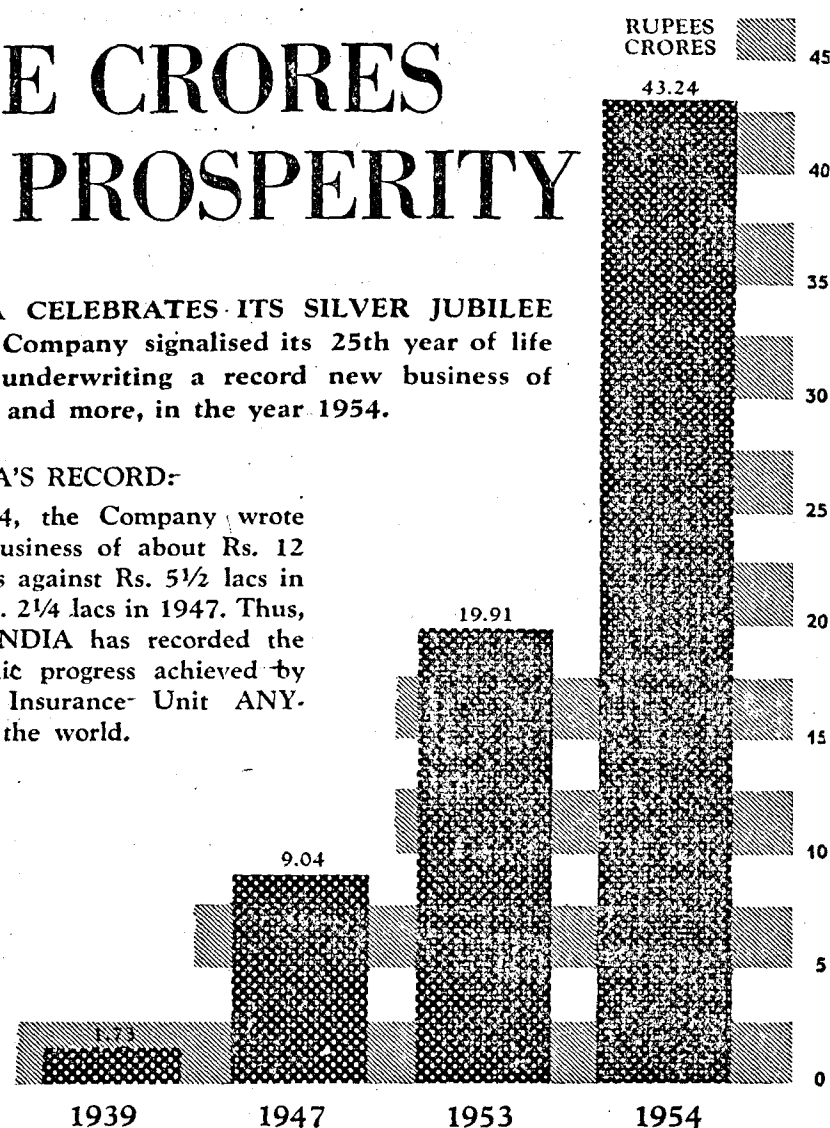
Source: Ministry of Food & Agriculture

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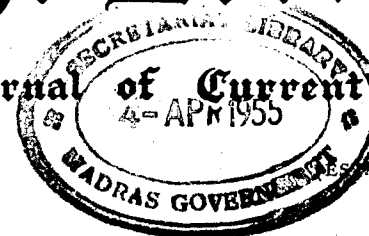
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Deficit Financing—Price Stabilizer?

THE budget envisaging a deficit of around Rs 320 crores for the current year and of Rs 210 crores for the financial year that is just over, has set many people speculating about the likely effects of the consequential increase in money supply with the public. The general belief seems to be that deficit financing would be beneficial to the economy as a whole; furthermore, it is expected to have a favourable effect on the demand for, and therefore the prices of agricultural commodities. Should this come about, it will save the Government the bother of working out a complicated system of price-supports to protect agricultural incomes.

Whether deficit-financing will obviate the need for agricultural price-supports is a question that needs careful analysis of the processes through which Government spending is transformed sooner or later into demand for agricultural products. With the existing statistical data, such an analysis of money flows is not possible; one's appraisal of the likely ramifications of deficit financing has therefore to be of a rudimentary character, based on variations in the more important of the monetary indicators.

Between 1950-51 and 1952-53, very special factors caused a decline in money supply with the public. The subsequent increase has been considerable, though not so large as to outpace the increase in domestic production. To the rise in money supply since the end of 1952-53, deficit-financing also has contributed, but in what precise measure, it is difficult to say. For a proper evaluation of it, we have to have, besides the draft on accumulated cash balances, the net increase in Government indebtedness to the Reserve Bank. Since this is not readily available, one can do no more than speculate on the basis of published figures regarding Government cash balances and changes in Reserve Bank holdings of rupee securities.

Recent changes in the components of money supply with the public, and in the principal factors affecting it, are given in the table on page 415, where the latest available data on money supply, relating to last Friday of January 1955 are compared with those for last Fridays of March 1952 and March 1953 respectively. The elements 'below the line' in that table do not fully explain the variation in money supply; but they do account for the bulk of it, and contain what may be termed the main 'operational' reflectors.

Clearly, the decline in Government balances has been marked in the recent past. Whether this is a fair enough measure of the impact of Government spending on domestic purchasing power is difficult to say. One has to correct the cash balance change by the net payments to Reserve Bank for sterling and net security transactions between the Reserve Bank and Government. Between March 1953 and January 1955, foreign assets of the Reserve Bank increased slightly; but this was the net result of a balance of payments surplus on private account and a Government deficit on its external account. Further, the Reserve Bank's holdings of rupee securities fell by about Rs 38 crores, and that of the scheduled banks increased by Rs 47 crores in the same period.

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Whether the discrepancy between the two indicates Reserve Bank purchases of securities from Government, it is not possible to say. In other words, from the available figures, not much can be said about the exact magnitude of the internal deficit of the Government.

Nevertheless, while one might argue that the change in cash balances is not a correct index of deficit-financing proper, one cannot gainsay the fact that there has been some deficit financing. Presuming that, the manner in which the several items in that table have varied is of considerable interest. Currency with the public has increased appreciably, and this supports the view that some at least of the fall in Government's deposits must have been due to cash payments. But there is also the significant fact of the increase in deposits. Between March 1953 and January 1955, deposit money increased by Rs 45 crores and time liabilities of scheduled banks by Rs 39 crores. Since the bulk of the former consists of demand liabilities of scheduled banks, there was obviously an increase of nearly Rs 80 crores in the total deposit liabilities of scheduled banks.

There are two ways in which one might read a significance into these figures. It might mean, in the first place, that Government payments in cash or by cheque added pretty quickly to the resources of banks, and enabled them to add to their investments and advances. Secondly, it might be that the resources of banks improved on account of a private surplus in balance of payments, while Government deposits fell as a result of sterling purchases. In either case, the conclusion seems inevitable that Government payments accrued to sectors which are closely connected with the banking system or to external agencies. This more or less automatically excludes a direct relation between Government draft on cash balances and currency in the rural sector.

Admittedly, this is stating the position more definitely than is warranted by the figures. But overstatement is often necessary to provoke re-examination of some beliefs which are commonly held because they are so comforting. One such is the acceptance of the thesis that Government has only to expand its outlay in order to stimulate currency circulation, and that this will

affect the deposits position only after a considerable time-lag. There are two advantages in taking such a position. Firstly, by association of ideas, an expansion in currency circulation is deemed to benefit the classes which transact in cash rather than through cheques—to wit, the agricultural and lower income groups. Secondly, since a time-lag for the secondary expansion of deposit money is presumed, the question of monetary management is simplified. All this is upset if the actual state of affairs is the other way round; that is to say, if Government spending quickly affects bank credit, and the resources of currency users are enlarged only after a time-lag, through spending by those who resort to bank advances.

All this has a bearing on the question of agricultural prices, to which we referred in the beginning. Larger spending by Government in the coming year will mean more employment, directly or indirectly, and an increase in the national wage-bill. The precise proportion and the areas in which it increases, will depend on the labour-intensiveness and the location of the Government projects. That apart, such an increase will make only a marginal change to the total demand for food—since even those who are unemployed consume food

at somebody's expense. Much of the greater part of the additional wages will probably be devoted to the purchase of things other than food. Where large townships arise as a result of big Governmental projects, there will be considerable facilities for satisfying such demands, and the flow of money back to the non-agricultural sector starts. One can visualise a situation in which this increased demand for "urban" products sets in motion a series of adjustments which in course of time lead to higher wages in urban areas, higher prices for cash crops, reallocation of productive resources in the agricultural sector and a consequential upward effect on food prices. But this is both far-fetched, and undesirable—in as much as higher food prices would be a corollary to stagnant or restricted production.

The trouble with all this is that making deficit-financing of development expenditure perform the functions of a price-stabilizer assumes a certain measure of income-elasticity in the demand for agricultural products, and quick adjustments in prices and outputs to changes in effective demand. If this assumption is open to doubt—as indeed it seems to be—the Government has to make up its mind whether or not agricultural prices ought to be directly supported.

Towards Avadi

WHAT is the future pattern of society that is envisaged by the Matthai Commission? And what are the steps through which, over a period of years, the transition is to be effected from the present to the future? It is well to remember before seeking an answer to these questions that the Matthai Commission did not have the Avadi resolution before it, and therefore the directive for a gradual evolution of a socialist pattern of society was not included in its terms of reference. Even a careful reading of the report will not elicit a direct answer to these questions, though the character of the society that the Matthai Commission has in mind can be inferred by examining its recommendations and fitting them together. For the purpose, there are two points of reference which can serve as cross-checks to one another. The first is of individual incomes, the second is the taxation of companies.

The Commission appears to be guided throughout by the assumption that there is no guarantee that money left with individual earners or recipients of incomes will be necessarily invested. It does not therefore proceed to estimate the probable surplus in excess of consumption requirements of the different classes of income receivers. Now if this view is correct, namely that recipients of income are not to be left with much "disposable" savings, whatever investment takes place would be either in the public sector or it would be channelled through institutional investments. This explains the Commission's concern for corporate savings on the one hand and the allowances given for insurance and provident funds on the other. To take the latter first, one-fifth of the income up to a maximum of Rs 8,000 is allowed free of tax, provided it is saved in the form of contributions to provident fund or life insurance. This

is a fair limit for all but the highest range of incomes. In fact it is more than likely that except at the higher brackets, where super-tax begins to operate, this limit to tax free incomes will not be fully utilised.

In the case of corporate profits, the Commission is concerned both about the necessity and the desirability of conserving profits for purposes of expansion and development. While impressed with the necessity of fostering corporate savings, the Commission is equally impressed by the fact that by this means alone, capital for industry cannot be created to an adequate extent. Ever since the days of the Colwyn Committee, which went into this question at the end of the first world war, the limitations of corporate savings as a means of augmenting industrial capital have been well recognised. The erosion of capital caused by increased cost of replacement has been examined by the Commission. As a result of this examination, the Commission was convinced that the difficulty of replacement has been over-stated and that in reality, industries have been able to achieve a substantial measure of replacement in the last few years. And finally, that the rate of profits, taking the industries as a whole, has not at all been low. On the contrary, it has worked out on an average at 8 per cent of the capital and reserves, the shareholders' equity, which can be considered fairly high in an under-developed country.

The judgment about the relative adequacy of the rate of profits is open to question, if its basis is a comparison with the rate of profits in other and much more developed countries. Capitalists themselves would invite a comparison with other countries in the earlier stages of their development and not with the current rate of profits in developed economies. A capital-hungry country, they maintain, cannot build up its capital assets except through profits. And if company profits are accepted as the major source of capital formation, the case for a higher rate of profits would not, in their view, call for any special pleading.

The Matthai Commission, however, does not accept this contention. As has already been mentioned, it proceeds on the assumption that disposable savings either in the hands of individuals or of corporations cannot be relied upon

to be ploughed back in toto into investment or investment of the sort required for development. They would leave too wide a scope for increase of consumption. And the Commission has been determined to restrict the scope of further consumption as a primary postulate in its examination of the tax problem. Its attitude to corporate savings can therefore be justified, not on the ground that a liberal tax policy will necessarily leave the door open to freer consumption but on the ground that such liberality would be misplaced; even though it results in capital formation, it will not be formation of the right kind of capital.

This attitude to corporate profits stems from the Commission's survey of the present state of industrial development. The industries that have been developed so far are largely consumer goods industries; in the next phase, the priority is not for the further development of such industries but for heavy industry in the first place and a number of new, if lighter, capital goods industries. Accumulation of savings with the existing consumer goods industries will not benefit the growth of the capital goods industries of the kind that are necessary for a fuller and more rapid development of the economy. To the extent that consumer goods industries may have scope for the development of allied or subsidiary industries, the case for limiting corporate savings in them would not be self-evident. But since the scope for such development is in any case limited and exceptional rather than general, broadly the Matthai Commission's conclusions will be accepted.

If the Matthai Commission is distrustful of individual investment and it is not convinced that corporate savings can play a considerable role in finding the capital for new industries, what then is the significance of the concessions they offer for promoting the development of new industries in the shape of a developmental bonus on the one hand and carrying over of losses for an indefinite period on the other? If new industries are started, they will be encouraged with so many concessions. But how can new industries be started if all disposable savings have been appropriated in one way or another? A searching inquiry on this point brings out the basic assumption of the Matthai Commission about the

character of development it has in mind. The strengthening of the public sector through taxation and through channelling of savings via the institutional investors, carries with it its own implications.

The conclusion is therefore inescapable that though the Avadi resolution was not in the terms of reference, it has influenced the deliberations of the Matthai Commission. Indeed on a re-reading of the report, it is possible to see in it the first steps, however tentative, to the transition that Avadi sought to embody. How did it happen? Did coming events cast their shadows before or was it that the Matthai Commission was so close and receptive to the ideas then in the air that it could give shape to them and even crystallise them in concrete terms? The Commission was asked to lay down the main lines of a tax policy which the country could follow in the forthcoming period of development. What the pattern of development was, had been fairly clear to the Commission. It was not therefore surprising that the Commission should address itself to the main task and not be hidebound by its terms of reference. Except that it was not free to go into the problems of land and property relations generally, it has been able to fulfil the task creditably. If it has not taken a broad view, it has certainly kept its gaze steadfastly on the future and succeeded in giving a preview of the shape of things to come.



Weekly Notes

Fourth Amendment

THE Select Committee on the Constitution (Fourth Amendment) Bill, whose report was presented to Parliament this week, has filled in the gap in that bill to which attention was drawn in these columns. Clause (2) of the amending Bill has now been altered to provide that no law providing for the acquisition of property "shall be called in question in any court on the ground that the compensation provided by that law is not adequate". Compensation, in other words, becomes non-justiciable. Though of course the law concerned must still provide for compensation, its quantum will now be left entirely to the decision of the legislature.

This is a desirable change in general. The danger remains, however, that legislatures might be less than just to different classes of property owners in acquiring property for public purposes or that the principles they lay down in a particular Act may work unjustly in practice. Where the legislature deliberately decides to give a particular group of property-owners less than adequate compensation, the problems that arise are of a different character. But where the injustice is incidental, resulting from a looseness in the framing of the legislation, some remedy should be available to aggrieved parties now that the courts are debarred from considering the question. It is obvious that injustice of this type might arise in many different ways and unless some arrangement existed for a review of these cases, perhaps by the legislature itself, innumerable cases of injustice would arise from which there was no appeal.

Fathering Obligations on Others!

SOME fundamental questions remain. The main justification for the amendment in Pandit Nehru's eyes lay in the Directive Principles of State Policy, which though non-justiciable, "are nevertheless fundamental in the governance of the country." "How can you give effect to these principles," he asked, "if the current interpretations of the Constitution by the Courts are accepted?" Pandit Nehru felt that there was "an inherent contradiction in the Con-

stitution between the Fundamental Rights and the Directive Principles of State policy." Many would agree with him, but would demur nevertheless that the Supreme Court can be blamed for it.

In interpreting the Fundamental Rights, the Courts may and do take the Directive Principles into consideration and even try to adopt an interpretation which will not, as far as possible, conflict with them. But where such a conflict is unavoidable, it is the Fundamental Rights that must prevail in law and not the Directive Principles whatever Pandit Nehru may feel about it. Besides, the Directive Principles are statements of objectives and while subscribing to them, one need not accept any particular path to their achievement. It can also be argued, as it was by Justice Bose in the Sholapur Case that, "The production of essential commodities and the employment of labour are matters for the State and statutory bodies to handle. . . . They cannot evade their own duties by fathering their obligations on others who are not responsible for carrying on the affairs of the State."

If the legal interpretation of the Fundamental Rights appears to leave no effective path towards the achievement of the desired ends embodied in the Directive Principles, this is a challenge to the ingenuity of the leaders to develop suitable techniques that are legal under the Constitution or to amend the Constitution suitably. Pandit Nehru was right in a sense when he said that it was up to Parliament to "make the Fundamental Rights subserve the Directive Principles of State Policy." That is what the proposed amendments try to do. One may agree that the wide powers that will be given to the legislatures in this way may be misused is a risk that must be taken in a democratic State, but the risk must be reduced at least by a clear pronouncement that the State will not try to evade its own duties by fathering its obligations on others.

Bankers' Complaint

IF the present rising trend in bank deposits continues—all indications are that it will—the problem which has plagued the Indian Banks Association all these years may

eventually solve itself. High establishment costs and the fear that they may be still higher before they have seen the last of the Bank awards, give the members no peace since they have also to pay so much more to get deposits. Establishment charges are under the tender care of the Government. The only alternatives are either a ceiling on deposit rates or higher rates on advances. Whatever the step, all banks must move together.

At the annual meeting of the Association, this hardy perennial cropped up as usual. Shri Pranlal Devkar Nanjee who lays down his charge after years of devoted service as the Chairman, discussed various possibilities of meeting the all-round increase in costs. It was necessary for the banks to raise interest rates on their advances wherever possible, he said, but saw little possibility of their being able to do so. One may suspect that his heart was really not in it. He would not like to raise the other charges either. A third alternative he suggested, namely, that the Reserve Bank may allow scheduled banks to keep securities of equal value as their statutory balances, may be original but it is unhelpful, as it goes against the basic principle of liquidity. So he comes back to the old and vexed question of ceiling on deposit rates.

The Association which Shri Pranlal has done so much to build up during these years, fully represents the scheduled banks. It can influence only a section, though a very important section, of the money market. The exchange banks are not in it, neither is the Imperial Bank, at least organisationally, however valuable the services its Managing Director may have rendered to get the banks to agree to a ceiling on deposit rates. Though all attempts so far have failed, it is difficult to see why they should have. Call money rates cannot have much effect on the volume of deposits. The lenders in the call money market do not belong to the general body of depositors. The depositor at the margin, the man who can be induced to put his money with the bank rather than keep it in his cash box, is not likely to be found among them. Why, then, allow the call money market to disturb the even tenor of banking operations?

Money Supply and Related Data

(Rs in crores)						
	(1) Last Friday March '52	(2) Last Friday March '53	(3) Last Friday Jan '55	(4) Variation of (3) over (1)	(5) Variation of (3) over (2)	
<i>Money Supply with Public</i>						
(1) Currency with public	1,182	1,165	1,240	+ 58	+ 75	
(2) Deposit money with public	605	586	631	+ 26	+ 45	
Total	1,787	1,751	1,871	+ 84	+ 120	
<i>Factors affecting money supply*</i>						
(1) Foreign assets of RB	723	724	730	+ 7	+ 6	
(2) Government deposits with RB	180	136	54	+ 126	+ 82	
(3) Rupee securities of RB	586	546	508	- 78	- 38	
(4) Schedule Bank's investments	303	306	353	+ 50	+ 47	
(5) Schedule Bank credit	558	517	577	+ 19	+ 60	
(6) Time liabilities	309	328	367	- 58	- 39	
				+ 66	+ 118	

* In respect of these, the signs in columns (4) & (5) have been adjusted where necessary to reflect the effect on money supply.

The Crux of the Coal Problem

THE coal industry would be able to meet the bill and raise production from the present 36 million tons a year to 50 to 60 million tons, whatever be the amount required for the Second Plan, provided colliery owners are assured that there would be no nationalisation in the near future and provided also that transport is supplied in full measure. This was the gist of the speech of Shri Jayantilal Ojha, Chairman of Indian Mining Federation, at the annual meeting of the Federation held in Calcutta early this week. Exploitation of new fields being reserved to the public sector, the assurance wanted by Mr Ojha is for the collieries which are already under operation. There is also a third condition attached by Shri Ojha, viz, that the price structure should be so fixed as to leave a reasonable margin of profit.

Nationalisation of collieries not being on the cards, the first condition is already met. It is transport, therefore, that is the crux of the problem. If adequate transport is not provided, production cannot be increased, for coal raised but not moved, is coal lost. Stocks accumulated at pitheads not only deteriorate fast and are exposed to the risk of destruction by fire—Raniganj coal is particularly susceptible to spontaneous explosion—they mean so much capital blocked.

The president of the Indian Mining Federation also gave an estimate of the additional transport that would be required to move 5 million tons of coal a year—650 wagons a day with corresponding increase in the number of locomotives, track and junction facilities and so on. All these and more must already be in the next Five-Year Plan for railways, but Shri Ojha was particularly anxious that increased demand for coal by railways and by industries in the public sector should not impinge on the supply of wagons for the collieries. He suggested that such priority consumers should own their own wagons, so that other users of coal may also get their supplies.

By the time the new steel plants begin operations, the situation that led to the pegging of metallurgical coal would have changed completely and collieries producing metallurgical coal may have to be given additional incentives to step up rather than be forced to hold down their production and the need for washeries would be keenly felt. For setting up washeries, the industry looks to the Government.

Apart from the increased requirement of coal that would follow the expansion of industries, Shri Ojha stressed a point that is often missed, viz, the need for expanding the consumption of coal as a deliberate measure to help agriculture and to ensure better utilisation of our

natural resources. Wider use of coal as fuel will slacken the pace of deforestation and thus help soil conservation. It may also help agriculture in another way—but that is only a distant possibility—viz, by preventing the use of cow-dung as fuel and encouraging its use as a manure. On what a scale the denudation of forests is still going for supplying fuel is rarely realised. But Shri Ojha did not suggest the possibilities of cost reduction by which means alone wider use of coal can be ensured. If coal is to substitute other fuels, it has to be cheaper, not only at the pithead but at the consumers' end.

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All but Finance

THERE has been much talk lately of associating local bodies with the execution of the proposed Five-Year Plan and of developing them into effective instruments of local self-government besides. The Bombay Government seems to have taken this talk fairly seriously; anyway, Shri Y B Chavan, Minister for Local Self-Government, Bombay, moving an amendment to the Bombay State Panchayats Act at the current session of the State Assembly, has promised the introduction of comprehensive legislation to enlarge the functions, duties and powers of village panchayats in the State so as to enable them to play an active part in the development programme of the future. It must be said to the credit not only of the Bombay Government, but also of other State Governments that since the advent of freedom they have not been chary of conferring new responsibilities, functions and even powers of a sort on panchayats and other local bodies. While it has cost these Governments little to delegate such powers, it has surely been of much assistance to them in escaping blame for inaction or inadequate action in the countryside, so much so that the shrewder of the local bodies may not be so unwilling to part with some of the responsibilities they have been made to shoulder—without adequate finance, or even adequate scope for raising such finance.

To all appearance, the present Bombay amending Bill does seem designed to meet this very problem. The Bill proposes to raise the grant of land revenue to village panchayats from the present proportion of 15 per cent to 25 per cent; and in the course of the debate, the Minister indicated his readiness to raise it still further—to 30 per cent. By itself this does sound very generous; but when set against the fact that with this proposed increase in land revenue grants, the payment of statutory grants on account of the salary and allowances of panchayat officials will be discontinued by Government, a part of the truth reveals itself. The picture becomes clearer when one realises that land revenue depends on unpredictable factors like the monsoon and that actually panchayats have been getting more by way of statutory grants than land revenue so far.

In other words, the resources that the panchayats will have in future for shouldering greater responsibilities, performing more functions and playing what has been called an effective role in developmental work may be not only less than what they command now, but also more uncertain. No wonder that spokesmen of the Opposition, the only ones that can speak out their minds on the floor of the Assembly, have been so critical of the Bill.

Much no doubt can be said for spreading the panchayat movement throughout the State, as the Minister proposes to do, and for yoking local initiative and enterprise to the task of development. And it may be the feeling of Government, and it is a right feeling, that if volunteer labour is to be sought for any public undertaking, it can be done best in the local sphere, where the givers of voluntary service stand to benefit immediately and directly from the result of their sacrifice. But what is apt to be overlooked is that the proper organisation and effective utilisation of even voluntary service, not to speak of technical guidance and supervision, requires a permanent, official agency—an indispensable core of authority and administration—that has to be paid for. Some of the panchayats seem unable to afford this even now, with dependable grants from Government. What their position will be when made to rely on an uncertain source of income can well be imagined. Responsibility and power, without the means of discharging the one or exercising the other to the good of the people, can be most disillusioning. And in the very process of multiplying panchayats in the State and loading them with new functions and extensions of authority, Government may well create conditions inimical to the success of these institutions. Impotent agencies and empty shells of authority tend only to provoke ridicule. And a hard-headed peasant's ridicule can be deadly in its effect. Government would therefore do well to pause and think whether wisdom lies in adding to the number of panchayats in the State and their obligations rather than in ensuring more resources to the ones that already exist and putting them on a sound and unassailable basis.

THE ECONOMIC WEEKLY

The panchayat system has the authority of tradition and the sanctity of centuries behind it, which may not be so much the case with other agencies of local self-government, particularly urban. So in reviving the panchayats, the aim should not be so much to long for the glory of numbers in competition with other States as to strive for lasting qualities of efficiency and effectiveness in these institutions, so that they lose none of their traditional sanctity and authority. The dream of active little village republics forming the base of the free Republic of India, with responsibility and power distributed over as wide an area as possible, is an inspiring one. But from the way some of the States are going about the task, all that is likely to result is a useless conglomeration of superfluous bodies, cluttering the countryside and perhaps even slackening the pace of national development.

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THE ECONOMIC WEEKLY

From the Calcutta End

The Season of Meetings

CALCUTTA meets in March. India is a seasonal economy and to add to the business of the busy season, the busybodies have their various Association annual gatherings during the day-time, and try to forget their cares—later in the evening.

This Wednesday the Indian Engineering Association met for its annual meeting and Mr Chatterton of Martin Burn, the Chairman, had a few frank remarks to make on the Government's much publicised programme and targets of steel making. He thought that they could discount the "most optimistic" pronouncement that the capacity of the steel industry in India could be raised to 6 mn ingot tons by 1961 as completely impracticable. Much had been heard of German and Russian plants, and more recently of a similar British offer. Mr Chatterton said that he appreciated that little could be made public at the time that delicate international negotiations were in progress. The engineering industry feels, however, that it should be consulted at a relatively early stage if it is the Government's intention that a substantial part of the fabrication work for the steel plants was to be undertaken by indigenous concerns. If all the schemes that one reads about in the papers were to be taken in hand almost all at the same time, a good proportion of such fabricating work which could, in the normal course of things, be manufactured in India, would then have to be imported. The implication of this is not limited merely to the extra foreign exchange which would be necessary for such imports. It would also mean that the engineering industry would not be geared simultaneously with the increase in the country's output of steel to utilise the additional steel that may be turned out. Steel is not produced as an end in itself. It is the raw material of the engineering industry and if the latter cannot utilise the raw material, the steel capacity, if achieved, would lie idle.

Mr Chatterton estimated that approximately 2 mn tons of steel was being currently consumed in India. There is an unsatisfied demand which it is difficult to estimate, as a period of scarcity tends to inflate demand. He felt that it was obviously unrealistic to pro-

vide for 6 mn tons, treble the present usage, as secondary industry would not have the capacity to absorb this amount by 1961. It would be more realistic, according to him, to plan for 3 mn tons by the end of 1961 and to phase the programme so that the building of capacity beyond this, and the growth of secondary industry, would proceed simultaneously.

To increase steel making capacity to 3.5 mn tons would require 0.2 mn tons of buildings and plants which could be made in this country with a saving estimated at a minimum of Rs 30 crores in foreign exchange. To undertake this programme would require the employment of 8—10 thousand men for 3 years so that it was worthwhile making the effort to ensure that planning was not undertaken beyond the capacity of the industry to produce or to absorb.

Mr Chatterton discussed the problem of machine tools industry, one of the mainstays of engineering. He pleaded that this industry is essentially a field for private enterprise. The shortage of adequately trained workers as well as trained supervisory staff was stressed by him. This shortage would adversely affect any rapid industrial effort.

On the same day that the Indian Engineering Association met, the zamindars had the annual general meeting of their club—British Indian Association. In another two weeks' time, zamindari will have gone from West Bengal. The British Indian Association was at one time a powerful and glamorous body. The zamindars, or rather the predecessors of some of the present zamindars, perhaps paved the way for the Government's acquisition of their landed properties. As far as Bengal is concerned—I am not competent to express an opinion on the zamindars of other States although they would perhaps not be found wanting in these qualities—large numbers of the relatively better placed zamindars contributed very substantially to the cultural and educational movements of the State. I do not have figures to quote but it is well-known that a large number of educational institutions spread all over this State and some of the most important of these in Calcutta itself owe their origin and sustenance to the munificence of the zamindars.

In the written and oral statements submitted to the Floud Commission over a decade ago, a number of such instances are mentioned. But the institutionalists would point out that the days when zamindari served a useful purpose are over. Yes and no. The Chairman's address, read out by the Secretary, pointed out that the rationalization of the tenure system in West Bengal would not usher in progress and prosperity. The lot of the common man would not be improved by the legislation enacted or proposed. Taking the Land Reform Bill to be the Government's last word on the subject so far, it is noted with dismay that the reduction in *khas* agricultural holdings that intermediaries might suffer as a result of acquisition would not necessarily benefit private farmers but might well lay the foundations of state farming—with all its concomitant evils of regimentation of production, wastage of public money and slavery for numerous agricultural workers. Look out for the writing on the wall!

The meeting-phobia caught on certain other sections as well. The bus-men met and caught the State bus. Dr Roy has promised to employ the DPs of the Syndicate buses when State transport spreads and takes over hitherto un-nationalised roads.

On Thursday afternoon the tailors of Calcutta met—in a procession this time. They demand weekly holidays, minimum wages and various other minimum amenities. We live in an age of minima and maxima. That is why a prominent fire-fighting equipment is called "minimax". It can be used for fire-eaters as well.

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Delhi in Doldrums

Wednesday, Evening

WITH the budget fireworks over, it has been a rather dull week at Delhi. The Prime Minister has had—very deservedly—a somewhat easy time, engaging in such pleasantries as a telephone talk across the sub-continent with Prime Minister U Nu at Rangoon. Asia is emerging as a living entity. How curious, historically, that we could talk to London before we could speak to Rangoon! U Nu himself came down to Delhi on a private visit, and the Prime Minister presented him with a sapling from the Buddha's Tree of Enlightenment. This reminds me that U Nu was just preceded by Prince Nordam from Cambodia, who had also come here on a pilgrimage. Buddhism appears to be politically on the upgrade, and is being used rather subtly to bolster up the doctrine of co-existence. Buddhist activity in Delhi, with which resident missions of Asian countries are actively associated, has been visibly increasing in recent times. The Prime Minister, who normally maintains a correct, secular attitude, misses no opportunity to associate himself with Buddhist pilgrimages and relics.

PEOPLE'S PLAN

While the Prime Minister had a relatively easy time at Delhi, he burst into revolutionary fervour at Allahabad. He wants the second Five-Year Plan to be a people's plan, to be actually drawn up by them at the Gram Panchayat level. This idea he had put forward earlier too. It is strange that the Planning Commission did not follow it up. The Plan is being drawn up by the same people who bamboozled us into accepting the economics of the first Five-Year Plan. Speaking to the people of his constituency at Machli Saher, the Prime Minister promised to provide employment, adequate food, clothing and housing to the common man in the second Five-Year Plan. What a pity that this great man has no able lieutenants to execute his ideas. This is not a mere talking point, but may well prove to be a tragic fact of history that the Prime Minister lacked men of equal calibre and zeal around him. Is Jaya Prakash Narain not available, now

that he has abandoned the PSP and gone after the mirage of *Bhoodan*? Why can't the Prime Minister call him to become Minister for Economics?

Anyway, the interest (for the Prime Minister) might well shift from the domestic front, for, as this is being written, news of trouble has been coming in from Saigon, where we have international responsibilities as 'Chairman' of the Supervisory Commission. The Prime Minister must be at it across both continents, contacting peace-makers and pacifying trouble-makers, for his heart really burns for the common man in every land; but it is clear—probably not very clear to him—that without strength on the domestic front, it might all prove illusory, with belligerents using our neutrality for what it is worth and ultimately proceeding to a show-down of arms. These are possibilities of which sufficient cognizance has not been taken by the Prime Minister and his 'tin' advisers.

PLEA FOR SANSKRIT UNIVERSITY

Shri Chintaman Deshmukh has been keeping himself busy outside Parliament. Few people know that he is a great Sanskrit scholar. He often indulges in quotations from the scriptures in support of his economic doctrines. This time he spoke 'purely' in Sanskrit at the Akhil Bharatiya Sanskrit Sammelan. He spoke for an hour in Sanskrit, and I had the same feeling—it is a sacrilege to attempt such a comparison—as Swami Vivekanand had when he visited Madras (before going to the Chicago Parliament of Religions) and was astonished to find women coming out and speaking to him in Sanskrit. Shri Deshmukh put forward a strong plea for a Sanskrit University. He envisaged the possibility of its occupying a place in the main stream of the nation's life. For once at least, I am in complete agreement with Shri Deshmukh's ideology, for we need a language with a depth to sustain our culture; and unfortunately Hindi is not that language. Sanskrit embodies the best of our philosophy, which, without our knowing it, has

been the main sustaining force behind the remarkable survival of India from the tragedy of a thousand years of foreign misrule!

In Parliament, in the absence of the real heroes, Shri Ajit Prasad Jain occupied the stage. One feels abashed at the intellectual level to which we descend, as we come down from the Prime Minister—and may I add, the Finance Minister—though there is a rather awkward gap between the two. Shri Ajit Prasad Jain read out a school-boy's essay, comparing and contrasting the economies of India and USA and aiming at the conclusion that we need not—we cannot—make any very serious effort at stabilising agricultural prices. Some economic adviser seems to have fooled him completely. This tribe of economic advisers is developing into a peculiarly venal species with a subtle political bias in their mental make-up. No knowledge of economics, not even character, is essential to make an economic adviser to the Government of India. Anyway, I learnt a new phrase: "... the agricultural economy of the United States is essentially one of surpluses. In our case, it is an economy of adjustment."

PROBLEM OF LANGUAGE

What does this mean? Why don't these people speak a language which they can understand? I think, it should not be optional, but mandatory for most of these people at least Ministers—the Prime Minister can speak fine Hindi and the Finance Minister, even fine Sanskrit—to speak in Hindi or Urdu. Shri Ajit Prasad's economics was awful. At least, one can understand and even appreciate the economics of Shri Deshmukh. What really is wrong with him is his social philosophy.

News from Pakistan has been rather disturbing. Commenting on the Procedure Plan of June 1947, which brought in Pakistan, the present writer had said that Pakistan would become a fascist State. Is this coming true? I hope not, for that would be another tragedy in the life of the Indo-Pak sub-continent.

First Anniversary of the London Gold Market

IT is now a full year since the London gold market was reopened. Up to March 20 last year, the Bank of England had been the sole dealer in gold at the fixed official buying rate of 248 shillings per fine ounce for bar gold, and 58 shillings per sovereign. On that date, the Bank issued a notice (under the provisions of the Exchange Control Act 1947), the first paragraph of which read thus:

"The Bank of England will discontinue the publication of buying prices for gold as from the 22nd March, 1954, when the London gold market reopens."

On Monday, March 22, at 10-30 am, representatives of six bullion firms which had last met to fix the price of gold on September 1, 1939, again assembled for that purpose. At this meeting, the price was fixed at 248s 6d per fine ounce, as compared with 160s at the previous meeting.

The reassembly of the representatives of the bullion firms after a gap of fifteen years must have been more than a mere price-fixing meeting. The passage of events over the past fifteen years would no doubt have been recalled by the six men, though the fact that gold had emerged unscathed from all this turmoil must also have been a matter of not inconsiderable satisfaction to all of them.

Nobody expected the market to resume functioning on the same lines as before the war. The £ sterling was not convertible and in view of this, it was understood that some limitations on the full freedom of the market would be necessary. What these limitations were had also been set out, though somewhat tersely, in the Bank of England's notice—the control over the market's activities was concerned not so much about who would be permitted to buy and sell gold as with the type and kind of currency against which the market would be allowed to trade. Residents of the sterling area could buy gold only on the production of a licence, in which case payment in resident-account sterling was accepted. All other dealings were, by the nature of things, confined to US dollars either in its sterling counterpart of "American-account sterling" or as

"registered sterling", which could be acquired by non-sterling and non-dollar residents against sales of dollar balances or from previous sales of gold. Although forward dealings in gold were not allowed, in order to facilitate the sales of newly-mined gold, the Bank of England gave permission for such gold to be purchased at the date of despatch from the country of origin or whilst in transit.

NARROW RANGE OF PRICE VARIATION

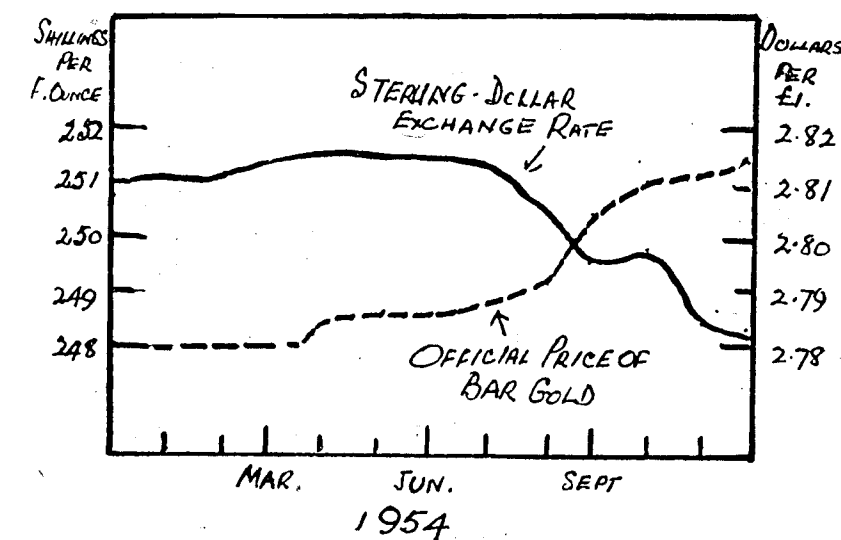
In the comparatively short period during which the resurgent London gold market has been operating, it has become clear that in matters of technique and business finesse, nothing had been lost by the fifteen-year adjournment. It is to be noted, however, that between 1945 and 1954, many London houses, under special permission of the Treasury and, at times, on behalf of the Treasury, had handled a large proportion of the movements of gold resulting from official gold transfers. This no doubt assisted in the quick revival of the market. The official limitations on the freedom of the market had, however, proved to be a serious handicap, particularly on the volume of turnover. Buyers of gold not possessing dollar currency or its progeny—registered sterling, have continued to direct their business to the various centres abroad with free exchange markets. One of the welcome features of the past trading year has, of course, been the extent to which the facilities of the London market have been used by the

Central Banks of various countries. When the decision was taken to reopen the London market, it was generally thought that there was nothing in the new arrangements which would either increase or diminish the demand for gold for hoarding purposes. This estimation proved to be largely correct. The dollar price during the year varied only within the modest limits of \$35 and \$35.12. After allowing for the change in the gold premium and other variations in the sterling-dollar exchange rate, the highest and lowest sterling quotations for gold were 251s 7½d and 248s 3½d per fine ounce respectively. As long as the United States is prepared to buy gold at \$35 per fine ounce, this must continue to provide the minimum price expressed in sterling.

RUSSIAN GOLD IN LONDON

Supplies of gold to the market came largely from two sources: the Soviet Union and the Union of South Africa. The greater part of South Africa's output of newly-mined gold was sold to the South African Government, and most of this in turn was consigned to the Bank of England as its agents for sale in the London market at prices ruling from day to day. The permission granted to South African producers to sell gold on their own account was withdrawn when the London market opened.

The year opened with gold being quoted in Continental centres at a price of \$35.20 to \$35.30 per fine ounce, but pressure from Russian



sales gradually forced these prices down until they reached \$35 per fine ounce. It was at this point that the London market was reopened. The opening price of 248s 6d per fine ounce remained steady for a period and then moved downwards to 248s 3½d (which is equivalent to \$34.95 per fine ounce). The second quarter of the year was particularly active for the London gold market—buyers from the Near and Far East maintained a steady level of demand, and there was, of course, some Central Bank buying. In April the price moved up, but variations were not wide. In London, the market quoted a price of 248s 3½d, which was somewhat lower than the spread of the dollar price of \$34.95 and \$35.15. These discrepancies persisted until the end of June, and it is clear that the differential in the prices in these two centres was mainly occasioned by the strength of sterling on the foreign exchange markets.

The third quarter of the year witnessed some fall in the market's turnover. The pressure on sterling on the foreign exchange market was beginning to be reflected in the price for gold. Between August and September, the price rose steeply from 248s 10d to 251s 5½d. In the same period, the dollar price rose only slightly (from \$35.04 to \$35.11). This downward trend in the market's turnover persisted into the last months of 1954 and well into the new year. The price of gold in terms of dollars steadily fell, but, in view of the weakening tone of sterling on the exchange market, the sterling price continued to rise. By the end of December, the London price was as high as 251s 7½d compared with the dollar price of \$35.04½ per fine ounce.

One of the great uncertainties in the London market has been the supplies from the Soviet Union. In March and April of last year, considerable quantities of gold were offered on the London market from that quarter, and it was hoped that this source of supply would become a permanent feature of the dealings in London. But this hope has not been realised, and it is believed that some Russian supplies have been finding their way into the free markets in Continental Europe. This may be the reason for the decline in Continental demand in the latter months of 1954 and in the first two months of 1955.

THE FUND CONDONES OR BLESSES?

It is surprising that the International Monetary Fund has not made any public comment on the reopening of the London market. They have certainly reported the event in their latest annual report, and have also reviewed the operations of the London gold market in their report on exchange restrictions, but they have not clarified their views on this very important event. The aim of the IMF since its inception has been to conserve the available supplies of gold for purely monetary purposes. In attempting to achieve this object, the IMF has all along requested its members to ban the sales of gold at a premium over their official price. In practice, this policy has not met with any sustained support from those member-countries who are producers of gold. Since 1948, a number of gold-producing member-countries had evolved schemes whereby they could place the whole or a part of their production in the international free market whilst at the same time maintaining some formal support for the IMF's policy. The United Kingdom, however, has always given loyal support to the

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IMF in this matter, and, in accordance with the Fund's earlier request, the Bank of England, in a regulation published in 1947, had banned the London houses from taking part in gold dealings at premium prices. The decision to reopen the London gold market now surely marks an important step towards the abandonment by the IMF of its efforts to deny non-monetary buyers access to the world supplies of gold.

PRICE CHANGE NOT EXPECTED

Unlike previous years, there has been little talk about an increase in the price of gold in the past year. Violent controversy had raged for a number of years in and outside the IMF on whether the Americans should push up their official gold price in order to solve the problem of shortage of gold for monetary purposes. It is difficult to say whether the supporters of this view have changed their mind, but they have not been vocal in the past year. South Africa, the doughtiest of fighters for a higher gold price, has partially solved its problem of high gold production costs by converting a number of high-cost-producing mines to the production of uranium ore.

THE ECONOMIC WEEKLY

Review of the GATT

B N Ganguli

THE press *communiqué* issued by the Secretariat of the General Agreement on Tariffs and Trade on the review of the Annual Agreement is a somewhat cryptic document, and it became more cryptic when it appeared in condensed form in the newspapers. And yet it is an important document the contents of which require to be clearly understood by the public, if public opinion has to express itself on policy decisions which will be eventually taken by the Government of India. The following comments, which are based on the press *communiqué* and not on the authenticated text of the agreed changes in the draft, are offered in the hope that they may lead to clear a misunderstanding of what is supposed to have been achieved at Geneva.

It may be explained that the GATT includes (1) a basic code of commercial conduct and (2) the tariff schedules including the negotiated rates of duty. The GATT was due to expire with effect from July 1, 1955, unless it was extended for a further period. There was, therefore, opportunity for rethinking, on the basic principles of commercial conduct and also for renegotiation of the rates of duty.

CONFUSING ELEMENTS OF CURRENT SITUATION

Thinking on tariff matters is essentially pragmatic. It was, therefore, expected that the change in the international economic situation since 1947 would influence GATT review at Geneva. The emergence of buyers' markets and actual or threatened gluts, particularly in the commodity markets, in spite of increase of productivity in certain commodities; threatened inflationary pressures in some countries accompanied by stagnation in particular branches of agriculture and industry in other countries; frantic efforts of under-developed countries to step up industrial production; minimisation of balance of payments deficits and actual conversion of deficits into surpluses; the prospect of currency convertibility emerging and receding from time to time—these were the confusing elements of the current economic situation which made it

extremely difficult for the contracting parties to face up to the task of revising the GATT in a forthright and thorough-going manner.

The current international economic situation is conducive to the development of defensive attitudes to trade in many ways. It is, therefore, an achievement to secure a kind of *status quo* or standstill arrangement, with necessary adjustments to meet obvious difficulties which some nations have faced under the existing provisions of the Agreement. The basic liberal objective of "substantial reduction of the general level of tariffs and other charges on imports and exports" has no doubt been reiterated; but the contracting parties have thought fit merely "to recommend the convening of a tariff conference when it is felt that progress in that field is possible". The language of this recommendation makes it very clear that the climate for the pursuit of a liberal ideal of trade policy is not congenial at the present time.

STEPS TAKEN AT GENEVA

What has, then, been achieved at Geneva? Before answering this question let me state the concrete steps which have been taken. First, as regards that part of the GATT which embodies a code of commercial conduct, certain changes have been agreed to. They are included in Protocols which are now open, for acceptance by the legislatures of the contracting parties, till the beginning of the next GATT session in October 1955. In the meantime the existing unamended Agreement remains in force. Secondly, if the contracting parties agree, the tariffs will be stabilised at the existing levels and the assured life of the tariff schedules will be prolonged from July 1, 1955 to December 31, 1957, provided that parties will be authorised "to renegotiate during the bound period rates of duty if they find they must modify or withdraw some of them". A new provision for the automatic extension of the assured life of the tariff schedules in the future, by periods of three years, with freedom to modify or withdraw tariff concessions (mostly at a price), has also been recom-

mended for acceptance by governments.

Let me deal, first, with the power to re-negotiate rates of duty, during the bound period. This is a matter of vital concern to India. The lower rates of tariffs on certain commodities, to which we had agreed in 1947 do not suit us today, because India has begun to produce these commodities and it may be necessary to protect the industries which manufacture them. Under the existing GATT procedure, a relief from tariff binding has to be negotiated. Reduction of duty on other items has to be offered as a price for the specific relief. Agreement with countries substantially interested in the export of commodities on which we seek relief from tariff binding has to be reached. This takes time and is not an easy process. Re-negotiation of all tariff schedules at Geneva might have given us more latitude and better bargaining power and enabled us to review the tariff schedule as a whole in the context of our altered economic situation. It is clear that nations at Geneva did not want to throw everything into the melting pot. The outcome of US participation in fresh tariff negotiations was, to say the least, extremely uncertain. It was, therefore, perhaps expedient to reach a standstill agreement. But I must say that the procedure now laid down for modification of a tariff concession which is bound under the Agreement, may create difficulties for India. We have to offer compensation for raising bound rates of duty. We have to reach agreement with the exporting country concerned. If there is disagreement the latter may appeal to the contracting parties who, if they think that the compensation is inadequate, will permit the applicant country to extract a price by withdrawing a concession which we enjoy.

There is one aspect of this standstill arrangement which may be noted. Each party retains the right to decide whether or not to engage in negotiations for the lowering of tariffs, or to participate in a future tariff conference when the climate for lowering of tariffs is more congenial. This merely underlines the fact that forces of protectionist reaction are quite powerful today.

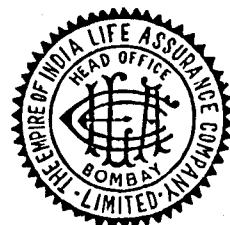
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RETHINKING ON THE CODE

I shall next comment briefly on the trend of rethinking on the code of commercial conduct embodied in the GATT.

The agreement on quantitative restrictions will give obvious satisfaction to the main supporters of such restrictions in India and elsewhere. Although the objective of eliminating quota restrictions not justified by balance of payments reasons is upheld, yet the utility of this piece of defence mechanism in the context of currency convertibility (which is assumed to be round the corner) is recognised. The only safeguards recommended are 'review', and 'annual consultations.' In a way the position is more logical than it would be otherwise. If farm products can be subject to quota restrictions on the ground of 'serious injury', there is no reason why on the same ground industries cannot be protected by quotas. Nevertheless, lip-service has to be paid to the principle of eliminating quotas. And so there is the aspiration expressed in terms of laying on a country the obligation to eliminate quota restrictions "over a comparatively short period of time not exceeding five years". In this connection, I may refer to a small gain which exporters of farm products have secured with regard to the drastic operation of section 22 of the US Agricultural Adjustment Act. Under this Act, imports must be restricted whenever they interfere with a price-support or similar agricultural programme. The quotas can be made far more restrictive than they appear by selection of a low base period. Hence foreign exporters are kept in continual uncertainty as to the possibility of sales in the US market. It appears now that exporters facing such difficulties, can rely on the negotiation procedure and consultation.

IMPORT CONTROL FOR DEVELOPMENT

Supporters of quantitative restrictions in India will be gratified to learn that "balance of payments considerations" have now been interpreted broadly to take care of the situation arising out of the heavy import demand of countries industrialising at a reasonably fast rate. I hope that it is now clearly understood that conservation of foreign exchange over a period of time brought about through selective control of imports, if necessary by

means of import quotas, would be treated as a legitimate policy in the case of countries like India.

TARIFF PROTECTION

The review of the GATT also reveals a welcome change in the attitude towards the unorthodox methods of import restrictions other than the orthodox ones, viz, tariffs and subsidies. In a previous article contributed to the *Economic Weekly* (November 6, 1954), I had myself, for example, shown that a mixing regulation may, in certain circumstances, be a much better method of protection. Tariff protection given to industries in the early stage of their development must be flexible, and the choice of any particular method or a combination of methods in the interests of expansion of both production and consumption is a matter which should be left to the good sense of a country. It is very good that prior approval of the contracting parties is not now required for the use of import restrictions, other than tariffs and subsidy, provided that no bound rates of duty are involved and also provided that any contracting party that is adversely affected by the change will have the right to withdraw a substantially equivalent concession granted under the Agreement. In this case also freedom has been purchased at a price.

US FARM BLOCK WINS

On the subject of subsidies also, the previous attitude of condemnation has now been replaced by one of "limiting the harmful effect of export subsidies". The obligation not to subsidise export of primary products so as to obtain "more than a fair share" of world trade is recognised. But it is clear that disposal of surplus American farm products at less than competitive prices is treated as an exception, ostensibly on the ground that such disposal is "designed to expand consumption of these products". If other primary countries are adversely affected, the only safeguards are the procedure of "consultation with the principal suppliers", "orderly disposal" and the vague promise of "avoidance of injury to the interest of other contracting parties". There is here complete victory for the American Farm Block. It appears that a working party of the GATT has outlined a convention which might govern international action in the field of international trade

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in primary products. But no action can be taken before the US Congress has studied the proposals, the nature of which has not been disclosed.

ANTI-DUMPING LEGISLATION WANTED

It has been discovered that soft attitude to export subsidies in the case of primary products can no longer be reconciled with export subsidies designed to boost up exports of non-primary commodities. It has, therefore, been decided to freeze the *status quo* for the time being, so that "no new or increased export subsidies would be permitted". The GATT countries will decide before the end of 1957 whether subsidies should be banned or whether the standstill arrangement should be extended for a further period. I have pleaded elsewhere for the enactment of Indian legislation providing for anti-dumping and countervailing duties on the basis of Article 6 of the GATT and also incorporating the American version of the "serious injury" clause authorised by GATT (cf my article, *India and the GATT*, *Commerce, Annual Review*, 1954). In view of the existing position, enactment of this piece of legislation, which is long overdue, must not be delayed any longer.

THE NEW ORGANISATION

It is suggested that the contracting parties should establish the *Organisation for Trade Co-operation* (OTC), rather than the proposed *International Trade Organisation* (ITO). The details of the constitution of this organisation were not given in the *communiqué*. But its functions are stated to be (1) to administer the GATT, (2) to sponsor tariff negotiations and (3) to serve as a forum for discussion. These seem to be on the lines of the recommendations of the Randall Commission on US Foreign Economic Policy. The Commission wanted this organisation to "sponsor multilateral trade negotiations", "recommend broad trade policies" to member countries and to "provide a forum for consultation regarding trade disputes". The GATT in the amended form in which it is open for signature during the next few months, contains perhaps more than what may be interpreted as "broad trade policies" in the USA, although there is no doubt that GATT has been sufficiently "dogged" to be acceptable to a large majority of countries.

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Industrialists Want More Consumption

PRODUCTION is only the beginning, consumption is the end. But the end is the beginning also. This is the starting point of the *Draft Note on the Second Five-Year Plan* that has been issued by the Federation of Indian Chambers of Commerce and Industry as well as the keynote. "The basic impulse for economic growth can only come with the ability and willingness of the people to consume." It would be wrong therefore to underestimate the driving force of the propensity to consume; indeed, the propensity to consume is the prime mover of the economic system. The climate for additional investment, not only in consumer goods industries but also in producer goods, says the *Draft Note*, depends very much on the rate at which consumption is rising.

The sufficiency of purchasing power is thus a pre-requisite of industrial expansion. The first aim of planning is defined as one of securing for the population, within as short a time as possible, the elementary requisites of life, such as food, clothing and shelter, and also a minimum of civic amenities. India is an agricultural country and yet a large proportion of its population does not have enough food and a still larger proportion does not get the right kind of food. Why? Primarily because of the lack of purchasing power. What is purchasing power, then? Nothing but money in the hands of the people to spend. How are people to get the money to spend? Through investments; of course, disbursements made by Government as well as by industry. From this point, however, the pristine simplicity of the Plan begins to get a little complex. The investment proposed in the next five years adds up to Rs 7,200 crores, as against the target of Rs 2,100 crores for the *First Five-Year Plan*, of which no more than Rs 1,800 crores are likely to be realised in part. The breakdown is shown in the table.

Of this total, some Rs 300 crores are the cost of re-equipment and hence the net investment would be of the order of Rs 7,200 crores.

COMPROMISE FORMULA

Though consumption is both the end and the beginning, investment on the production of consumer goods is not the same as investment

on social services and the like, which does not add to the flow of consumer goods within a fairly short period. To be logical, investment on heavy capital goods must also be included in the category of unproductive expenditure in the short period. The note, therefore, suggests that those items of investment, which are expected to increase rapidly the output of consumer goods, can be deficit financed, but the rest of the budget must be balanced, either by tax or by genuine borrowings from the public. In other words, one can take out from the Central and State budgets developmental expenditure which can either help utilise unutilised capacity or increase productivity or production in agriculture or industry within a short time. This latter can be financed by creating money without much danger of inflation; not so the other items. Investments, which are thus safe from the point of view of inflation, should be carefully selected. This compromise formula is not offered as a substitute for fiscal discipline; nevertheless, it should set the ceiling to non-productive expenditure that can be incurred for the promotion of a Welfare State.

Again, the safe limits of deficit financing in general are carefully laid down. These will depend on the scale of the deficit, the purpose for which it is used, the extent to which additional incomes created by the outlay are mopped up and return to the exchequer, the effectiveness of the investment in bringing about an increased flow of consu-

Investment in Second Plan

	In Rs crores
Industry	2,000
Railways	1,250
Roads	400
Road transport ..	1,000
Ports & Harbours ..	100
Shipping and Civil Aviation	90
Communications ..	135
Power	400
Irrigation & Agriculture, including rural industries	1,200
Social Services and Housing	1,550
Small-Scale Industries, urban	250
Total	7,475

mer goods and the period taken for this flow to emerge, the behaviour of money wages in response to such initial rise in prices as may be there and the success of the measures undertaken to prevent a rise in the price of basic necessities. The limit will also depend on the propensity to import in relation to exports.

TOTAL EMPLOYMENT

The magnitude of the aggregate investment proposed, it will be noticed, roughly agrees with the figures that have already been put forward. Also noticeable is the emphasis on the employment potential of such investment. Taking the rate of population growth at 4.5 millions per year and of labour force at 40 per cent of the total, the annual increase in labour force works out at 1.8 million, for whom jobs will have to be found to prevent a net deterioration in the employment situation. This calls for 9 million jobs. The total employment resulting from this investment is estimated at a higher figure of 10 million or a little more, so that not only new job seekers can be absorbed, but also some of those who are without employment now. This will, incidentally, reduce the proportion of earning dependents to the total of the working population from 30 per cent, as at present, to 25 per cent. The breakdown of additional employment is as follows:—

Agriculture	nil
Mining & factory	17
Small enterprises	18
Railway Communications ..	11
Banking, Insurance, Commerce and Transport ..	14
Professions	7
Government service	8
Domestic service	6
Total	170

Of the employment potential estimated here, only that for the first two and perhaps also for the third can be worked out on the basis of known investments—employment ratios *ie* from actual experience. The note, however, assumes that for every additional hand employed in industry, 6 to 7 will find employment in trade, communications etc. On what basis this assumption has been made is not stated anywhere.

That the main slant in the Second Plan will be on industry has been accepted on all hands. Where the Draft Note makes a departure from the usual thinking on the subject is in its emphasis on consumer goods industries as the major provider of employment as well as the main lever for raising the standard of living. This is done on the ground that industrial employment itself creates other avenues of employment at the ratio of 1:6 and further, that being more productive and efficient, it provides larger earnings. A special provision is made for small-scale urban industries as feeders to, or beneficiaries from, organised industry; but village industry is on the whole given a minor place in the Plan and the investment on it, if any, is lumped up with agriculture and community development. The investment proposed to be allocated to this item is not set out separately.

WHY CONSUMPTION IS LOW?

How is consumption to be increased? In the short period, in any case, the supply of consumer goods is 'given', in the sense that its supply is limited by the production and investment in the past. By putting money in the hands of the people, it may be possible to increase the money demand for such consumer goods as are available, but it is not possible to increase consumption. Larger consumption would be possible only if more consumer goods were produced and larger supplies brought on the market. This calls for increased production and not only increased purchasing power in the sense of money in the hands of the people. It is not necessarily making simple things complex to say that purchasing power can be increased only by increase of production.

What the Federation has in mind, therefore, is the belief that higher prices automatically call forth larger supplies. This may well be the case, but only under certain conditions. Higher prices may raise the profitability of production if wages and costs do not increase in the same proportion; even so, for an increase in agricultural production will be required increased investment in the shape of seeds, fertilisers, pumps and agricultural implements, irrigation and so on. Again, increased demand for other kinds of consumer goods will, in the first instance, mean only a higher price for such goods. If, at the same time, con-

sumer industries can be supplied with additional equipment, raw materials etc, only then the production of these goods can be increased; not otherwise. Those who look only to the investment aspect of the problem, therefore, give priority to savings. Failure of effective demand as an obstacle to production represents a very special situation.

HARD WORK

Therefore capitalists and hard-headed economists have extolled in the past the virtues of hard work which keeps down costs and of abstinence which augments the supply of capital rather than the quantum of consumption. Indian industrialists seem to have moved far and thrown off all inhibition in the matter of consumption. But surely, all of them do not subscribe to this view? Only the other day, the President of the Indian Tea Association lamented the wasteful extravagance of labour in tea gardens, their lack of thrift, and the tendency to indulge in conspicuous consumption.

Perhaps if the Federation had to think of raising capital for industry from the share market and also wanted the Government to raise loans from the same source for the

programmes they envisaged for the public sector, they could not have shed their inhibitions so readily. It is only on the assumption that Government will shoulder the responsibility of finding money for development that they can afford to be so generous.

Then again, an increased demand for consumer goods may raise the profitability of production on these lines. It may also create a favourable climate for the production of capital goods since the expansion of consumer goods industries will create a demand for all sorts of capital goods. But what about the consumer demand seeping to foreign markets and strengthening the propensity to import? This naturally they would like to control rigidly—not only the import of consumer goods but also that of many capital goods, the manufacture of which they consider to be within their competence. If the question of providing capital for industry is skipped over, the problem of development can be reduced to that of controlling the imports of some commodities on the one hand and ensuring the import of others such as heavy equipment and machinery on the other.

(Continued on page 430)

THE INDUSTRIAL & PRUDENTIAL ASSURANCE COMPANY LIMITED

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Assets		„	7.80 crores
Business completed in 1954	... over	„	4.59 crores
ECONOMICAL MANAGEMENT:			
Provision of expenses in Valuation as at 31-12-1951	...	...	18.92%
Expenses (Renewal) during 1951-1953	...	...	14.67%
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Lapse Ratio to Mean Business in force for the years 1951-1953	...	...	5.1%

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V. C. SETALVAD
Managing Director

Post-Korean Trends in Western Europe

Economic Survey of Europe in 1954. Economic Commission for Europe, Geneva, 1955. Pages 315. Price 17s 6d. Available from Oxford Book and Stationery Company, Scindia House, New Delhi.

THE annual economic surveys published by the Economic Commission for Europe have come to be awaited with interest, for apart from throwing considerable light on economic developments in the region, they represent excellent studies in economic analysis. It has also become the practice for the Survey to combine analysis of the major developments of the past year with consideration of more long-term issues. Last year the survey took up the problems of southern Europe, "an area whose development has generally been retarded." This year, there are two chapters which may be regarded as sequels devoted to the problems of regional disparities within countries and in particular, to the problems largely of a regional character faced by France. The longer-term perspective was provided by the independent study by Prof Ingvar Svennilson, "Growth and Stagnation in the European Economy," reviewed in this journal last month (March 12).

These broader studies are in addition to the examination of the year's events. From one point of view, it is to be regretted that such broader studies are published as parts of the annual surveys. They deserve to be brought out as separate monographs and would receive greater attention in that case from students of economic problems all over the world. The interest of these studies extends far beyond that of the specific problems of Europe. The analysis, the causal relations traced and the policies discussed would be found extremely useful by many who may have no special interest in the problems of Europe. Besides, separate publication of such studies would certainly have made the task of the reviewer easier. As it is, the chapters on regional problems in Europe cannot be studied here.

MARKED RISE IN INDUSTRIAL PRODUCTION

For Western Europe, the Survey focusses attention on the marked rise in industrial production taking place in 1954 in practically every country of Europe, an expansion which "was accompanied and to

some extent conditioned by a considerable increase in the volume of foreign trade". That the American recession was on during this period made this all the more remarkable, particularly because the upswing in western Europe occurred without any renewed balance-of-payments difficulties.* The pronounced weakening in the European markets for coal and steel at about this time had also created a feeling of pessimism about the future of the European countries and in any case, as the Survey points out, "The general impression was that, after the Korean boom, western Europe with the notable exception of Western Germany had entered a period, not of outright downturn, but rather of protracted stagnation in economic activity."

Actual events did not confirm this impression. The Survey traces the developments in the West European economy since the Korean war to set the events of 1954 in their proper perspective. The Korean boom, it finds, was followed in Europe, "not by a period of general stagnation but rather by a series of distinct though overlapping setbacks stretching more or less from the middle of 1951 until early in 1953, in some sectors even until the spring of 1954." These setbacks were followed by the upswing of 1954.

The two main movements of the post-Korean period are the textile slump 1951-52 and the recession in the capital goods industry 1952-53. The setback in the coal and steel markets of 1953-54 is to be examined independently as it was less influenced by the factors stemming from the Korean crisis.

DIVERGENT MOVEMENTS IN DIFFERENT SECTORS

The period from the middle of 1951 to the middle of 1952 was peculiar. "The economies of Western European countries appeared to be suffering from a curious sort of schizophrenia," says the Survey, "parallels to which are difficult to

* The Survey was completed before Britain raised her bank rate.

find in other periods: a pronounced depression in one large industrial sector coinciding with boom conditions and shortages in most others." These facts can only be explained in terms of "an interaction between long-term structural factors pertaining to the textile industry and shorter-term cyclical influences." Events in the industry show that till the middle of 1950 the textile industries were saved from the doldrums only by special and temporary stimuli to demand. The Korean war actually induced a considerable upswing in production and thus "laid the foundation for an all the more serious crisis when at last the adjustment of output to normal demand became inevitable". That explains also why the textile industry faced the crisis first, when others were still favourably placed: the long-term trend of the industry in Europe was one of stagnation. The limited extent of the recovery since 1952 is offered as evidence of this long-term trend, and it could be supplemented by the fact that in spite of a general upswing in 1954, the output of textiles increased far less than the average and actually declined in some countries.

RECESSION IN ENGINEERING INDUSTRIES

The recession in the output of the engineering industry appeared to have begun at a time when the textile slump had reached its trough, though from the fragmentary information available, the Survey suggests that "the decline in demand for the products of the engineering industry occurred a considerable time—about half a year—before the final output was affected". This could have been due to the existence of a time-lag between demand and output changes caused by the existence of well-equipped order books.

Why did this recession appear at this time? The Survey argues that it was "a reaction after the preceding boom during which there had been a general tendency to hasten the execution of economic plans, though the sterner monetary policies may have had something to do with it also. The influence of trade

cannot be eliminated and in particular, it is argued that the recession in some countries was partly caused by "the greatly increased flow of products from the West German industry into European markets".

The remarkable fact was that the recession in the engineering industry was not accompanied by a decline in steel production. During the twelve months from the middle of 1953, however, "at a time when the steel-consuming industries appeared to be again on the upturn, steel production in the Continental countries of Western Europe suffered a decline more general and more pronounced than that of 1949", lasting until the spring of 1954. These movements in steel output are, according to the *Survey*, "not to be primarily explained by changes in steel consumption". Specific speculative forces appeared to have been at work: the inauguration of the European coal and steel community and the fear of American recession are mentioned as among the factors influencing such speculation. The coal market was influenced by similar factors though the recession in coal lasted for a somewhat longer period than it did in steel.

INSTALMENT BUYING OF DURABLE GOODS

The end of the recession in the steel industry was naturally determined to a considerable extent by increasing production in the steel-consuming industries which counteracted the influence of speculative forces operating in the opposite direction. "One of the notable features of the present upswing in Western Europe is the great increase in purchases of durable consumer goods." Motor cars, furniture, electrical appliances, and other durable household goods were swept by a wave of consumer buying during 1954. Much of this was financed by means of consumer credit and the possibilities for the European economy of this development may not be unlike those in United States. Some of the sales represent pent-up demand, which for various reasons had to wait until 1954 before it could be satisfied. But the principal factor on the demand side could more accurately be stated to be the rise in the level of real income. At the same time, in some countries of Western Europe "the volume of expenditure on durable goods has tended to increase more rapidly than real disposable in-

come". All this is consistent both with the essentially "luxury" character of these goods and the development of consumer credit facilities and instalment buying for financing purchases.

LESS DEPENDENCE ON RAW MATERIAL IMPORTS

One aspect of this development has particularly disturbing implications for the underdeveloped countries. This was that "the expansion of the durable goods sector took place with very little increase in imports of primary goods from the underdeveloped countries overseas". Prof Svennilson had drawn attention earlier to the increasing trend within the chemical industry for the replacement of the natural raw materials imported previously from the underdeveloped countries, by synthetics produced within Europe ("Growth and Stagnation in the European Economy"). The present *Survey*, therefore, considers the position in the durable goods industry "as one more indication that the long-term trend of demand in Europe and the United States—towards services and durable goods—is to make the economically richer part of the world less dependent on imports from the poorer part". (italics mine.)

The significance of this statement for the underdeveloped countries of the world is not difficult to follow. It foreshadows a long-term tendency towards a worsening of the terms of trade of these countries with consequent reductions in real incomes and standards of living. It must, therefore, occasion considerable thought in these countries and the Economic Commission for Asia and the Far East should examine its implications from the point of view of the countries of this region. For one thing, it makes even more urgent the achievement of industrialization by these countries and a substantial change in the pattern of world trade.

TRENDS IN CONSUMER DEMAND

The *Survey* considers that in 1954 this tendency helped to prevent adverse repercussions on the balance of payments of Western European countries and "in this sense it could be welcomed as a favourable implication of present trends in consumer demand". This may be true for the very short period, but the authors of the *Survey* might note with profit the comments of Prof Svennilson on the implications of a shift in the terms of trade

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against the underdeveloped countries during the inter-war period for the countries of Europe. European countries have everything to lose from a fall in the real incomes of the people with whom they trade and even from a failure of their real incomes to rise as rapidly as their own.

That the present upswing is based on an expansion of the durable consumer goods industries suggests some other implications for the future of the European economy which are discussed in a short note. The danger is that cyclical waves of the pattern that have long been a problem in the United States may develop in Europe and "European countries may in the future have to face similar problems of short-term vagaries in the rate of personal savings". Attention is also drawn to the change in the character of the building industry in recent years, which instead of being a major cyclical influence, "has become a major factor in economic stabilization." A more detailed study of these new trends would be desirable and will find a place perhaps in next year's *Survey*.

US RECESSION AND EUROPE

The *Survey* then turns back to an explanation of why expansion was able to take place in Western Europe in spite of the American recession and that, too, without any balance of payments difficulties. "In fact," it says, "the course of industrial production in Western Europe has not tended to follow very closely that in the United States, neither as regards the amplitude of the swings nor as regards their timing."

For this particular recession, the usual dangers to Europe from decreased imports by the US and increased competition from her exports, the possibility of falling prices of raw materials directly affecting European producers of such raw materials and the psychological contagion of a depressed mood, all failed to operate. As a result, the American recession failed to create balance-of-payments difficulties in Europe. Two particular circumstances helped. "One was the fortunate circumstance that the cyclical situation in the middle of 1953 was sufficiently different in the United States and in Europe to prevent the spread of a generalized attitude of bearishness." The other was large and increasing American

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disbursements abroad on defence account. The lessons of this for Europe hardly need to be stressed, but only one point may be made: the dollar problem has not disappeared, it has only become disguised.

THE OTHER EUROPE

In relation to Eastern Europe, the *Survey* contains mainly an elaboration of the discussion contained in the *Survey* for 1953. "A substantial improvement in standards of living," says the *Survey*, "is foremost among the objectives of policy assigned by the Eastern European countries for the present phase of their economic development." This change in priorities may have been reversed recently, but the *Survey* proceeds to examine how far events during 1953 and 1954 substantiated in practice the policy statements made. Till 1953, certain policies were followed, particularly when plan revisions became

necessary in 1951, which affected the character of the industrial structure of these countries. An unbalanced growth was fostered in two ways. First, "there was a lack of correspondence between the output of basic materials and the needs of the industrial superstructure, which resulted in inefficient use of capacity and waste." Second, and more important, in most of these countries, the consumer was "actually suffering a reduction in his standard of living, which threatened to become cumulative unless an effort were made to restore agriculture".

INVESTMENT STEP DOWN

The new policy introduced in the middle of 1953 was based on four decisions: stabilization and even reduction of the volume of investment; change in the output pattern of heavy industry to make available more durable consumer goods and housing; devotion of a larger

proportion of investment resources to agriculture and light industry, with suitable changes in the output of heavy industry to produce more agricultural tools and machinery; and emphasis on obtaining consumer supplies from abroad, whether within the Communist bloc or not, in exchange for output produced easily within the countries. These four decisions were to some extent *ad hoc* responses to the problems of the day but did show a common pattern. The *Survey* admits that, "how much total consumption is expected to expand as the combined effect of the changes described and what the extent of the re-allocation of resources to consumption will be cannot be foreseen." It makes a country by country study of the operation of these decisions and the actual changes taking place in industry and in agriculture. A separate chapter is devoted to economic developments in the Soviet Union.

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Life Business Reaches New Peak

(From Our Insurance Correspondent)

THE Indian Life Insurance Companies and Life Departments of Indian composite offices have good reasons to hasten the announcement of their new business totals for the last year. In most cases, substantially increased figures have been disclosed for ordinary life insurance and in many instances, records have been established in respect of individual companies. When accounts for 1954 appear, it will be interesting to note the other aspects of the increased business, viz, premium income, expense ratio, etc. New schemes and improved publicity methods are undoubtedly drawing the attention of the public to life insurance, and once interest in this unique form of protection and thrift is created, the field staff can be depended upon to secure completion of the contracts. Better bonuses declared last year by New India and other insurers and relaxation in the relief from income tax on life insurance premiums proposed by the Finance Minister will act as further incentives to the public to go in for more insurance. If the best results are to be obtained, then the agents and field workers must be trained and offices must give full support to the field force. This, we are glad to note, is being increasingly appreciated by the Indian Insurance Companies.

The table alongside gives the figures of new life insurance business of 30 Indian Insurance Companies for the years 1953 and 1954. It shows that new business of the companies listed has recorded a rise from 30 per cent to 90 per cent compared to the previous year. The total new life insurance business of Indian insurance companies for the year 1954, it is now estimated, may exceed Rs 250 crores sum assured as against Rs 137.5 crores in 1953.

If these estimates are realised—they may well be exceeded—the business recorded in 1954 will not only be the record for any year; even more striking would be the sharp increase, recording the biggest jump in business in any one year in the history of Indian life insurance. Some of the possible reasons for this improvement, from the narrower point of view of insurance business itself, have been men-

tioned above. They would well repay a study for it would be of great benefit to those engaged in the insurance business to have a clear idea, derived from an analysis of facts, of the relative importance of the different factors operating within their field of business.

The growth of life business has now assumed proportions which may invest it with a wider significance also, as a sensitive indicator of variations in money incomes and of the changing pattern of savings and investments. This is suggested by the year to year variations in new sums assured in the recent past. They were as follows:

	(Rs crores)
1950	139.5
1951	147.9
1952	146.7
1953	154.5
1954	250.0*

* Estimated.

If a growth factor is assumed,

the fall in 1952, a year of economic recession, would stand out more prominently. On the other hand, taking the broad trend from 1950 onwards, the business recorded in 1953 should be considered as normal. By the same token, the jump in 1954 must be regarded as extraordinary, that cannot be accounted for by the normal growth factor. What is the explanation? Has there been a substantial increase in money incomes? Or in employment of the type that increases life business, eg, in the ranks of the white-collared employees or is it the effect of falling prices which has increased the saving margin of the insuring class while their money incomes remained unchanged? In the interest of their own future business, insurers should analyse new business in terms of different types of insurers. It would be worthwhile for the Life Association to study these wider aspects of life insurance business.

Company	New Sum Assured (in crores of rupees)		Increase per cent
	1953	1954	
Oriental	23.42	50.00*	113.5
New India	19.91	43.24	117.3
Hindustan	18.89	30.00*	58.8
National	12.09	18.18	50.4
Metropolitan	8.76	10.25	17.0
Bombay Mutual	4.41	6.82	54.6
Bharat	4.42	6.35	46.0
Lakshmi	3.52	5.60	59.1
United India	3.80	5.31	39.7
Bombay Life	4.89	5.30	8.4
Industrial & Prudential	3.00	4.59	53.0
New Asiatic	3.09	4.25	37.5
Western India	3.76	4.07	8.2
Empire of India	3.22	3.82	18.6
National Indian	2.58	3.44	33.3
Ruby General	2.64	3.40	28.8
General Assurance	2.21	3.10	40.3
Asian	2.03	2.68	32.0
Andhra	1.72	2.00	16.2
Railway Employees	1.38	1.60	23.2
Jayabharat	.85	1.40	64.7
Prithvi	1.14	1.33	11.3
Universal	.82	1.33	62.2
Indian Mutual	1.02	1.20	17.6
Calcutta Insurance	.83	1.17	40.9
New Great	.72	1.15	59.7
Bombay Co-operative	.86	1.10	27.8
Aryasthan	1.00	1.05	5.0
Sunlight	.68	1.00	47.0
New Guardian	.52	.90	73.1

* Official figures are not yet out; estimated figures.

Falling Prices in Total Perspective

I D B

THOUGH unable to find a valid explanation and an effective remedy for it, Government is naturally worried about the continuing fall in prices. At first and for quite a long time, the explanation offered was that the fall was seasonal, and that it would automatically correct itself. Also, that the fall was not without its advantages, for the associated decline in the cost of living would give long needed relief to the middle classes. That the fall is seasonal or self-corrective, it is no longer possible to maintain, for there is no season which lasts continuously from April of one year to March of the following.

The fall in prices has been almost continuous (with spells of stability) from April 1954 to March 1955. Quite curiously, the Finance Minister still maintains the second and consequential part of the seasonal hypothesis that the fall would, over a period, correct itself. True, "when the storm is long past, the ocean will be calm again" but "in the long run we shall all be dead". But with Shri Deshmukh's economics, we might well blow up in the short period, specially under the pressure of Pandit Nehru's ideas.

The danger is real, for when ideas are being pumped in at a fast rate and the economy shows no signs of absorbing them, a blow up is almost inevitable. The dilemma therefore of falling prices and rising unemployment on the one hand, and growing development expenditure and rising money supply on the other, has a deeper social significance than the mere mechanics of price variation.

Now what has exactly happened? Let us look broadly at the official indices of prices. With wide variations, the general level of prices declined by about 13 per cent from mid-April 1951 to mid-April 1953. While the fall since then is the subject matter of the present analysis, the preceding fall is of material importance in the general perspective of economic policy and the very serious disturbance in parity as between agricultural and industrial prices, for almost the entire incidence of the decline in prices has fallen on the agricultural classes, while the manufacturers and operators on the stock exchanges have actually gained substantially. For the time being we are concerned

with the overall fall in prices of 13 per cent between mid-April 1951 and mid-April 1953 and the theory then and subsequently put forward that a rising development expenditure would be a sufficient and efficient corrective, particularly in respect of the adverse effect of falling prices on the volume of employment. This thesis was put forward in the Draft Outline of the Five-Year Plan, presented in July 1951 and subsequently repeated by the Finance Minister in his speeches inside the Parliament (particularly the budget announcements) and outside. The major promise of the Draft Outline was the continuance of inflationary pressures, which constituted the main inhibiting factor to the expansion of the development programme.

This is the point to emphasise: the continuance of inflationary pressure during the Five-Year Plan period from April 1951 to April 1956. On what basis was this assumption made? By July 1951 when the Draft Outline was presented to the country, the Korean War boom had definitely broken and there was serious fear of deflationary pressure in international markets. This actually materialised, as by the end of 1951 the prices of internationally traded commodities had fallen by 15 to 30 per cent. The rigidities of the Indian price structure due to eight long years of war, inflation and controls, constituted a resistance to deflationary pressure for a while, but the raising of the Bank Rate in November 1951 and subsequent international economic developments precipitated almost a crisis. For soon afterwards the Indian price level collapsed sharply by as much as 15 per cent within six weeks from the end of January to the middle of March 1952. Against this background, it is strange that the thesis of the continuance of inflationary pressures was repeated in the final draft of the Five-Year Plan, which was issued as late as December 1952. This gross misjudgment of the economic situation contains the explanation of the dilemma of rising development expenditure and

falling prices. The development programme was very narrowly conceived and was unlikely in any case to have a significant effect on the economy as a whole. In fact, money supply with the public, as defined by the Reserve Bank, has actually diminished from nearly Rs 2,000 at the commencement of the Plan to about Rs 1,850 at the beginning of 1955.

It is against this background that the recent fall in prices has to be judged. The official index of prices (year ended August 1939 = 100) declined, with wide variations, from 462 (April 14, 1951) to 404 (April 17, 1954). By June 1954, it went down further to 378. This was followed by a period of broad stability (a gentle and an almost imperceptible rise in prices) upto the beginning of September, when the index touched 385. Then the fall was resumed and by the middle of March, with a halt during the first fortnight of February, we reached the level of 356 (March 12, 1955). Thus more or less continuously, the general index of prices has fallen from 404 to 356 (a fall of nearly 12 per cent) from the beginning of April 1954 to the middle of March 1955. It is clear that the seasonal hypothesis cannot hold good any longer. In any case the following summary table should dispose of it.

Table I

	Jan to April	April to Aug	Aug to Dec
1952	falling	stable	stable
1953	rising	rising	falling
1954	stable	falling	falling
1955	falling		

Let us look at the economy from another angle. An analysis of the supply position shows that the major cause of recent economic developments has been an unexpected and unusual abundance in the agricultural economy. The summary table of agricultural output below gives a broad but clear impression of what has happened.

(To be continued)

	1950-51	1951-52	1952-53	1953-54
Foodgrains in m tons	50.0	51.1	58.1	66.0
Cotton in m bales	2.9	3.1	3.1	3.9
Jute in m bales	3.3	4.7	4.6	3.1
Groundnut in m tons	3.4	3.1	2.9	3.8
Sugarcane in '000 tons	5.6	6.0	5.0	4.6

INDUSTRIALISTS WANT MORE CONSUMPTION

(Continued from p 424)

The Federation does not challenge the wisdom of the Industrial Policy statement. It, therefore, leaves open the question of how heavy equipment is to be obtained—whether by imports or manufacture by the public sector. If the latter, then Government will necessarily have to alter priorities and deprive the private sector of machinery and equipment for expansion until such time that it is able to produce them. Foreign exchange is crucial either way and the Federation does not appear to consider it to be so.

The employment potential of industry that it has assumed—and the Federation makes no secret of its preference for consumer goods industries—will not be questioned. In fact, there will be general agreement on it. It is the multiplier effect of industrial employment assumed by the Federation which is open to challenge. For the six-fold expansion of employment that they have assumed will follow the direct employment in industry is not only open to challenge but is completely disproved by present-day facts and past experience. A cursory glance at the table of occupational distribution in the last census will show how fantastic the assumption is; so would a comparison with the occupational distribution in earlier years, say in 1931. True, the percentage distribution of population by livelihood categories given in different census reports is hardly comparable; and no definite conclusion can be drawn from their comparison. But making due allowance for such a lack of comparability, the proportion of industrial and other (non-agricultural) employment claimed by the Federation is definitely ruled out.

Category	1931	1951
Agriculture & mining	71.2	73.0
Industry	16.3	13.0
Commerce	6.0	6.1
Transport	1.7	2.0
Public force and administration	1.2	2.6
Professions and liberal Arts	1.6	1.9
Domestic service	2.0	1.4

Total 100.0 100.0

It is curious that the Federation, with all its resources, has not attempted a computation of the financial resources for the Plan. But if

but the supply of consumer goods to match this demand will not materialise because (1) imports of capital goods on the required scale cannot be paid for and (2) a commensurate rate of saving cannot be attained. The result will be naked inflation.

A more effective means of augmenting the supply of consumer goods and of expanding employment at the same time will have to be found. The solution has to be sought elsewhere—in augmenting the capacity of village industries and in conserving foreign exchange for building up heavy industry, in the first instance, so that at a subsequent stage without further drain on foreign exchange, the country may produce automatically the capital equipment and machinery it requires for raising the efficiency and technique of production in the cottage sector. That will call for a different kind of planning than the one the Federation has put up.

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Around Bombay Markets

AFTER a spell of buoyancy, Bombay Stock Exchange suffered all round losses at the end of the week. Tata Steel Ordinary had earlier touched a new high since last September at Rs 246 on consistent bull support on suggestions of higher retention price for the Company and Government loan on favourable terms. Thereafter, a very influential circle of brokers supposed to be well-informed sold heavily. Discouraging attitude of Government towards Tata's expansion plans is said to be the chief reason for these sales. Despite this reverse, the local bull is believed to be confident that retention prices would be raised soon. The bout of selling, however, has changed the tone from one of buoyancy to that of diffidence.

Local professional bulls continued to lend support at every fall, but public has kept aloof. Towards the end, a sizable block of shares was purchased by a couple of brokers and market observers believe that the old bear has covered part of his sales, while some say a new bull has entered the market.

Textiles were steady—earlier in the week, but gave away at the end under tired liquidation pressure and absence of fresh buyers. Discouraging dividend by Swadeshi mills of Rs 8 further aggravated the weakness.

Among Miscellaneous issues, Bombay Burnah, Premier Construction and ACC lost their almost entire gains of last fortnight. National Rayons were also easy. Scindias were dull. Tata Chemicals dropped by almost a rupee on heavy unloading by bulls.

The general tone is depressing. If it is true that the old bear has covered part of his sales in Tata Ordinary, and should be chosen to cover his entire short position hereafter, technically the market is likely to become vulnerable. Covering of sizable short sales and continuance of big long position is certain to discomfort big bulls if they continue their position unchanged. The situation would have been different had the public been participating, but of that there is no evidence. In the absence of public participation, market movements mean nothing but a trial of strength between few big speculators. Genuine investors will find it difficult to judge the market when it is controlled by professionals.

All-Round Losses

Cotton

COTTON continued to be easy throughout the week due to a complete absence of buyers. Delay in announcement of export quota made the bulls nervous and once again rates touched Rs 548. Arrivals in Hyderabad and Gujarat continued to be heavy. The tone is distinctly hesitant. EICA has at last amended the most disputed bye-law removing disparity between spot and ready. This bye-law is effective for new August delivery.

Cotton May	23-3-1955 Rs 556-12	30-3-1955 Rs 549-0
------------	------------------------	-----------------------

Bullion

IMPOSITION of margin has at last served its purpose. Bullion market re-opened last Thursday and after an initial rise, gave away under selling pressure and top gains were lost. The Bombay Bullion Board has decided to allow trading in Vaishakh and Jeth settlements, simultaneously. All these measures are certainly discouraging for bullish activity and bulls may find it difficult to manipulate the market as before.

Gold Chaitra	Rs 92-1-0
Silver Chaitra	Rs 164-11-0



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CURRENT STATISTICS

BANKING RETURNS

	(Rs Crores)			
	Latest Week†	A Week ago	A Month ago	A Year ago
Reserve Bank				
1. Note circulation	1277.09	1277.18	1241.99	1188.92
2. Rupee Coin	102.20	101.64	103.66	93.65
3. Deposits				
a) Central Government's	59.45	67.95	51.87	65.77
b) Bank's	47.72	47.72	48.36	42.41
c) Other Government's	60.27	53.42	22.68	62.59
d) Others'	21.53	22.08	34.32	43.76
4. Foreign Securities	646.85	643.37	663.15	648.15
5. Balances held abroad	83.15	88.77	65.50	104.82
6. Rupee Securities	503.95	507.43	447.74	421.34
7. Investments	49.38	50.17	66.99	66.16
8. Loans and advances to Governments	0.45	0.52	0.91	0.51
Scheduled Banks				
1. Demand liabilities (net)	565.16	574.45	580.74	511.59
2. Time Liabilities	375.80	376.47	371.37	327.14
3. Cash on hand	32.41	34.47	32.06	30.93
4. Borrowings from Reserve Bank	35.43	26.43	9.02	33.91
of which against Usance Bills	24.42	18.61	4.97	18.20
5. Advances and Bills discounted	615.00	609.18	582.26	537.02
of which Imperial Bank's	127.87	124.93	115.52	126.05
6. Investments	345.89	347.46	354.33	317.10
of which Imperial Bank's	93.91	93.60	100.41	78.74
Cheque Clearance	137.51	166.05	134.00	124.13
† For Reserve Bank and Cheque Clearance week ended 25-3-55. Scheduled Banks week ended 18-3-55.				
Bombay Money Rates				
	25-3-55	18-3-55	25-2-55	26-3-54
Inter-Bank Call Rate	2 7/8	2 7/8	2 7/8	2 7/8
3 months deposits	3	3	3	3
6 months deposits	3	3	3	2 15/16

Bombay Bullion				
	31-3-55	A Week Ago	A Month Ago	A Year Ago
Gold Spot (per fine tola)	92- 4	93-10	92-14	90-14
" Forward .. "	91-12	92- 9	92- 3	90- 1
Silver Spot (per 100 tolas)	164-15	166-15	166- 4	168-10
" Forward .. "	164-15	166- 1	166- 0	169- 0

"ALL INDIA" FOURTH ESTIMATE OF COTTON FOR 1954-55

(1) By Trade Descriptions				
Trade Description	Area ('000 acres)	+ or—over previous year	Production ('000 bales of 392 lbs each)	+ or—over previous year
Bengals	794	— 42	295	— 67
Americans	2,890	+328	1,014	+178
Jarilla (Including Virnar)	2,592	+129	488	— 16
Verum	320	+ 28	56	+ 3
H. 420	431	+138	73	+ 20
Oomras	2,339	+ 60	372	— 33
Hyderabad-Gaorani	1,153	—175	154	+ 25
Malvi	1,202	+ 63	253	+ 1
Broach-Vijay	1,079	+221	359	+ 79
Surti-Sayog	527	+ 39	165	+ 35
Dholleras	1,870	+364	502	+163
Southernns	2,210	+ 83	340	+ 24
Comillas	58	—	18	— 9
Total	17,465	+1,241	4,089	+403

(2) By Staple Lengths				
Staple Variety	Area ('000 acres)	+ or—over previous year	Production ('000 bales of 392 lbs each)	+ or—over previous year
Long Staple	5,447	+478	1,456	+312
Medium Staple	8,278	+ 648	1,826	+160
Short Staple	3,740	+115	807	— 69
Total	17,465	+1,241	4,089	+403

Source: Ministry of Food and Agriculture

UNION CUSTOMS AND EXCISE REVENUE

(Rs lakhs)				
	Jan 1955	Jan 1954	Apr to Jan 1954-55	Apr to Jan 1953-54
Total Customs	27.57	13.21	1,53.51	1,32.99
Import duties	22.68	10.22	1,18.58	97.57
Export duties	4.66	2.72	3,24.5	33.22
Land customs and miscellaneous	23	27	247	220
Union Excise duties	9.42	8.64	58.18	77.71
Total	36.99	21.85	2,38.69	2,10.70

ELECTRICITY GENERATION AND DISTRIBUTION

(in million Kwh)				
	Dec 1954	Dec 1953	1953-54	1952-53
Generated	683.5	603.6	6,876.8	6,301.4
Distributed	558.0	486.9	5,572.7	5,134.3

Source: Central Water and Power Commission

INDEX NUMBERS OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-group	Week ended 12-3-55	A Week Ago	A Month Ago	A Year Ago
I. Food Articles	297.3	301.1	308.5	368.9
Cereals	339	344	346	429
Pulses	231	230	242	359
Others	250	254	267	284
II. Industrial Raw Materials	418.7	425.9	444.1	468.7
Fibres	459	475	497	453
Oilseeds	342	350	367	518
Minerals	424	393	411	465
Others	483	482	484	404
III. Semi-Manufactures	334.8	335.7	340.1	354.7
Leather	390	388	389	387
Mineral Oils	221	221	221	221
Vegetable Oils	357	365	398	472
Cotton Yarn	444	441	442	448
Metals	242	242	242	237
Oilcakes	265	292	285	413
Others	334	336	336	305
IV. Manufactures	377.9	377.5	377.8	372.6
Textiles	422	421	423	414
Jute	479	474	488	431
Cotton	409	409	409	405
Rayon & Silk	468	468	464	491
Woollen	310	310	310	313
Metal Products	340	340	340	337
Others	287	287	284	286
V. Miscellaneous	556.5	556.0	561.8	686.1
All Commodities	355.5	358.0	364.5	393.3

FOREIGN SEA AND AIR-BORNE TRADE OF INDIA

(Rs crores)

	Exports*	Imports	Balance of Trade
1950-51	606.81	581.17	+ 25.64
1951-52	751.56	862.84	— 147.28
1952-53	556.78	632.95	— 76.17
1953-54	515.39	541.87	— 26.48
1952-53 (Apr to Feb)	511.07	589.86	— 79.79
1953-54 (" ")	475.64	494.67	— 19.03
1954-55 (" ")	526.71	537.78	— 11.07
1954-55			
April	30.43	46.33	— 15.90
May	38.07	49.53	— 11.46
June	42.31	43.87	— 1.56
July	46.21	53.22	— 6.01
August	44.94	44.27	+ 0.67
September	49.35	46.66	+ 2.69
October	46.75	51.91	— 5.16
November	65.11	57.76	+ 7.35
December	59.65	46.74	+ 12.91
January	54.04	51.03	+ 3.01
February	49.85	46.46	+ 3.39

* Includes re-exports

Note:— Figures for 1954-55 are provisional

"ALL-INDIA" FIRST ESTIMATE OF TOBACCO 1954-55

	1954-55	1953-54	% Increase
Area ('000 acres)	792	768	3.1

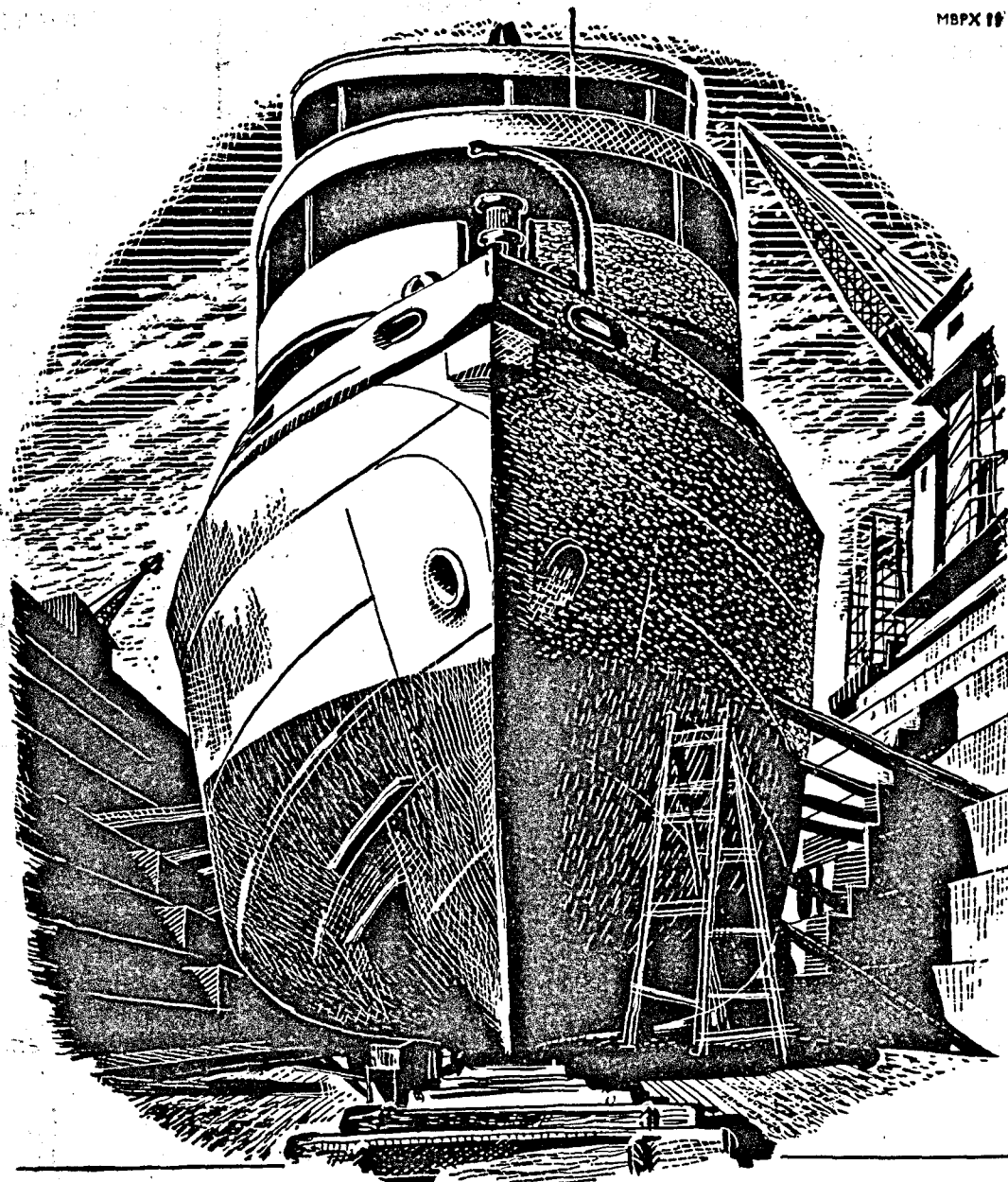
Source: Ministry of Food & Agriculture

WORKING CLASS COST OF LIVING INDEX

(Monthly average or calendar months)

	Bombay	Calcutta	Madras	Kanpur	Delhi	Jabalpur	Kharagpur	Ludhiana	Cuttack	Jharia
(Base: August 1939 = 100)					(Base: 1944=100)					
1948	288	339	315	471	344	146	132	168	137	153
1949	292	348	330	478	344	151	137	164	147	159
1950	298	349	332	434	344	153	137	165	163	182
1951	314	370	341	451	370	168	136	167	181	184
1952	321	351	337	441	373	150	133	151	160	175
1953	346	349	358	453	366	151	139	147	157	166
1954	342	327	348	408	360	139	127	148	147	131
1954:										
Jan	346	325	360	442	363	144	127	151	149	143
Feb	331	316	360	432	363	144	125	151	147	143
March	332	319	352	416	360	143	126	150	146	141
April	338	323	348	426	368	144	129	151	146	134
May	338	339	348	415	370	142	133	150	146	132
June	350	332	349	396	352	141	127	149	149	129
July	349	331	346	400	349	141	127	145	147	128
Aug	345	330	343	408	352	140	127	145	146	126
Sep	347	332	342	406	357	137	129	147	149	127
Oct	346	336	345	404	368	134	129	145	149	127
Nov	344	325	344	387	363	135	129	146	147	125
Dec	341	321	344	369	351	131	124	144	143	116
1955:										
Jan	336	324	340	372	343	130	124	141	—	120
Feb	—	—	333	—	335	—	—	—	—	—

Source: (1) Ministry of Labour
(2) State Authorities



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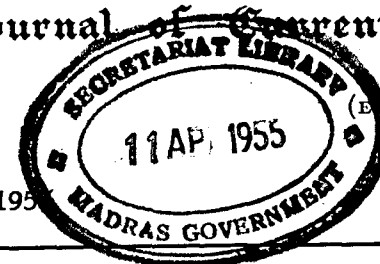


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End of an Era...

MOUNTAIN peaks have to be viewed from a distance in order to get a proper measure of their height and a full sense of their grandeur. But when Winston Churchill lays down the reins of office, the immediate reaction on the public mind in Britain and elsewhere is that an era has ended. In these words is summed up a judgment that does not have to wait for the verdict of history. The reasons are not far to seek. Churchill's life is not just one hour of crowded glory; into his four score years he has packed several lives each of which, by itself, would find a place in history. There are so many Churchills and each of them has lived so fully and so much in the public; so much has been written about them and so much has he written about himself that it is difficult to stop them from passing in a parade on this occasion—the none-too-bright lad who disappointed his father's hopes and was sent to Sandhurst because, not being good at Classics, he was not thought clever enough to be sent up for the bar, the young subaltern in Bangalore who wangled a place in the regiment that went into action in Waziristan and pulled strings in London to get himself shifted to the Sudan along with an expedition, the press correspondent covering the Boer war who hit the headlines by getting captured and then escaping, the free-lance journalist who strode into politics, the turn-coat who deserted the Tories to turn Liberal and was later welcomed back into the party, the First Lord of Admiralty who was responsible for the Dardanelles disaster, the busybody who helped White intervention, and then the sulking fighter against the Nazis biding his time, who got his chance in the end, the hero of the second World War whom his own people threw out after the War had been won, his subsequent come-back and now the retirement.

The images form themselves, flicker and fade away in succession, but some of the focal points stand out and will not fade—his clumsy fall while jumping ashore when he first landed in India as a subaltern, the boyish exuberance of the cavalry officer, who tripped and fell while charging the hordes of opponents, his ringing words "We shall fight by land and by sea . . .", the promise of nothing better than blood, sweat and tears, the victory salute with two uplifted fingers, the portly figure with a bowler hat and cigar visiting Londoners in bombed-out air shelters; the political eclipse he suffered after victory and the stoicism with which he took his defeat. Recurring in all the images is his indomitable spirit, his zest for living, his audacity, mastery over words, the verve and vigour of a man of action whose lips had been touched with the fire from the altar.

No one will deny that Churchill had courage and vision. No one has delighted more in battle. But vision and blind spots—he had so many of them, India was not the only one—how do they go together? Sworn not to preside over the dissolution of the Empire, Winston Churchill saw large chunks of the Empire slip away. Today, uneasy peace reigns in the colonies, the Kikiyus are still being hunted down, British Guiana continues to be in revolt and in the very first elections

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in Malaya, the winning party has staked its claim for independence!

Another strange combination in Churchill's make-up is his twin inspiration from Marlborough and the Mississippi, the one through an ancestor whom he made into a hero and the other from his mother, who was an American. The last defender of the British way of life,

as he understood it, had American blood in his veins.

Courage is of many types and this fearless fighter yet shied from an adventure into ideas. His historic vision looked into the past, but could not penetrate into the future. There are two types of figures in history, those who initiate, others who wind up. Both

have their grandeur and a place in history, but those who wind up are not the makers of history: they are its inheritors and pensioners. It is idle, therefore, to ask on whom Churchill's mantle falls. Such figures in history depart, leaving no successor. They do not fare forward; for them the voyage had ended before it had begun.

On Industry's Front

THE exhaustive figures of industrial output released in the Report of the Ministry of Commerce and Industry for 1954-55 show a substantial increase in production during 1954. The improvement in industrial production in 1953 over the previous year was also substantial, but it had been accompanied by definite contraction in a large number of industries. There were few industries which did not show an improvement in 1954. The year could be described as one of consolidation. Of the 56 engineering industries which recorded increases in production, in most cases the increase was due to better utilisation of capacity rather than installation of new capacity. The resultant higher ratio of output to capacity is naturally welcome, since low utilisation of capacity is a national waste. It was pointed out last year, that the position might not be as bad as it appeared from the published data in view of the known tendency of certain industries to inflate their rated capacities. Unless an independent authority was to judge capacity, little reliance could be placed on these figures. That the figures can be misleading in the opposite direction is evidenced by production trends in certain industries. In the case of wood screws for instance, while capacity declined from 4,636.1 thousand gross in 1953 to 4,496.0 thousand gross in 1954 due to elimination of one unit, output expanded from 2,571.7 thousand gross to 5,098.4 thousand gross. Actual production in 1954 was thus more than capacity as several units worked two shifts. But why should not many more units work two or even three shifts, given our shortage of capital? The question is pertinent and it puts an entirely different complexion on the picture of utilisation of capacity that emerges

from the published figures. It is one more reason, if one were needed, why estimate of capacity should be made on a more firm basis so that it may become a useful, instead of a purely ornamental, figure.

The Ministry Report points out that, "several industries including sewing machines, ball bearings, hurricane lanterns, textile draw frames, tools, rubber belting, wood screws and power transformers actually worked extra shifts." These are all light engineering industries, some of which find export markets. Demand obviously played a major part in determining the level of output in most of them as there were no serious bottlenecks operating on the side of production. For most of the industries listed above, output was higher than capacity, while in some of the others, obviously inadequate demand has prevented output from exceeding capacity, though it is still fairly high.

Among the mechanical engineering industries, the performance of sewing machines stands out. This is a case, unfortunately not too frequent, where the "infant industry" argument in favour of protection has been justified. Within a matter of years, the industry has been able to stand on its own feet, protection has been withdrawn and the output during 1954 was at the level of 80,000 units, almost 200 per cent of the industry's rated 'capacity' whatever the latter might mean. Among other industries that have exceeded capacity in this group are hurricane lanterns and ball bearings. The latter was the only industry in 1953 to show an output more than capacity and in 1954, it has exceeded last year's figure by over 50,000. Another industry in this group which has made substantial progress is bicycles. Output rose from 264,000 in 1953 to 350,000 in 1954, which is nearly 85 per cent of capacity.

Though not outstanding, the recovery in the production of agricultural implements, which showed a sharp decline in 1953, from 8,046 tons to 12,010 tons is notable. This is still, however, less than 50 per cent of capacity, a fact which should occasion considerable thought. For most industries in the group of mechanical engineering, the number of units has not changed, yet an increase in capacity has taken place in some, reflecting a tendency towards expansion of existing units. That new units were not being established though the existing units found it possible to expand their capacity suggests an intriguing situation. It would be too hasty to read in it the operation of the law of the survival of the fittest. A possible explanation might be that new units were kept away by the general belief that



production was falling or at any rate, that only a small proportion of total capacity was being utilised though in particular industries, expansion was stimulated by rising demand or the profitability of production even at low levels or merely by changes in import licensing policy. Such an expansion of capacity without change in the number of firms is seen in umbrella ribs where capacity rose from 165,000 to 360,000 doz sets and production from 150,937 to 246,646 doz sets. Welding electrodes also reflect a similar situation. In both cases, output expanded simultaneously with capacity, in the case of umbrella ribs less than proportionately, but in the case of welding electrodes much more than proportionately.

Other industries in this group showed only a small increase in output. Their slow rate of expansion should be a matter of concern in view of the more favourable conditions prevailing during the year, whether of demand or of raw material supply and transport. Industries which registered a fall in output were clocks, shafting and steel structures. As in all these cases, output also formed a very small proportion of capacity, an investigation by the Development Wing of the Ministry of Commerce and Industry into the conditions of their working would seem to be called for. It would not be too much, indeed, to expect from the Development Wing case studies of some of the 'successful' industries like sewing machines, ball bearings and bicycles as well as of the obvious failures like clocks, shafting and structures. Such studies should throw considerable light on the structural problem of industrial development being faced by the country.

In the group of machinery, the production of textile machinery including ring frames, carding engines, bleaching, dyeing and finishing machinery recorded an increase. Of these, the output of carding engines actually doubled. How industrial policy reacts on industrial development is well illustrated by the position of automatic looms. There was a slight fall in their production "on account of the present restrictions on the installation of new automatic looms". The position of this industry illustrates the loose ends that will have to be taken care of when all out emphasis is put on the development of

heavy industry and machinery-manufacturing industries in the country, and a general ban is placed on the development of organised consumers' goods industries. Replacement demand from existing large-scale consumer industries will not be adequate to sustain machinery-manufacturing industry in all cases where such industries have already developed within the country.

Production capacity of automobiles has been deflated as a result of the Tariff Commission probe, from 84,000 in 1953 to 40,000 in 1954. The latter, we are told, is the capacity for production, not

for assembly and is made up of the manufacturing capacity of the six firms whose schemes for the progressive manufacture of automobiles have been sanctioned by the Government. No attempt, however, has been made to distinguish production from assembly either for actual production in 1954 or in the rated capacity for earlier years with the result that comparability has been lost but confusion persists. Production for the last three years was 15,300, 13,926 and 14,462 but even the last figure, for 1954, is not for production alone, but also includes assembly. A note adds that "the production of automobiles in 1954 showed a slight decline from that

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in 1953". Industries ancillary to automobiles all show an improvement in production, without any change in capacity. This is particularly striking for spark plugs, the output of which rose from about 24 thousand to over 112 thousand.

The explanatory note on diesel engines given in this year's report shows how misleading the bare figures published annually can be. Only eight of the 15 units mentioned for 1953 were actually in production during that year and output was only a fraction of capacity. The picture is not as bad as it appeared to be from the figure published last year. In 1954, production has expanded sharply and there may be some hope that the upward trend will be maintained. Fuel Injection Pumps went into production only in June 1954.

Yet, actual output was 3,938 against capacity of 4,500, a creditable achievement if the figures can be taken at their face value.

The electrical industries "had a good year in 1954 in contrast to the fall in production recorded by it in 1953". Bare copper conductors and domestic refrigerators, however, suffered a decline in output. The production of gramophones, the fall in which had attracted attention last year as a possible indicator of economic trends, has shown a recovery though output is still only about 25 per cent of capacity. Among the metallurgical industries 13 of the major items listed showed increases in production and only three experienced a decline. Output of antimony which is manufactured from imported ore quadrupled in 1954

compared with 1953. Production of 97 items recorded under chemical industries registered increases. Sulphuric acid and caustic soda reached new highs and production of soda ash declined because one of the units was closed for six months for installation of new plant and equipment. Significant increases are recorded in production of bichromates, zinc chloride, copper sulphate and hydroquinone. The expansion in the production of fertilisers at Sindri has been widely advertised. Output increased both of superphosphate and ammonium sulphate, the former having doubled. Ceramics, glassware, plastics, paints, and all the other groups of chemical industries showed a rising trend. The general trend indicated by the published figures is undoubtedly welcome but the weak spots must be discovered and eliminated.

Weekly Notes

Pakistan Imbroglio

THE two wings of Pakistan do not move together; they go their own separate ways. While West Pakistan passes from crisis to crisis, the eastern wing is getting deeper and deeper into continuing economic depression. In the last fortnight following the Federal Court decision that the dissolution of the Constituent Assembly could not be challenged through a writ issued by the Sind Supreme Court for the technical reason that the authority given to such Courts had not received the Governor-General's consent, there has been a furious spate of emergency legislation. That the only non-Muslim judge on the Federal Bench, an Englishman, dissented, may be noted in passing but it would serve no purpose to call into question the fairness of that judgment, for the simple reason that the restoration of the Constituent Assembly—irremovable and unrepresentative—would not have made things any better.

The result of a favourable judgment has been the inauguration of an Ordinance Raj and what is euphemistically called emergency legislation, continuing the legal fiction invented in the British days. There is one difference, however, in that the British Governor-General was subject to the control of Parliament through the Secretary of

State; Ghulam Mohammed need look to no one else. The zonal scheme which has long been brewing has been made into a reality by a stroke of his pen. Those in India who have been watching these developments in the neighbouring dominion with increasing anxiety have not all been able to draw comfort from the appointment of Dr Khan Sahib as the Chief Minister by the issue of an ordinance with immediate effect. "A good man gone wrong", "Meeting opposition half way by taking the wind out of the sail of Paktoonistan agitation", these are the usual public reactions. What spoils this pretty picture is the opposition of the Frontier Gandhi to this integration of the West, even though his own brother has been appointed as the Chief Minister to it. Pathans can neither be bought over so easily nor can opposition be quelled by emergency legislation. As a set-off to this spate of emergency legislation, there is the promise of general elections to be held in a year or so, but to those at all familiar with the political situation, this concession to democracy will carry little conviction and bring even less comfort.

East Pakistan which had the benefit of a general election only a year ago has fared no better. The fresh efflux of refugees from it poses a problem for India of a different nature from that posed by the poli-

tical convulsions in the West. In neither wing, however, is propaganda being directly aimed against India. To soften internal dissensions, feeling is being whipped up, instead, against Afghanistan and American aid remains the only prop to support the present regime.

In his speech while presenting the budget to a press conference, the Pakistan Finance Minister recounted Pakistan's achievements in the economic sphere, of the growing self-sufficiency in cloth, paper, cement and shoes, of the progress in the manufacture of woollen goods and sugar, and announced a large allocation for development in the next year. If the economic situation thus presented conforms to reality, how explain the growing depression in East Bengal which more than anything else is driving the Hindus to seek a living elsewhere? In the chronically strained relations with India there are occasional breaks or hopes of lessening tension. A recent instance was the agreement reached on transit trade between the two parts of West Bengal, now separated, through Pakistan. There are proposals every now and then that the two Prime Ministers should meet. But who should meet whom, who can speak for Pakistan today? The vacuum widens and it bodes no good for any country to have such a vacuum right across its border.

New Industrial Capacity

THOUGH no substantial increase in industrial capacity was recorded during 1954, many plans for expansion were submitted to the Ministry of Commerce and Industry and obtained its sanction. Licences were also issued during the year for starting a number of new industries or widening the range of products in existing industries. A glance at the Appendix to the Ministry Report which lists the licences issued will show how diverse is the structure of industries going to be. Among these the most striking ones are for the sugar industry for which 23 new units have been sanctioned, 12 in Bombay, two in Madras, one on Mysore, two in Hyderabad and two in Andhra. UP and Bihar have not been given any new licences though 16 sugar mills in UP, but only one in Bihar, have been given permission to expand. It looks like an afterthought that the possibility of manufacturing sugar machinery within the country should be considered after all these licences have been given. Manufacture of jute machinery has also been under consideration though no expansion of capacity in the jute industry has been applied for or sanctioned except for 300 looms for a jute mill in Assam. In cotton textiles, expansion has been licensed only for spindles though looms and printed cloth are

also mentioned, but amounts are only nominal. The expansion contemplated in this section is largely art silk and staple fibres. Automobile parts, cement, dyestuff and heavy chemicals as well as pharmaceuticals and drugs and electrical machinery figure prominently among the new licences issued. So does expansion in paper industry. In bicycles half a dozen new units have been licensed and expansion sanctioned in the same number for existing units. Sewing machines have two new comers.

Loose ends in industrial policy appear as much in the new licences issued as elsewhere. Glass and ceramics, not only for industrial uses but also crystal glassware and artistic glass figure among the licences. So does soap and other toilet goods. It will be some time before these loose ends left in the first plan period are tied up. One should be prepared to find them in the next year's report also. But some order should emerge gradually, if the talk now in the air of setting up a proper structure of industry in the Second Plan does not end up in some pigeonhole. An examination of the new industries licensed during the year do not show unity of approach.

Genie that brought back TTK

THE poor Minister of Production was heckled in Parliament as

no other Cabinet Minister has been heckled for quite a long time, and for no fault of his. Shri K C Reddy is the Minister of Production alright. But the big decisions do not rest with him. That drive and energy are not his strong points is not relevant in the present context. He is one of those who chooses to stand and wait; for they also serve, who stand and wait. Though directed at him in the first instance, it is not Shri Reddy who was the target of attack. The vehemence with which Parliament attacked the transfer to the Ministry of Commerce and Industry what it thought to be the legitimate function of the Ministry of Production left no room for doubt that it resents that the latter should be given so much say in the matter.

When the Cabinet itself does not co-ordinate, the problem of co-ordination has to be resolved by individual ministries. This is effected through a method of grab and hold as you can, though in this particular issue logic is as much on the side of TTK. After all, if he is to be responsible for the industrial policy of the Government, how can he be left out from such important decisions as the expansion of the steel industry, though the latter happens to fall in the public sector? To whichever sector an industrial undertaking may fall, it is the ministry primarily responsible, as in the

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present case the Ministry of Commerce and Industry obviously is, for maintaining supplies, that has to look after it. What the Parliament seemed to resent most was not that there should be logic in industrial policy, but that it should be at the cost of powers and privileges of the Production Ministry. Shri Reddy, defending his own self-abnegation, was both generous and honest but, nevertheless, cut a very sorry figure in that role. The basis of division of powers and responsibilities between the two ministries was the issue. The Production Minister's defence that no rigid line could be drawn and that the guiding factor has to be convenience, provoked the question "Whose convenience". To this, the Production Minister had no ready reply.

Logic, however, is a two-sided weapon and cuts both ways. If, after Avadi, as the Prime Minister is believed to have put forward himself, the public sector is to be increasingly more important, logic also demands that the Production Ministry has to be strengthened and its sphere of operations gradually expanded, not curbed. It has to be the focal point of attention, as representing the public sector. In the eyes of the public it is not so and after the shown down in Parliament, surely the Production Ministry will not appear in any brighter light.

What happened to the Commerce Minister's irrevocable decision to quit? True, he returned very quietly to Delhi and resumed his duties without much ado, as if nothing had happened in the meanwhile and business was going on as usual. On the other hand, TTK returns triumphant. Though his "irrevocable" decision to resign has been altered, he comes back with flying colours having won every single point on which he had occasion for dispute. How could he get round Pandit Nehru's objection to handing over steel to him, thus undermining the public sector and lowering its prestige in the public eye after the Avadi resolution is anybody's guess. No one would attribute it either to the Commerce Minister's hold on the country or to his strong following in Parliament. What was it, then, that worked the trick? The south is a factor to be contended with in the deliberations at New Delhi. But it is a disturbing thought that what lies beyond the Vindhyas might still be forgotten had it not

been for its potential nuisance value, such for instance as lies in its ability to raise hell over the question of compulsory Hindi. Dravida Kazhakam has been in this case a good genie, even though it has backed up a Brahmin in the process.

Asian Conference—Delhi and Bandung

Our Delhi Correspondent writes:

AS this is being written, an Asian Conference has begun at New Delhi. There appears to be a lot of confusion about this conference and the Afro-Asian Conference to be held in Indonesia about the middle of this month. The two conferences are really distinct. This is a non-party or all-party 'private' conference of all Asian countries, including the Soviet Union. It has been sponsored, not by the Government of India, but by political parties—the Congress, the Praja Socialist and the Communist Party. The delegates have been selected on a non-party basis and include representatives of industry, art, science, etc. It is quite different from the mainly political governmental conference, which is to meet at Bandung in Indonesia, with the primary purpose of liquidating colonialism in Asia. But the general philosophy is the same. Pandit Nehru is trying to bring together the peoples of Asia and probably his mind is playing with the idea of a confederation of Asian peoples with foreign policy as the principal function of a common Government for Asia.

It is a curious coincidence that when the United Nations was being formed, Churchill said that real international organisation would, in his opinion, begin with a Council of Europe and a Council of Asia! Little did he know then that he would retire before the first could be formed and the second would be brought about through the instrumentality of a man, whom he described, at the time, when the House of Commons was debating the India Independence Bill moved by Attlee, as "a man of Straw!"

SILENT REVOLUTION

Forged by Fords, Oke by Russians

A TEAM of eminent economists and statisticians from the Soviet Union visited Nilokheri township and the community development centres yesterday. The party included Professor Degtyar of

Moscow University, Mrs Rubinstein, a prominent social worker from Russia, Prof Rubinstein and Prof Pisarev.

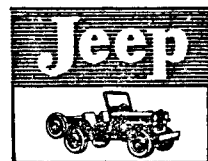
The visitors were taken round the extension training centre, the social education organisers' training centre and the block development officers' training centre. They also visited Butana, a village, where they saw the community centre and also inspected water supply and sanitary arrangements.

Giving his impressions, Prof Degtyar said that, through the community development programme, a correct approach had been found for the solution of India's problems of rural welfare. He added that the silent revolution which was being effected in India through the community programme reminded one of the whole process of reconstruction in Russia after the end of the Czarist rule.—*Times of India*, April 4, 1955.



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Off the Record

Of Relative Prices

PRICES of manufactured goods do not move closely in correspondence with prices of raw materials or even of wages. The conditions of supply of manufactured goods are not the same as those of agricultural produce. The relation between different groups of prices is complex and not the same factors operate in each case, the strength of the factors vary, the relative importance of the factors widely differ between short and long periods. Supply, however, is usually more elastic in the case of manufactures in that it is more amenable to control and manufacturers are usually able to avail themselves of this advantage, subject to such restraints as are imposed by the presence of idle capacity, higher wear and tear of machinery when plant is worked more intensively in peak periods and so on. There are, also, various degrees of market imperfections.

The disparate movements in the prices of manufactures as compared to those of raw materials and food-stuffs after agricultural prices began to fall has attracted much attention of late but the question posed by the complete insensitivity of the prices of manufactures, in the wholesale price index, for example, has not been satisfactorily answered. Taking the Economic Adviser's index, while prices of food articles have fallen by nearly 20 per cent in the last twelve months and those of industrial raw materials have fallen by some 15 per cent, prices of manufactures have not fallen at all. In fact, they are a few points higher than a year ago.

True, the price index for the manufactures group has been generally sticky compared to that of other groups. When agricultural prices were shooting up in the pre-Korean years, they did not rise to the same extent. On the other hand, since the recession early in 1952, while other prices have been falling almost continuously, except for an initial decline in the first six months, prices of manufactures have shown a remarkable firmness. How is this to be explained?

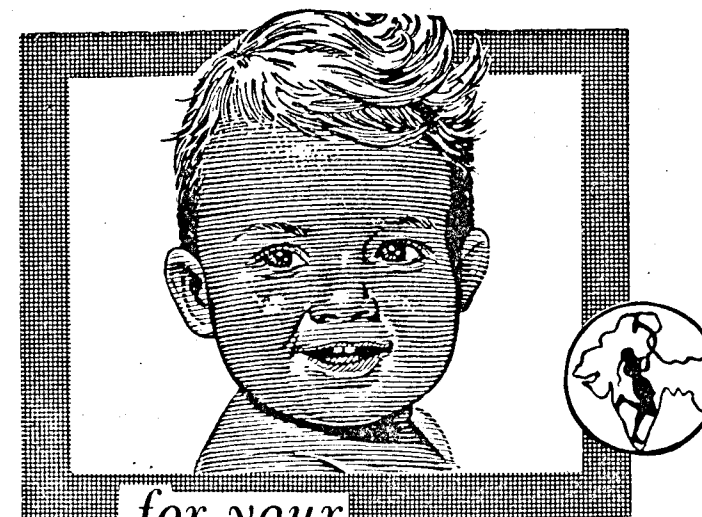
Attention has sometimes been drawn to some particular factors. Industrialists of Bombay have just reason to complain that the cost of living index in this centre should

fail to reflect falling prices of food grains. But had it done so, would the prices of manufactures in this centre, of cotton textiles, for example, followed suit? There may be other factors such as export demand, which enables industry to maintain home market prices high or internal demand that is quite unaffected by the fall in money incomes in the agricultural sector which may be presumed to have taken place in consequence of falling prices. If the increase in the volume of agricultural production is compared to the fall in agricultural prices, on a very rough indication, agricultural incomes may have slightly declined rather than remained intact.

The possible effects of exports have been mentioned. To what extent import policy helps to keep up or bring down prices of manufactures is another factor which may have an important bearing on the question. But like many others, it cannot be ascertained statistically. The list of items from which the subgroup of manufactures is made up,

eg, textiles, metal products, iron and steel, machinery, shoes, etc, can give little indication, because it is not a fair sample of the supplies available for consumption in the country. In the base year to which the index continues to be linked, industry did not have the same relative importance as in the years during and after the war. Besides, the index is too heavily weighted by textile products and the manner of its construction insulates it effectively from changes in either the volume or in the value of imports.

All that has been said above would be an anti-climax, if one were to go a little further and break down the index into its several constituents. The result would be found amusing. There is much dead wood to be removed, here as elsewhere, in the Economic Adviser's index—dead as the dodo is the quotation, under vehicles, of Chevrolet 4 sedan cars, ex-plant, Bombay. General Motors have long departed. The Economic Adviser's Office may not still know but why do they tempt the irresolute



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Taking the sub-groups, the relative movements are shown in Table I below.

Here the contrary movement of manufactures stands out, but take the group of manufactures price index by itself (see Table II on this page) together with the weights and one would not know what to make out of it. Why, then, try to build up anything on such a slender basis of facts? True, the Finance Minister may quote the index to the nearest decimal point, but such naivete—in others less eminent—it would be downright dishonesty—is the privilege only of those who take an empyrean view and frame their policies accordingly. But what are humbler folks to do? One has "gotta use words."

The less exalted, however, have more homely ways of looking at things. The statistician to the UP Government who brings out the *Review of Economic Conditions in Uttar Pradesh* is one of them. The latest issue of this publication which is for 1951 gives the index number of agricultural prices in UP from 1947 to 1951 (base: 1939=100) as also a set of index numbers for industrial wholesale prices in UP (base: 1948=100). The exact figures do not matter but the broad conclusion that emerges is that the agricultural parity price index for UP has been falling from 1949 onwards. And this leads the statistician to this comforting conclusion which is free from all statistical complexities:

"The enormous increase in the prices of industrial raw materials without corresponding increase in those of manufactured articles, shows that the industries have been handicapped by having to pay higher prices for the raw materials (and not merely for labour), on the one hand, and having to sell the finished product at comparatively low prices, on the other. The fact that prices of manufactured articles have not been allowed appreciably to rise, is also a pointer to the business community being alert in doing its bit in "holding the line" and not necessarily in charging what the traffic will bear, in the days of scarcity."

This was the situation in 1951. It will be three years hence that the current situation will be reviewed in this journal. So those who are curious, will have to wait that long to know what UP Statistical Depart-

ment thinks of the contrary movements of agricultural and industrial prices that have now come into such prominence. But there is no reason to suppose that the compiler will have to squirm or turn and twist. After all, those who had been doing their bit in "holding the line" should in all fairness be entitled to their just reward. Commenting on the relative decline in the cost of raw materials consumed by manufacturing industry and the relatively greater fall of cash crops compared to food crops, the latest issue of the *Tata Quarterly* considered it a notable result, should the data be correct, because during the regime of price controls, the incidence had generally fallen more on manufactured articles than on raw materials required for their production and more on food grains than on cash crops. The balance is now being restored. "If, therefore, prices of commodities which were for a long time subject to control have improv-

ed their relative position mainly because of a fall in prices to which controls did not extend, the policy of controls may be said to have happily vindicated itself in the end."

There is a sinister ring about this word, 'vindication'. If controls were vindicated then, does it not imply that food prices have an incipient tendency to rise in a rising market and in an accelerated fashion? And that, conversely, falling food prices, by augmenting supplies on the market, tend to bring about a further fall? After all, the improved food situation is the one asset on which we are banking on for so many things. It will not turn into a liability, even though the market process of squeezing out food from the not-too-well-fed growers were stopped, provided the incentive goods that the Government now intends to supply actually reach the cultivators and do not disappear into the bowels of others as they have done so far.

Table I—Relative Prices

Base: Year ending Aug 1939=100 (Weights in brackets)

	12-2-55	13-2-54
Food Articles (31)	303.4	375.4
Ind Raw Materials (18)	428.5	476.0
Semi-manufactures (17)	340.8	361.2
Manufactures (30)	376.8	367.6
Miscellaneous (4)	549.6	696.1
All Commodities (100)	359.8	396.6

Table II

Wholesale Index of Prices—Manufactures Group

	Weights	12-2-55	13-2-54
<i>Textile Products</i>	64	424	407
1. Jute manufactures	11	488 (569)	424 (406)
2. Cotton manufactures	45	411* (432)	402* (501)
3. Rayon & silk manufactures	6	464	449
4. Woollen manufactures	2	310	313
<i>Metal Products</i>	17	340	337
1. Iron & Steel	8	274	270(P)
2. Machinery	7	388	388
3. Vehicles	2	504	504
<i>Other Finished Products</i>	19	284	283
1. Shoes	4	326*	317*
2. Tyres & tubes	1	306	314
3. Cement (P)	2	280	258
4. Paper	2	309	309
5. Matches	1	232*	232*
6. Glass, windows	1	732	860
7. Soap	2	273	266
8. Chemicals	1	300	300
9. Paints	1	284	282
10. Cigarettes	2	138	138
11. Liquors	1	279	275
12. Dye-stuffs	1	277	294
		376.8	367.6

(P) Statutory Price.

* Estimated.

From the London End

The Economic Survey for 1955

WHEN the late Sir Stafford Cripps was Chancellor of the Exchequer, the Labour Government had thought that it would not be such a bad idea for the State to dabble in a bit of economic planning. In those years, it will be remembered, the Budget was the main instrument of economic control and direction; and each year as the Budget was about to be presented, the Chancellor issued planned targets for production, investment and exports. These targets were presented in an official document called the *Economic Survey*. With the Budget becoming less important as an instrument of State policy, the *Economic Survey* has accordingly become only an official appraisal of past developments and an indication of likely future trends.

The *Survey* which has just been published, is a cheerful document. It recalls that 1954 was a successful year for the United Kingdom. Production continued to expand; living standards rose; there was an increase in the rate of industrial investment and a high level of personal savings was maintained. In overseas trade and payments, the UK continued to earn a substantial surplus on current account in the year as a whole, and if defence aid is excluded, the surplus was of the same order as 1953. This optimistic and bright picture is unprecedented. All the previous *Surveys* were pretty grim, the periodic crises which have up to now been the feature of the British economy have usually been the main topic of analysis in the past issues. The current review certainly indicates a turn in the tide of events. True, certain pressures continue to affect the British economy but these are by no means of the dimensions of 1951 and 1952.

Four particular aspects of the economy as considered in the *Survey* call for particular comment. These relate to the growth of the real income and of its apportionment among the principal demand sectors, the course of the balance of payments, the inflationary pressures which developed, and finally, the monetary measures recently adopted to secure economic balance. The changes in gross domestic output and the manner in which it was absorbed is given in the table below.

LARGER REAL CONSUMPTION

Of the increase in total output and imports, half was due to higher consumer expenditure, one-sixth to increased investment in buildings, plant and machinery, and just under one-third to the rise in exports. Most of the rise in exports is, however, attributed to orders booked at the end of 1953 and this no doubt was an important initiating factor in the expansion of the British economy in 1954; but it was mainly due to an increase of private demand (both for consumption and investment) which kept up the rate of expansion later in the year.

The rising living standards of the British people is reflected in a 7½ per cent increase in wages and salaries—a part of this increase is due to a rise in employment but a larger part is certainly due to higher rates of pay. Total consumer expenditure rose by some £650 million, and if the 2 per cent rise in consumer goods prices is allowed for, there was a real rise of about £450 m in this demand sector.

HIGHER INVESTMENT AND EXPORTS

With the Government running a surplus of about £400 million on its accounts and the public saving over £900 million (after tax) from their disposable incomes, the country was well able to maintain a high level of investment and exports. No exact data on the level of aggregate investment is available but there is no doubt that a considerable rise over 1953 has taken place. In fixed investment alone, an increase of over £125 million is recorded. *Exports in 1954 reached their all-time peak.* In value, the rise was 4 per cent and in volume it was 6 per cent between 1953 and 1954.

BALANCE OF PAYMENTS WORSEN

The change which came over the UK's balance of payments last

autumn is brought out in the payments estimate for the second half of 1954, now published for the first time. In this period there was an overall deficit on current account of £12 million (including defence aid) compared with a surplus of £172 million in the first half of the year. Expenditure on imports had increased by £65 million between the two half-years, while export earnings had fallen by £31 million because of the dock strike. The worsening of the UK's balance of payments was entirely on the non-sterling side. The rest of the sterling areas' balance with non-sterling countries also got worse in the second half of 1954. In consequence, the sterling area as a whole had a deficit of £164 million for the rest of the year, compared with a surplus of £171 million in the first half of 1954. It is this change which explains the fall in the gold reserves and the weakening in the market quotations for sterling late in 1954 and early in 1955.

Two reasons are given for these developments: one was the increase in the volume of UK imports—in part the result of a rising level of industrial production and in consumers' demand, and in part due to special factors, including some stocking-up in anticipation of a rise in prices. The other factor was the worsening in the terms of trade. The deterioration between 1953 and 1954 was of the order of 6 per cent. In addition, the overseas sterling area's position was seriously affected by the fall in wool prices last autumn.

INFLATIONARY PRESSURES

The inflationary pressures in the economy became particularly marked in the latter half of 1954, and the *Survey* explains that these pressures were first recognised when the

Changes in Real Demand and Supplies between 1953 and 1954

£ million at 1953 factor cost

Consumption Expenditure	+390	Gross domestic product	+625
Public Authorities	— 40	Imports	+140
Gross fixed investment and increases of stocks	+175		
Exports of goods and services	+240		
Total change in demand	+765	Total change in supplies	+765

level of imports began advancing at a rate higher than that of exports. What were the causes of these pressures? The favourable advances in industrial production were being held up in the last four months of 1954 by two important sets of bottlenecks. Coal output had not kept pace with rising demand. More than that, the demand for steel was running ahead of home production in spite of the expansion of the steel-making industry in the country. Similarly the increasing demand for basic materials required by manufacturing industry in the latter half of 1954 called for a rising level of imports of non-ferrous metals and of various chemicals. This represented the first bottleneck. The supply of basic materials for the expanding output of the economy from normal sources proved to be insufficient and more imports had to be brought in. Secondly, there was the manpower problem. In 1954 civil employment rose by 1½ per cent, and the number of unfilled vacancies rose by about 30 per cent. Overtime working had to be resorted to, particularly in the metals, engineering and vehicles industries. To a large extent the difficulties experienced in finding enough labour to meet industrial requirements led to a slowing down in the rate of increase of industrial output. At the same time, however, the various demand sectors—particularly that of investment demand—were continuing at an unchanged pace. In this situation it was obvious that the imbalance would be reflected in rising prices and increased imports.

AND MEASURES TO CHECK THEM

The *Economic Survey* reviews the measures taken in February to deal with the situation. The measures were designed to moderate the expansion of home demand by restricting consumer purchases on the hire purchase system, and by making the cost of borrowing more expensive. In this way it was hoped that the demand for imports would be limited and that added encouragement to exports would be given. These measures are likely to have some dampening influence on the pace of economic expansion, but as the *Survey* remarks, "this pace must not be allowed to endanger the maintenance of a proper balance between imports and exports."

What of the future? Here also the *Economic Survey* is just as buoyant and optimistic. While

pointing out that for Britain exports remain of primary importance, it believes that the level at which the international exchange of goods and services took place in 1954 will continue in 1955. It does, however, point out that the storms which emanate periodically from across the Atlantic may jeopardise these prospects, but the experience of 1954 is not without its lessons. The "cold winds" from the United States in the first half of 1954 were countered by an intensification of Britain's trade relationships with the overseas sterling area and with Western Europe. And 1955 is likely to see the colonies among the more important of Britain's export markets.

The problem of costs remains an ever-important one. It was hoped that the rise in industrial capacity would be accompanied with more capital intensive production. In so far as modernisation has taken place, the resulting rise in productivity has helped Britain to face the competitive struggle in international markets. It is to be noted, however, that a not inconsiderable proportion of current investment expenditure is going, not towards the modernisation of industrial technique, but rather towards increasing industrial capacity. In so far as this has taken place, the problem of costs is likely to remain.

UK's Balance of Payments on Current Account (£ million)

	1953	1954 1st half	2nd half	Year
<i>With non-Sterling Countries:</i>				
Exports	1,462	750	732	1,482
Imports fob	1,563	777	902	1,679
Govt expenditure	46	17	12	39
Other invisibles	89	78	1	77
Defence aid	102	24	26	50
Current balance	44	58	167	109
<i>With Sterling Area:</i>				
Exports	1,209	673	660	1,333
Imports fob	1,326	694	634	1,328
Invisible items	290	135	129	264
Current balance	173	114	155	269
Global balance	217	172	12	160

Balance of Payments of the Sterling Area (£ million)

	1953	1954 1st half	2nd half	Year
<i>UK's current balance with: non-Sterling countries</i>				
Rest of the Sterling Area	173	114	155	269
Total	217	172	12	160
<i>Rest of the Sterling Area's balance with: non-Sterling countries</i>				
Total Sterling Area balance with: non-Sterling countries	325	171	164	7

Wage Differentials and the Standard of Living in Malaya

(From Our Malayan Correspondent)

ONE of the interesting side-lights on the Malayan economy is the marked variation in wages and the standard of living of the various communities in the Federation. Both vary markedly as between communities. These differences in the standard of living are reflected in wage differentials on the free labour market.

In the vegetable farming community of Teochiu Chinese among whom I am living, there are three different rates of wages paid to labourers from outside. At the top of the scale are the Chinese who are paid \$8 for a male, (\$1M = about Re 1-9 as in Indian currency) per day *plus* meals. An Indian Tamil recruited from a nearby village is never paid more than \$5 a day and is given his midday meal if he likes to have it. A Malay labourer is never paid more than \$3 a day. When the Chinese employer was asked why he discriminated in this fashion, he said that since the Chinese do more work, they should be paid more. Chinese are invariably employed to dig the ground for the new vegetables, a tough job. Indians are sometimes employed for this purpose and also to cut the thick *lallang* grass which grows quickly on unused ground. Malays are engaged only to clear grass and, whenever possible, they are employed on a contract on so much money per square yard of grass cleared.

WAGE DIFFERENTIALS IN PADDY CULTIVATION

In a neighbouring Chinese rice-growing community, where there is always a shortage of labour in the reaping season, the rates of pay are as follows:

- Malay women who cut the grain From \$1.30 to \$1.50 per day
- Chinese women who cut the grain From \$1.50 to \$1.80 per day
- Malay men, one of whom always accompanies the Malay women, \$3 per day
- Chinese men for beating the rice Never less than \$6 a day *plus* food
- Chinese men on contract \$1.25 per *dan* of rice, if they also reap; 60c per *dan* if employer provides reapers

Malay men on contract 10c to 15c per *dan* less than above.

These are the rates paid by Chinese employers of labour, not on the grounds of racial discrimination but on the grounds of their relative quota of work.

In business a similar system of racial wage differences is universal. A nearby Chinese owner of a chain of picture houses employs only Indians on his staff as the work is easy and does not require much labour. Many of his employees receive only \$60 a month. On the other hand, there are very few Indian businessmen who employ any Chinese. Few Indians operate any large businesses requiring a large amount of physical labour such as tin mines, transport or rice and tobacco plantations. Rubber estates in the Federation employ both Indian and Chinese labourers but rarely do Indians and Chinese work on the same estate. A lot of rubber estates are worked on a contract basis according to which the more rubber trees are worked the higher the rate.

NONE IN GOVERNMENT JOBS

The Government, on the other hand, cannot have different rates of wages for different communities. In the Public Works Department, a labourer is paid \$2.20 a day and, as a natural result, the Department employs only Indians and Malays. Two Chinese recently turned up for employment in the PWD in this district and this was so unusual that the police thought they must be Communists who wanted to take up this work for some ulterior purpose.

In certain trades, however, Indians have made a name for themselves by special ability. The Malayan Railways employ Indians almost exclusively for platelaying and as engine drivers. It is widely recognised by the Chinese that Indian hairdressers are far superior to Chinese and Chinese always prefer to go to an Indian barber for a good haircut. Children who need only a "basin" cut, usually go to the cheapest hairdresser, who, in this case, is often a travelling Chinese who visits the villages.

SPECIALISATION IN CIVIL SERVICE

In the civil service also, specialisation is developing. In English-speaking schools many of the highly paid positions are held by Indians or Singhalese. The headmaster of the local high school gets over \$1,000 a month, which is considerably more than what the European District Officer gets. Higher posts in the civil service are held principally by Englishmen but with the very large number of junior posts held by Malays, it is clear that within the next few years most of these positions will be held by Malays. That the lower Government posts are mainly held by Malays is undoubtedly due to the low commencing salary which only a Malay could live on. A clerical cadet in Kedah is expected to begin work on \$60 a month. Even at the very lowest scale, it seems to me impossible to pay less than \$35 a month for food and lodging. This



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to Chance will do few
things ill."

Lord Halifax.

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Subsistence Economy and Income Estimation

Hannan Ezekiel

WHEN an estimate of the national income of any country differs widely from previous estimates, it becomes a matter of great interest to examine the reasons for such a difference. The estimate of Nigeria's national income made by Dr Prest and Mr Stewart* places it at roughly thrice the level of notional estimates made previously. That Nigeria is an underdeveloped country itself raises many questions of concepts and methodology and for students of national income the answers given to these questions by the two authors are of especial interest. To the extent that these answers are not found acceptable, an opportunity arises to discuss the problems concerned in the light of the arguments advanced by these experts. In some cases, the approach taken may itself suggest further advances. To those not particularly interested in the problems of national income estimation with special reference to underdeveloped countries, the interest of this report lies in the results obtained—the higher level of income and the different relative positions of various sectors—and the light these throw on the economic problems of Nigeria in particular and of underdeveloped countries in general.

The particular problems that arise in the estimation of national income for underdeveloped countries are by now fairly well-known. These call for special treatment though the standard methods used in western countries have sometimes been applied to underdeveloped countries and the result has been considered satisfactory (eg, Creamer, *The Net Income of the Puerto Rican Economy*, 1940-44). The distinction between working and non-working, between production and consumption and between productive and distributive functions are often nebulous in underdeveloped economies. Institutional peculiarities and the relative unimportance of the market economy make it difficult to decide about border-line cases and

yet, such decisions are of vital importance to the results. And the solutions of these varied problems are conditioned by sociology rather than economics. Only an intimate knowledge of the character of social relations and patterns of living prevailing among the people studied can make possible decisions that are at all appropriate to the type of economy, in this case, that of a tropical dependency.

The authors propose to work with the gross domestic product concept rather than what is usually called the gross national income. It is argued that the latter "has the disadvantage that it does not allow the earnings of extra-territorial companies to come into the total". Whether this is in fact a disadvantage is a moot point. For countries like Nigeria where such companies do play a significant part in the economy, the importance of the decision taken on this issue can hardly be exaggerated. Whatever may be the significance of the one or the other for the country itself, there are obviously many advantages in having both totals as information on changes in their relations may itself be so useful in understanding the problems of the economy. The authors, however, have calculated principally the Gross Domestic Product. This has made it necessary to define what exactly "domestic product" means in relation to the product of dual-nationality companies and of Government institutions.

Even more important are the problems that arise in defining "product". Here the question of family activities is crucial. If there is to be a complete assessment of all activities whether performed for oneself, for other members of the family or for outsiders, a number of anomalies are avoided, but this is not the principle adopted in the national income estimation of western countries. The usual rule there is to exclude economic activity taking place within the household with the exception of activities which are similar to those carried out outside, as in the case of food grown for home consumption in the rural areas. The main reason for leaving out other self-produced and intra-family goods and services in these countries is that such work "is largely of a

different character from that done for outsiders". Also, such activities are not likely to vary significantly in the short-run.

The authors hold that "omission or separation of subsistence activity cannot possibly be justified in the case of Nigeria." There are two problems involved in this statement. It seems that while omission of subsistence activity is undesirable, there is no reason why it should not be separated. The authors feel that neither is possible because there is no clear distinction between subsistence and trading activity. As a result, activity inside the family is hardly of a different character to that external to the family. In the case of Nigeria, further, "everyone who is a producer of cash crops is, with the possible exception of some cocoa growers, a producer of crops for his own consumption." This may not, of course, be so in other regions. Yet, the other reasons advanced do support the view that subsistence output should as a whole be included in calculating the Gross Domestic Product. In a sense, national income calculations in other countries also do include subsistence output in so far as they are based on estimates of total production of most crops, whether these are marketed or not. The fact that where production of food, so dependent on the weather is the major subsistence activity, there will be marked fluctuations from year to year suggests another reason for inclusion. There is therefore no adequate reason for excluding subsistence output. If the fact that it is not marketed justifies its exclusion, then, the authors argue, Government products should also be excluded. This is not, however, valid. For in the case of Government product, though it is not sold, its production involves exchange. It is the cost of production which is used as the basis of valuation. The fact that such a basis of valuation is not available in the case of subsistence output suggests that the two cannot be put on the same footing.

The need for separating subsistence output is not in any way obviated by any of these arguments. It should be clearly understood, of course, that the segregation of subsistence is desirable not because of

* *The National Income of Nigeria* by A R Prest and I G Stewart. Colonial Research Studies No 11. Her Majesty's Stationery Office, London. Pages 124; Price 8s 6d.

would leave very little for clothes and washing if the monthly pay is no more than \$60. The minimum pay that a Chinese expects to live and work on is \$100 a month. For example, the person required by law to always travel on the back of a lorry, a very easy job, receives \$120 a month.

It is of course well-known that different social classes in a country have different standards of living but I think Malaya must be almost unique in associating these different standards of living with national communities. A Chinese working for a Chinese would receive a larger pay packet than an Indian working for an Indian, although the work might be the same. "Equal pay for equal work" would in non-professional jobs almost always imply that Chinese should be paid more than Indians or Malays. This difference in pay makes it extremely difficult to organise inter-community trade unions because what an Indian would demand as minimum pay would be far below what a Chinese would regard as reasonable.

WHY DIFFERENT LIVING STANDARDS?

What is the basis of these differences in the standard of living? It seems to me to be largely that the sort of things that each member of a community wants to spend his money on and regards as essential is determined by the social values of the racial community among whom he lives rather than from a national scale. Malays are forbidden wine and tobacco and rarely break this rule to any marked extent. Their ceremonial expenses are very much less than in other communities and they are prepared to spend very much less on food. Many Malays have only one heavy meal a day and during the rest of the day eat remnants. Of course, if they have a lot of money, their consumption increases but they still live predominantly in the countryside and have country values. But Chinese principally live in the cities or have a direct financial tie-up with the cities through selling their tobacco, rice or vegetables to city middlemen with whom they have social and other links. For the

Chinese, wine and tobacco are necessities. Indians occupy an intermediate position.

In my opinion, Chinese manage to retain their higher standard of living because up to now their businesses and enterprises have expanded faster than their population so that they can pay higher wages to their employees. When Chinese are no longer able to find work except by accepting lower wages, their standard of living may drop especially as, up to the present, there is little opening in Government positions for them. Malays and Indians can easily find Government work. That this time of Chinese unemployment is just about here at the present is shown, possibly, by the number of Chinese young men who have recently joined the police and Federation regiment. Most of those joining were forced to do so by economic necessity, although other factors such as the increased allowances in the police probably played their part. The Chinese are at last being pushed out of the Chinese Malayan world and into positions of competition with labour outside.

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any doubt about the validity of its inclusion in any national income total but rather because knowledge about its relative importance in the economy can be very valuable in obtaining a clear picture of the working of the economy and of the problems it faces. None of the arguments advanced by the authors suggest that there would be any special difficulty that would make it impossible to achieve such a separation, though some logical and conceptual problems would no doubt arise.

If the line is not to be drawn at the family, where should it be drawn? The compromise accepted by the authors is that "generally we should not try to include the services the individual performs for himself but only those performed for other members of the family". That this decision is the best under the circumstances has to be admitted, but at this stage a statement is made which queers the pitch considerably, "The justification for including all intra-family output, including services," say the authors, "is that the relationship maintained between the members of the family is much more nearly a commercial one than that to which we are accustomed in the West." Granted that intra-family relations are in fact commercialized in Nigeria, it would not be true of many other underdeveloped countries. Would there be no justification for inclusion of such services in other underdeveloped countries where intra-family relations are not commercialised as in Nigeria? The other arguments advanced by the authors themselves support the view that the inclusion is entirely justified.

This approach to the problem of intra-family activities in Nigeria, however, leads the authors to adopt a peculiar mode of valuing these services. The solution adopted is "to take something like the annual sum paid over in bridal prices as a measure of general services. The composition, nature and size of bridal payments varies a good deal from one area to another inside Nigeria but it does not seem far wrong to generalize by saying that it is a lump payment made to mark the acquisition of a wife's general services by a husband and in particular the services of procreation". This treatment, apart from other objections against it, would be inapplicable in other underdeveloped countries. If uniformity of treat-

ment is to be maintained—there are obvious advantages in uniformity—the authors would have done well to reject this mode of valuation. After much laboured rationalization, the authors are only able to claim that for various reasons, "we are hardly likely to overestimate." This is obviously no argument in favour of this particular mode of valuation since underestimation is as undesirable as overestimation in any mode of valuation.

A question may be raised at this stage. What about investment of the nature comparable to subsistence consumption? One's own labour and the labour of one's family may be directly utilised for the production of a capital work and the value of such unpaid work resulting in capital formation should correctly also be included in the national income. The value of such labour may not be negligible and it may also vary significantly. Its importance is well realised since deliberate propaganda is made to encourage voluntary work for public works of a nature beneficial to the community, but even if self-labour is directed to the improvement of one's own land by the building of wells or bunds, etc, there is to that extent an addition to the domestic product. No estimate for such work is made by the authors and their estimate of national income must be considered incomplete to that extent.

That their conclusions may be vitiated by this omission is suggested by what follows. Finding that Government current expenditure forms only 3 per cent of total expenditure at market prices, which is contrary to the usual belief that this proportion should be high in underdeveloped countries, the authors come to the conclusion that this is not true for capital expenditure, "capital formation by public authorities being about a third of the total." This conclusion may not stand if capital formation in the subsistence sector is included in total capital formation and therefore in national income. It is stated elsewhere that "the overwhelming importance of consumption expenditure (£517 m out of £596 m) is in accordance with expectations" and further that, "gross investment as a whole was something like 12 per cent of gross total expenditure at market prices". These statements would be subject to revision in that case.

In studying the implications of the much higher income that has now been estimated by the present

authors, one may well ask: Why were previous estimates so low? The authors feel that it was due "partly to the neglect of the great volume of foodstuffs grown and consumed within the country" and "partly to the neglect of the large mass of internal trading and transport activities," and to the "failure of many investigators to appreciate the significance and importance of the great inland trading centres." While the estimators were not able to obtain detailed data of expenditure by different income or social groups, they find that "not only is there the obvious gap between European living standards and those of the great mass of African clerks, petty traders, farmers and so on, but there is also a more important gap between African and African, on which the present structure of taxation makes little or no impression".

In the light of their findings on Nigerian national income, the authors examine the problem, how far is national income related to taxable capacity for an economy in which so much of the income represents imputed income and is not the result of cash transactions? It is often argued that when national income contains a large proportion of imputed incomes, it is no measure of taxable capacity, the implication being that imputed or subsistence income is untaxable. Or in other words, there is no means of enforcing reduction in such consumption. For Nigeria, however, "a country with a vast amount of internal trading, where practically everyone sells some part of his crops", the authors feel, "this does not ring very true." Taxable capacity in underdeveloped countries is rated low partly because of the absence of cash. There are other means of reducing consumption or may be, of increasing production without raising consumption, even where people do not have any cash or who do not carry out considerable trading activities. At least so far as Nigeria is concerned, the authors do not accept that because an individual has no income, it follows that he has no cash. Even in other underdeveloped countries where trading is not perhaps developed so much, it is not really valid to argue that subsistence producers cannot be taxed though how they can be, is a challenge to the ingenuity of economists and tax authorities. The high degree of income inequality in Nigeria among Africans, to which attention is drawn, underlines the importance of the problem.

Falling Prices in Total Perspective

I D B

(Continued from previous issue)

IT is apparent that abundance has not been general but has been particularly marked in foodgrains, cotton and lately in groundnut. The reaction of these developments on prices has been particularly severe for agricultural labour, for it is reasonable to expect that the entrenched classes in the agricultural economy would pass on the incidence of falling prices to labourers in terms of lower wages and employment.

We are, however, concerned with the worsening of the terms of trade for agriculturists generally, due to the disappearance of inflation and abundance of agricultural output, particularly of foodgrains. Both these developments run counter to the economic assumptions of the First Five-Year Plan. The measure of the loss of the agricultural classes through an adverse movement of the terms of trade (in the sense defined above) may be roughly gauged from Table II below.

The indices for food articles and industrial raw materials broadly indicate the trend in agricultural prices. It is obvious that the position of the agriculturist *vis-à-vis* the industrialist has worsened substantially. As the share of industrial labour (outside the city of Bombay) has remained either constant or has actually diminished due to the linkage of dearness allowances to the cost of living, it is the owners of industrial enterprises who have gained. The other class of people who have gained are the operators in the stock exchanges. There is a close connection between these classes and their finance in business and in the share market. Apart from many other contributory causes, including the boom in the world exchanges, the considerable strength that has accrued to the stock exchanges in this country has been the strong financial position of industrialists who have gained substantially through lower costs, while

their prices have fallen comparatively little, and in fact over the year have remained constant. No wonder that the variable dividend industrial securities index went up between September 1953 and September 1954 by nearly 28 per cent and has since then fallen only slightly.

The trading class, on the other hand, particularly the small *bona fide* trader, has lost in the period of falling prices, as the profit margin for him has diminished and he has incurred losses on stocks. High and rising bazaar rates of interest have borne heavily on him. The middle classes have not gained materially but availability of grain at reasonable prices has meant some relief for them. The fall in the cost of living over the year, though appreciable, has not been pronounced. All this really means that the persistently increasing deficit in middle class budgets has thus given place to a slowly diminishing deficit, but nevertheless the middle class economy still remains a tragically deficit economy.

While we have moved forward to a more valid explanation of the economic situation than is available with government economists, there are yet certain snags in the hypothesis. The principal difficulty lies in the claims of a very substantial increase in industrial output, as would be broadly clear from the interim index of industrial production.

Table III—Volume of Industrial Production

1946 = 100

1947	..	..	97
1948	..	..	108
1949	..	..	106
1950	..	..	105
1951	..	..	117
1952	..	..	129
1953	..	..	135
Nov 1954*	..	..	160

* Latest available.

Table II—Economic Adviser's Wholesale Price Index

Year ended August 1939=100

	April 14, 1950 peak of Korean war	April 10, 1954	March 12, 1955
Food articles	414	389	297
Industrial raw materials ..	700	472	419
Manufactures	413	381	380

Now this beats all available estimates of the increase in agricultural output if the indices of industrial production are taken at their face value. The figures of industrial production of the period of black markets and physical controls, however, are not in any legitimate sense comparable to those of a free market economy. During the period of the black market, manufacturers had every incentive to conceal their production from the control authorities so that they should be able to put as much of it into the black market as possible. The textile manufacturers at Ahmedabad were confessing openly to any one who was prepared to hear them that half of their productive capacity was reserved for the black market. In sugar, more fantastic stories were current. The Tariff Board itself convicted the Sugar Syndicate of gross malpractices. Against this background, it would be only correct if the economists were to discount these statistics of industrial production.

INCREASED EXPORTS

Nevertheless it is true that some increase in output has taken place. Why have prices of manufactures then remained constant? The reason for it is to be found in the close relation between exports and increase of production of manufacturers. Almost the whole of the increase in the output of cotton textiles in 1954 over 1953 has gone into exports. Unlike the agriculturists, the manufacturers are a vocal and powerful class and have active contacts in Parliament and in Government circles. They in fact control both the import as well as export authorities and are the real power behind Government's economic policies.

The validity of agricultural statistics may also be questioned for the same reason as in the case of industrial output. There is some truth in it, but there are two differences: The monsoon in the last two years was much better than in the preceding years. No such favourable factor has been operative in industry during the last few years. In fact, imports of machinery have actually declined.

Table IV—Volume of Machinery Imports

(Reserve Bank Index)

1952-53	..	..	= 100
1953-54	..	..	= 78
1954-55	..	..	= 55
(Second qr)			

There is another important difference between industry and agriculture, which has often been ignored in the analysis of the economic situation. This is in regard to marketable surplus. If a cultivator and his family produce six maunds of grain, of which they consume four, they have a surplus of two maunds only. If the output increases to eight maunds, the market surplus will increase to four maunds, that is, by 100 per cent. Generally, consumption in the agricultural areas increases in a period of rising prices and falls in a period of falling prices. Hence it is reasonable to assume an extraordinary increase in the market surplus in foodgrains, because cultivators who probably had no surplus to sell have now something to dispose of and others are in a position to increase substantially their supplies to the market partly because they have produced more and partly to offset the effect of fall in prices on their gross money incomes. The immediate effect of a series of cumulative surpluses has meant a considerable increase in stocks with the Government. Already burdened with held-over stocks from the control period, the Government is finding the total pressure of stocks very heavy.

STOCKS

On the other hand, stocks with the manufacturers have actually declined or fluctuated within comparatively narrow limits. This means that they have been able to dispose of stocks either in the internal and/or foreign markets, whatever they have been able to produce. The manufacturers have in fact gained in three ways, (a) through the disposal of their entire current output and in some cases, a part of their stocks, at fairly stable prices, (b) from lower costs of industrial raw materials, and (c) from lower wages bill through 'rationalisation' and general decline in dearness allowances.

In the agricultural areas also, the incidence of the decline in prices has been largely on agricultural labour. The conclusion of this ana-

lysis therefore is that the adverse effect of recent developments has been mainly on labour, both in industry as well as in agriculture. So far as the middle classes are concerned, falling food prices have meant some relief to them but they are harassed by the demands of large and growing families and the insufficiency of employment to absorb their boys and girls as they come of age.

Now what has the Government done to improve the state of the economy? We have been told *ad nauseam* that the Plans will do all the jobs that are necessary to be done. One thing that is clear is the incapacity of the Government, as at present organised, to invest on any substantial scale. The talk of socialism therefore is sheer nonsense, in view of the present organisation of the Government. Private manufacturers will not invest so long as substantial profits can be made by exploiting surplus capacities, since there is a possibility of large-scale nationalisation after the decision to adopt a socialist pattern of society. As for prices, the Government has left them to drift. The present feeling in Government is that the report of the Rural Credit Committee of the Reserve Bank of India will now take full care of the agriculturists and of all their problems. Money supply (note circulation *plus* demand deposits) has of course increased over the year (mid-March 1954 to mid-1955) from Rs 1,713 to Rs 1,855 crores. It is difficult to associate such a rise in money supply with increase in the volume of unemployment except on the assumption of a gross deficiency in the volume of expenditure.

MONEY SUPPLY

Actually, since the beginning of the Plan, money supply has diminished by Rs 150 crores. There is an illusion about development expenditure that needs to be dispelled. Most of the projects were conceived before the Plan and some were actually under execution at that time. The level of development expenditure in the Plan was estimated at 10 per cent over the pre-Plan level. Since the actual expenditure has been below estimates, it is a point to inquire whether there has been any significant increase in actual expenditure.

From this analysis, it should be fairly clear that:

THE ECONOMIC WEEKLY

(a) The major assumptions of the Five-Year Plan, which limited the size of development expenditure—continuance of inflationary pressure and continuing deficiency of food supplies—never held good, the first, not even in the initial stage.

(b) The outstanding achievement of the Indian economy during the Five-Year Plan period, *viz*, a substantial increase in food supplies, was due to a fortuitous combination of circumstances.

(c) Even of that, we have failed to take advantage in good time.

(d) The improvement in industrial production, in view of grossly defective statistics of the black market period, has been greatly exaggerated.

(e) There has been a gross underestimate of the development potential of the Indian economy.

(f) The increase in development expenditure has been negligible compared to requirements as well as to possibilities. This is reflected in an actual decline in money supply of Rs 150 crores during the Plan period.

POSSIBILITIES

The situation, however, is not without its advantages. In fact the economic situation to which we have drifted by now, thanks to the miscalculations of the Government economists, is one which can be most advantageously exploited for creating full employment conditions. The only valid objection to creating employment for the unemployed lies in the consequent risk of inflation. Inflationary pressure has disappeared and deflationary pressure has appeared. A period of falling prices with mounting agricultural surpluses particularly in foodgrains is eminently suited for creating full-employment conditions. In fact we should not wait, for such a coincidence of advantageous factors—advantageous from the point of view of full-employment conditions—may not recur. In fact, it may not last, for already the second forecast of rice shows a drop of nearly 8 per cent in output. Hence the need of speed in taking advantage of the present economic situation, so long as accumulated surpluses can be effectively exploited for countering possible inflationary pressure.

THE ECONOMIC WEEKLY

INDUSTRIAL CAPACITY AND PRODUCTION OF ENGINEERING INDUSTRIES

	No of Factories			Capacity			Production		
	1952	1953	1954	1952	1953	1954	1952	1953	1954
Mechanical Engineering									
Agricultural Implements ('000 Tons)	67	63	63	25.5	26.3	26.3	18.2	8.0	12.0
Ball Bearing ('000)	1	1	1	600.0	600.0	600.0	416.8	649.1	704.0
Belting									
(a) Hair and Cotton (Tons)	6	6	6	1,120	1,120	1,220	700	757	840
(b) Rubber Ply Transmission and Conveyor (Tons)	9	9	9	710	710	710	NA	519	995
Bicycles ('000)	6	6	6	417.5	417.5	437.5	197.0	264.2	372.4
Bicycle parts ('000 Rs)	—	23	24	—	NA	NA	—	1.15	1,18.59
Bolts, Nuts, Rivets & Dogspikes ('000 Tons)	12	15	15	30.1	33.4	33.4	16.1	10.4	16.0
Building and Hardware Fittings (Tons)	18	18	18	4,888	4,888	4,888	1,700	2,022	3,202
Clocks ('000)	4	4	4	51.6	51.6	51.6	12.1	9.7	7.5
Conduit Pipes ('000 ft)	7	7	9	7,560	7,560	9,660	3,694	3,715	5,983
Crown Cork ('000 gross)	7	7	7	3,552	3,552	3,552	2,289	1,867	2,212
Duplicators (Nos)	3	3	3	4,800	4,800	4,800	1,000	927	1,132
Expanded Metals (Tons)	4	4	4	2,940	2,940	2,940	2,000	1,654	2,443
Hurricane Lanterns ('000)	12	13	13	4,410	4,583	4,583	3,523	4,312	4,987
Incandescent Lamps ('000)	7	9	9	82.2	94.2	93.0	—	30.4	37.7
Machine Screws ('000 gross)	6	6	6	444.4	444.4	444.4	147.5	167.8	228.5
Sewing Machine (Nos)	2	2	2	41,500	41,500	41,500	50,100	62,419	80,198
Shafting (Tons)	4	4	4	3,540	3,540	3,540	250	230	140
Steel Belt Lancing ('000 Boxes)	3	3	3	228.0	228.0	228.0	96.8	67.9	72.5
Steel Furniture ('000 Tons)	18	18	19	31.0	31.0	31.0	7.2	12.2	14.0
Steel Structures ('000 Tons)	71	71	71	129.0	129.0	129.0	29.1	31.5	28.1
Stoves ('000)	9	10	10	111.0	141.0	141.0	29.5	43.0	57.2
Umbrella Ribs ('000 Doz Sets)	4	4	4	165.0	165.0	360.0	120.3	150.9	246.6
Welding Electrodes ('000 ft)	2	3	3	61,000	61,500	96,000	49,836	55,600	87,016
Wire Products									
(a) Gauze (Tons)	6	7	7	1,300	1,500	1,500	494	546	750
(b) Netting (Tons)	3	3	3	684	684	684	156	206	260
(c) Chain Link Fencing (Tons)	2	3	3	600	600	600	120	104	110
Wood Screws ('000 gross)	17	18	17	3,316	4,636	4,496	1,330	2,572	5,098
Zip Fasteners ('000 ft)	1	1	2	900	900	1,260	28	159	243
Industrial Machinery									
Boilers									
(a) Industrial (Nos)	1	1	1	20	50	50	6	2	7
(b) Locomotive (Nos)	1	1	1	96	96	96	41	53	95
Textile Machinery									
Bleaching, Dyeing, Printing Furnaces (Nos)	—	5	5	—	1,131	1,131	—	149	362
Carding Engines (Nos)	1	1	1	600	600	600	112	192	436
Draw Frames (Nos)	—	1	1	—	12	12	—	5	17
Fly Frames (Nos)	—	1	1	—	24	24	—	14	13
Looms (Nos)	2	3	3	3,600	4,200	4,200	1,900	2,086	1,970
Ring Frames (Nos)	2	2	3	396	396	696	283	200	358
Portable Air Conditioners (Nos)	2	3	4	600	700	1,550	413	375	1,050*
Tools									
Coated Abrasives ('000 reams)	4	4	4	80.0	80.0	80.0	55.1	61.0	70.6
Grinding Wheels (Tons)	1	1	1	500	500	535	386	361	506
Machine Tools (Rs Lakhs)	17	16	16	100.0	136.0	136.0	44.4	44.1	50.0*
Needles									
(a) Hosiery Knitting (mn)	1	2	1	1.0	3.96	3.0	0.1	0.2	0.94
(b) Gramophone (mn)	1	1	1	460.0	460	900	239.5	112.55	186.08
Razor Blades (mn)	5	5	5	200.0	200	272	10.7	23.1	131.38
Small Tools and Hand Tools (mn)	8	8	9	2.46	2.75	2.75	0.89	0.53	1.13

* Estimated.

	No of Factories			Capacity			Production		
	1952	1953	1954	1952	1953	1954	1952	1953	1954
Automobiles and Ancillaries									
Automobiles ('000)	12	12	9	70.7	84.0	40.0	15.3	13.9	14.5
Cylinder Liners ('000)	—	1	1	—	120.0	120.0	—	17.3	23.9
Piston Rings ('000)	1	1	1	1,200.0	1,200.0	1,200.0	1,425.5	1,376.3	1,575.7
Pistons ('000)	1	1	1	300.0	300.0	300.0	0.8	65.5	114.2
Sparking Plugs ('000)	—	1	1	—	300.0	300.0	—	24.1	112.6
Diesel Engines, Pumping Sets and Ancillaries									
Diesel Engines ('000)	12	9	11	24.9†	3.2§	14.5§	4.3	3.7	8.7
Fuel Injection Equipment									
(a) Pumps ('000)	—	—	1	—	—	4.5	—	—	3.9
(b) Nozzle holders ('000)	—	—	1	—	—	3.5	—	—	3.8
Power Driven Pumps ('000)	20	24	25	42.8	60.2	61.4	32.1	25.3	28.6
Electrical Engineering									
Cables and Wires									
(a) Aluminium Conductors ('000 Tons)	2	3	3	4.5	6.6	9.0	2.4	3.3	5.5
(b) Bare Copper Conductors ('000 tons)	2	2	5	20.0	20.0	27.8	5.9	7.4	7.6
(c) Rubber Insulated Cables and Flexibles (mn yds)	2	2	4	45.0	45.0	86.84	32.87	48.43	62.72
(d) Winding Wires (Tons)	2	2	2	450	450	450	400	226	318.59
Dry Cells (mn)	4	5	5	196.5	221.5	221.5	130.2	148.39	148.65
Domestic Refrigerators ('000)	2	2	2	3.6	3.6	3.6	0.6	1.14	1.01
Electric Fans ('000)	18	18	18	293.6	303.1	303.1	195.4	199.5	236.8
Electric Lamps (mn)	11	11	11	26	29	29	20.9	19.67	22.86
Fluorescent tubes (mn)	—	1	1	—	400,000	400,000	—	102,508	214,253
Electric Motors ('000 HP)	12	12	12	200.0	200.0	200.0	157.5	162.5	186.6
Electric Steel Sheets ('000 tons)	1	1	1	4.5	4.5	4.5	5.2	2.9	4.5
Gramophones ('000)	1	1	1	21.0	21.0	21.0	10.2	1.5	4.5
House Service Metres ('000)	—	4	4	—	185.0	185.0	—	80.7	148.9
Mathematical Instruments (Geometry Box) ('000 gross boxes)	5	5	5	37.8	37.8	37.8	7.5	10.4	9.8
Power Transformers ('000 KVA)	7	8	8	304.0	328.0	328.0	215.0	308.1	398.2
Radio Receivers ('000)	15	15	15	153.1	153.1	153.1	71.5	56.3	58.6
Storage Batteries ('000)	14	14	13	350.1	350.1	290.1	157.8	176.0	188.4
Water Meters ('000)	1	1	1	12.0	12.0	12.0	1.9	6.7	8.8
Metallurgical Industries									
(a) Virgin Metals									
Aluminium ('000 tons)	2	2	2	4.0	4.0	7.0	3.6	3.8	4.9
Copper ('000 tons)	1	1	1	7.2	7.2	7.2	6.1	4.9	7.2
Lead ('000 tons)	1	1	1	6.0	6.0	6.0	1.1	1.7	1.8
Antimony (Tons)	1	1	1	700	700	700	181	130.15	539.05
(b) Semi-Manufactures									
Aluminium Sheets, Circles, etc ('000 tons)	8	9	11	8.0	9.2	9.6	4.9	5.3	7.6
Aluminium Foils (Tons)	1	1	1	1,100	1,200.0	1,200.0	600.0	540.8	945.5
Brass and Copper Sheets, etc ('000 tons)	14	19	19	48.0	52.3	47.0	9.2	11.7	17.4
Brass and Copper Rods (Tons)	4	5	5	3,500	5,477	5,477	700.0	540.4	1,371.3
Brass and Copper Pipes and Tubes (Tons)	1	1	1	360	360	360	39.0	46.4	20.6
Brass and Copper non-electrical Wire (Tons)	4	4	4	2,200	1,958	1,958	3,800	245.6	332.2
Electrolytic Black Copper Rods ('000 tons)	1	1	—	24.0	24.0	—	6.5	3.4	—
Lead Sheets (Tons)	2	2	1	2,800	2,800	1,092	44.00	79.25	97.75
Lead Pipes and Tubes (Tons)	3	3	3	4,800	4,800	4,800	310.0	310.4	165.4
Zinc Sheets and Strips (Tons)	1	3	3	300	4,410	4,410	19	77.5	45.6
(c) Non-Ferrous Alloys ('000 Tons)									
	—	15	15	—	69.0	69.0	—	6.1	11.0
(d) Steel Castings ('000 Tons)									
	10	9	8	27.0	21.0	21.0	9.4	10.3	12.9*

* Estimated.

† Including schemes not materialised

§ Revised.

CAPACITY AND PRODUCTION OF OTHER INDUSTRIES

	No of Factories			Capacity			Production		
	1952	1953	1954	1952	1953	1954	1952	1953	1954
Alkyd Resins (Tons)	5	5	5	350	—	—	178	316	500
Aluminium Paste Powder (Tons)	—	1	1	—	500	500	—	56	177
Alum (Tons)	—	15	15	—	7,000	12,000	—	5,065	3,600*
Aluminium Sulphate (Tons)	—	27	21	—	30,000	34,700	—	22,805	25,000*
Ammonium Sulphate (Tons)	7	8	8	432,500	432,000	426,890	220,300	319,616	340,222
Asbestos Cement Sheets (Tons)	5	5	6	117,000	117,000	141,000	87,700	75,673	77,814
Battery Separators (mn)	—	3	3	—	20	20	—	3.9	8.5
Bichromates (Tons)	9	9	9	5,900	5,900	5,916	1,500	2,510	3,239
Biscuits (Tons)	129	129	129	39,900	35,700	35,700	12,300	11,068	10,086
Breakfast Food Products Corn and Wheat Flakes (Tons)	—	2	2	—	1,500	1,500	—	38	59.25
Processed and Rolled Oats (Tons)	—	1	1	—	1,350	1,350	—	22	42
Processed and Pearl Barley (Tons)	—	8	8	—	4,800	4,800	—	1,008	649.06
Bleaching Powder (Tons)	3	3	3	7,800	7,800	7,800	800	1,942	2,926
Calcium Carbide (Tons)	—	2	3	—	2,000	5,000	—	—	398
Calcium Chloride (Tons)	—	3	3	—	2,646	2,650	—	649	401
Caustic Soda (Tons)	10	12	12	34,900	39,680	44,660	17,100	22,909	29,307
Cement ('000 tons)	—	24	25	—	4,243	4,443	—	3,780.33	4,393.15
Chocolate and Cocoa Powder (Tons)	2	2	2	1,000	1,050	1,050	400	1,141†	211.25†
Chrome Colours (Tons)	10	10	10	—	—	—	300	350	500
Cigarettes (mn)	19	20	17	18,000	20,020	20,020	20,118.7	17,952	19,828
Confectionery (Tons)	61	61	61	52,800	52,790	52,790	10,000	8,950	7,561
Copper Sulphate (Tons)	11	11	10	1,900	2,000	1,980	300	518	844
Cork Products (Rs lakhs)	—	1	1	—	3†	3†	—	2.78	NA
Crockery (Tons)	42	42	42	16,900	16,894	16,892	8,800	10,282	10,009
Electrical Porcelain ('000 pieces)	5	6	6	6,648	4,928.2	4,928.2	3,403	2,953.9	2,964.74
Enamelware (mn pieces)	—	22	22	—	30	30	—	9.48	13.97
Face Cream and Snow ('000 lbs)	9	9	9	1,773	1,773	1,800	609.1	556.4	371.11
Face Powder ('000 lbs)	6	6	9	1,596	1,996	2,516.9	1,121	906	861.04
Ferrous Sulphate (Tons)	—	9	9	—	1,400	—	—	503	581
Flour Milling ('000 tons)	53	57	57	1,465	1,464	1,464	517.7	483.7	422.22
Glass and Glassware									
Bottles (Tons)	82	84	86	100,000	112,625	116,225	50,200	40,746	47,841
Glass Shells ('000 pieces)	3	3	3	21,600	27,400	27,400	16,650	16,880	22,481.7
Glazed Tiles ('000 doz)	—	4	4	—	870	870	—	374.5	401.02
Glycerine: Crude (Tons)	7	9	9	7,200	8,920	8,920	5,200	5,200	5,281
Refined (Tons)	—	7	7	3,500	5,150	5,150	2,200	2,509	2,388
Hydroquinone (Tons)	2	2	2	21	21	32.5	5	8.3	14
Laboratory Glass (Tons)	12	12	12	6,100	5,142	5,142	1,500	1,320	1,508
Lampwares (Tons)	78	81	81	40,000	41,183	41,183	15,600	12,400	12,664
Leather Cloth (mn yds)	6	6	6	5.28	5.28	5.28	0.95	0.99	1.27
Linoleum (yds)	1	1	1	450,000	450,000	450,000	159,500	162,672	336,273
Liquid Chlorine (Tons)	6	7	7	13,500	18,444	18,352	6,200	8,131	9,782
Magnesium Chloride (Tons)	—	3	3	—	13,000	22,000	—	6,156	6,593
Matches (Cases)	—	147	138	—	706,000	706,000	—	617,823	529,060
Miscellaneous Glassware (Tons)	—	28	28	300	5,553	5,553	1,200	963	2,449
Nitrocellulose Lacquers (Gallons)	7	7	7	400,000	400,000	400,000	144,200	204,000	262,000
Oil Milling ('000 tons)	300	350	350	1,232.2	1,495	1,495	165.1	167.8	178.83
Paints (Tons)	50	50	50	65,000	65,000	65,000	32,200	32,057	35,956
Pencils (Gross)	11	11	11	800,000	597,000	597,000	150,600	190,803	279,950
Phenol Formalde-hyde Moulding Powder (Tons)	—	3	3	—	800	800	—	374	472
Phenolic Laminates (Tons)	1	1	1	100	100	100	40	25	99
Plastic Goods:									
Injection Moulding	40	40	40	482 oz	550 oz	550 oz	1.5	1.3	1.3
Compression Moulding (Tons)	—	NA	NA	8,708	10,200	10,200	1,540	—	—
Plywood (mn sq ft)	—	70	70	—	7.99	8.00	—	6.12	7.52
Polythylene Sheets and Layflat Tubing (Tons)	—	2	2	—	200	200	—	113	366
PVC Plastic Coated Cables, Wires & Flexible (mn yds)	2	2	2	8.6	8.6	8.6	3.99	3.75	4.99
Red Lead (Tons)	2	2	2	3,700	5,100	5,100	300	2,338	3,400*
Refractories (Tons)	25	24	32	290,600	289,660	329,410	243,600	227,832	293,312
Sanitaryware (Tons)	16	12	12	2,500	2,160	2,160	500	630	1,323
Sheet Glass (mn sq ft)	—	3	4	—	75.6	100.6	—	22.7	33.11
Soap (organised) (Tons)	66	66	66	193,500	209,000	209,000	86,400	82,200	88,000
Soda Ash (Tons)	2	2	2	54,000	54,000	90,000	44,300	56,870	48,293

* Estimated

† Chocolate.

‡ Cocoa Powder.

§ Capable of manufacturing Rs 3 lakhs worth of goods.

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THE ECONOMIC WEEKLY

THE ECONOMIC WEEKLY

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	No of Factories			Capacity			Production		
	1952	1953	1954	1952	1953	1954	1952	1953	1954
Sodium Bicarbonate	—	2	2	—	4,620	4,620	—	2,035	2,057
Sodium Bisulphite (Tons)	2	4	4	600	600	802	310	384	429
Sodium Sulphite (Tons)	2	4	4	370	520	750	220	246	193
Sodium Thiosulphate (Tons)	4	4	4	1,900	1,890	1,750	700	842	613
Stearic Acid (Tons)	3	3	3	1,400	1,400	1,400	300	383	575
Stoneware:									
Pipes (Tons)	30	13	13	51,500	72,216	72,216	33,900	33,031	38,262
Jars	—	30	30	—	—	—	—	—	—
Sulphuric Acid (Tons)	45	43	44	192,000	189,000	197,225	96,100	109,091	150,000*
Superphosphate (Tons)	15	14	14	197,800	200,000	310,870	46,600	48,294	105,056
Table and Pressedware (Tons)	73	75	75	30,000	42,766	42,766	17,900	17,617	22,054
Thermos Flask (Doz)	1	2	2	32,000	77,000	77,000	15,300	40,236	25,000
Titanium Dioxide (Anatase) (Tons)	—	1	1	—	1,800	1,800	—	Nil	1,370
Toilet Powder ('000 lbs)	6	6	6	3,316	3,316	4,005	989.3	920	1,155.87
Tooth Paste ('000 lbs)	7	8	8	3,500	3,616	3,231.8	1,351.4	1,581	1,590.0
Tooth Powder ('000 lbs)	3	3	5	767	767	885.06	318.3	310.6	312.26
White Lead (Tons)	2	2	2	3,700	3,720	3,720	300	662	900
Zinc Chloride (Tons)	—	4	5	—	1,000	1,493	—	635	986
Zinc Oxide (Tons)	3	3	3	12,000	12,000	12,000	2,400	3,386	5,500*
Beer and Alc ('000 bulk gal)	—	3	3	—	1,700	1,700	—	419	550
Coke Oven and Coal Tar Distillation Products:									
Benzene (gal)	2	2	2	88,500	88,500	88,500	38,800	49,939	68,799
Benzol (gal)	3	4	4	1,713.6	1,889	1,889	1,481.3	1,330.98	1,246.56
Crude Coal Tar (Tons)	10	10	11	92,500	105,300	117,300	93,900	93,194	108,995
Light Creosote (gal)	4	5	5	—	—	—	271,800	200,560	432,727
Naphthalene (Tons)	5	5	5	950	1,032	1,030	670	588	671
Pitch (Tons)	4	4	5	—	—	—	2,500	1,982	2,605
Road Tar (Tons)	4	5	6	—	—	—	41,500	38,480	40,002
Solvent Naptha (gal)	3	4	4	—	—	—	110,600	111,322	85,234
Toluene (gal)	3	3	3	309,500	309,500	309,500	291,700	272,123	148,810
Dye-Stuff:									
Azo Dyes ('000 lbs)	1	2	2	2,059.2	2,060	2,060	67.0	577.47	1,633.68
Fast Colour Salts (lbs)	—	2	5	—	380,000	606,000	—	134,146	354,300
Solubilised Vats (lbs)	1	1	3	28,900	48,000	196,209	7,300	64,137	124,347
Stabilised Azonics (lbs)	5	6	6	428,900	500,000	800,000	56,800	196,200	465,000
Sulphur Black ('000 lbs)	1	1	2	780	1,000	2,000	14.6	599.75	1,000
Essential Oils, etc:									
Geranium Oil (lbs)	1	2	1	15,500	15,480	3,600	1,100	930	Nil
Orange Oil (lbs)	2	2	4	13,500	13,500	15,000	265	100	774
Rosin (Tons)	—	3	3	—	10,080	12,200	—	8,433	8,600
Sandal Wood Oil (lbs)	8	8	7	334,300	292,320	298,800	128,200	226,851	226,990
Thyme Oil (lbs)	1	1	1	19,200	16,800	16,800	3,900	1,120	1,500
Thymol Crystal (lbs)	1	1	1	16,800	16,800	16,800	3,600	889	1,260
Turpentine (organised units) (gal)	—	3	3	—	528,000	735,090	—	418,648	408,000
Industrial Alcohol:									
Den Spirit (mn bulk gal)	—	42	42	—	—	—	—	2.47	2.83
Rect Spirit (mn bulk gal)	—	42	42	—	11.6	11.6	—	4.27	4.63
Antibiotics:									
Aureomycin (kg)	—	1	1	—	9,984	3,000	—	535	697
Chloromycetin (kg)	—	—	1	—	—	2,500	—	—	840
Chemotherapeutics:									
Diaphone and Novophone (lbs)	—	1	2	—	6,000	6,150	—	1,849	2,727
PAS and its Salts (lbs)	—	—	2	—	—	40,000	—	—	12,612
Isonicotinic Acid-Hydrazide (lbs)	1	2	3	3,100	9,120	9,180	300	1,607	1,558
Sulpha Drugs:									
Sulphaphyridine (lbs)	1	1	1	135,000	165,000	165,000	14,900	8,665	19,153
Sulphadiazine (lbs)	1	1	1	205,900	205,920	205,920	42,000	27,402	29,882
Sulphathiazole (gal)	2	2	2	340,900	379,920	370,920	12,700	38,790	55,398
Diiodohydroxyquinoline (lbs)	—	—	—	—	—	—	—	—	—
Iodochlorohydroxyquinoline (lbs)	—	11	17	—	50,000	50,000	—	9,088	13,147*
Sulpharsphenamine (lbs)	—	—	—	—	—	—	—	—	—
Nevarsphenamine (lbs)	—	2	2	—	—	175	—	—	54

* Estimated.

	No of Factories			Capacity			Production		
	1952	1953	1954	1952	1953	1954	1952	1953	1954
Shark Liver Oil (gal)	3	3	3	26,300	69,332	70,000	19,900	14,425	19,630
Galenicals ('000 gal)	44	47	47	1,188.6	2,543.48	3,086.4	648.5	640.15	1,010.78
Insecticides: BHC (tons)	—	1	1	—	500	500	—	154	434
Liver Extracts:									
Injections (cc '000)	17	21	19	23,800	51,360	63,784	10,372.6	10,130	16,410.7
Orals (lbs '000)	17	21	18	1,460	840	3,573.6	311.3	284	259.41
Natural Drugs of Vegetable Origin:									
Caffeine (lbs)	2	1	1	20,000	12,300	12,300	5,600	4,942	5,179
Ephedrine and its Salts (lbs)	—	2	2	—	3,300	3,900	—	2,424	732
Opium Alkaloids (lbs)	—	1	1	—	1,167	1,800	—	292	282
Strychnine (lbs)	1	1	1	15,600	15,600	15,600	11,400	2,542	3,961
Bismuth Salts (lbs)	—	—	2	—	—	—	—	—	19,278
Bromides (Tons)	1	1	1	120	100	211	48	99	170
Cal Lactate (lbs)	3	3	2	237,400	237,400	300,000	58,600	72,172	67,085
Cal Gluconate (lbs)	—	2	2	—	111,840	111,000	—	24,422	56,154*
Chloral Hydrate (lbs)	—	1	1	—	120,000	120,000	—	31,705	25,505
Ether BP and Anesthetics (lbs '000)	—	3	3	—	1,512	1,512	—	227.64	290.64*
Ethyl Chloride (lbs)	—	1	1	—	72,000	72,000	—	25,780	10,550
Ferrous (Gluconate) (lbs)	—	2	2	—	46,200	60,000	—	3,480	4,199
Nickethamide (lbs)	2	3	3	2,400	4,200	4,200	900	577	293
Sod Salicylate (lbs)	—	1	2	—	129,600	150,000	—	134,220	33,723
Saccharine (lbs)	—	1	1	—	57,600	60,000	—	11,578	61,956
Power Alcohol (incl industrial) (mn gal)	19	19	19	12.8	14.9	14.9	7.7	8.2	8.2
Solvents:									
Acetic Acid (Glacial) (Tons)	—	2	3	—	720	1,800	—	275	1,000
Acetone (Tons)	—	—	1	—	—	240	—	—	150
Carbon di-Sulphide (Tons)	5	2	2	2,100	2,100	2,180	1,400	1,708	1,800
Acetic Anhydride (Tons)	—	—	1	—	—	1,140	—	—	300
Leather Industries:									
Vegetable Tanning of Hides ('000 pieces)†	25	25	24	3,112.2	3,112.2	3,303.6	1,478.8	1,297.99	1,370.75
Chrome Tanning of Hides ('000 pieces)†	16	16	13	1,976.4	1,976.4	1,679.4	650.3	701.693	667.968
Western type of Leather Footwear ('000 pairs)	9	9	11	4,724.5	4,604.98	5,884.8	3,336.5	3,347.45	3,268.01
Indigenous type of Leather Works ('000 pairs)	9	9	11	—	—	—	1,806.2	2,204.52	2,062.37
Glue (cwts)	—	9	7	—	23,480	23,480	—	17,094	18,114
Artificial Silk Yarn:									
Rayon Yarn (mn lbs)	2	2	3	10.0	11.2	17	8.04	9.97	11.91
Stable Fibre (mn lbs)	—	—	1	—	—	12.0	—	—	6.80
Rubber Manufacturers (All in '000):									
Aero Tyres	2	2	2	8.1	6.6	6.6	0.7	1.292	3.511
Aero Tubes	2	2	2	8.1	5.7	5.7	1.0	0.525	1.566
Automobile Tyres	2	2	2	945.6	925.2	925.2	721.7	767.899	832.774
Automobile Tubes	2	2	2	945.6	925.2	925.2	661.7	658.479	748.694
Bicycle Tyres	5	5	4	5,534.0	5,582.87	5,770.3	4,189.6	4,645.03	5,226.01
Bicycle Tubes	5	5	5	7,845.0	7,790.4	8,127.9	4,166.6	4,600.7	5,576.99
Cab Tyres (ft)	4	4	3	1,556.1	1,556.1	1,465.5	385.8	442.2	324.41
Dipped Rubber goods (Doz)	16	16	16	35,082	45,029.9	46,979.7	13,842.3	12,443.5	18,402.5
Ebonite (lb)	9	10	14	654.6	610.4	1,157.4	125.9	88.235	114.45
Fan Belts	4	4	5	516.8	582.3	882.3	557.6	432.531	500.89
Latex Foam Sponge (lb)	2	2	7	753.0	766.6	1,126	639.2	495.982	938.184
Other Types of Hoses (ft)	11	12	14	6,949.2	7,495.3	9,918	3,555.8	4,422.18	4,864.0*
Radiator Hoses	8	8	9	409.7	470.4	474.3	154.9	139.821	162.596
Railway Rubber Springs	4	4	4	1,761.0	1,290	1,290	1,216.5	1,233.18	1,323.86
Rubber Footwear (pairs)	20	18	19	35,525.9	36,559.2	41,131.2	22,799.7	23,993.6	31,220.8
Tractor Tyres	2	2	2	9.8	5.4	5.4	3.8	9.615	19.154
Tractor Tubes	2	2	2	9.8	6.0	6,000	3.5	8.131	16.88
Vacuum Brakes Hoses	3	4	4	1,110	1,020	930	443.7	472.186	620.57
Waterproof Fabrics (yds)	8	10	12	5,460	5,740	5,982	1,295.2	2,061.62	2,029.14

* Estimated. † Expressed in terms of cow hides—one buffalo hide = two cow hides.

CURRENT STATISTICS

BANKING RETURNS (Rs Crores)					COTTON STATISTICS MILL CONSUMPTION (in '000 bales of 400 lbs each)						
	Latest Week†	A Week ago	A Month ago	A Year ago	Description:	Jan '55	Dec '54	Nov '54	Oct '54	Sept '54	Sept 1954 to Jan 1955
Reserve Bank					Indian	348.7	363.4	349.0	311.3	328.0	1700.4
1. Note circulation	1291.59	1277.09	1265.56	1207.04	Foreign	57.3	59.5	62.1	55.0	60.8	294.7
2. Rupee Coin	102.09	102.20	102.00	98.16	of which						
3. Deposits					American*	14.8	14.8	27.3	19.2	20.3	86.4
a) Central Government's	65.02	59.45	52.61	63.59	Egyptian	17.8	19.2	19.4	16.9	19.4	92.7
b) Bank's	46.27	47.72	46.14	42.06	E African	20.5	22.4	19.0	16.5	17.9	96.3
c) Other Government's	61.59	60.27	18.65	38.95	Sudan†	2.6	3.0	2.3	2.0	2.6	12.5
d) Others†	21.84	21.53	22.03	44.66	Pakistan	0.1	—	2.8	0.1	—	3.7
4. Foreign Securities	626.98	646.85	673.15	658.15	TOTAL	406.0	422.9	411.1	421.0	388.8	1995.1
5. Balances held abroad	97.77	83.15	58.25	96.04	Consumption in corresponding periods						
6. Rupee Securities	533.75	503.95	457.74	421.34	a year ago:						
7. Investments	47.78	49.38	55.75	65.84	Indian	348.1	347.4	305.6	326.6	310.8	1638.4
8. Loans and advances to Governments	—	0.45	1.20	1.01	Foreign	55.6	55.0	50.1	61.2	62.8	69.7
					TOTAL	403.7	402.4	355.7	378.8	373.6	1923.1
Scheduled Banks					* Includes both United States and Peruvian cotton.						
1. Demand liabilities (net)	567.39	565.16	578.27	511.93	† Includes both Sudan Egyptian and Sudan American cotton.						
2. Time Liabilities	376.88	375.80	370.62	327.57							
3. Cash on hand	31.61	32.41	32.82	32.07	MILL STOCKS OF COTTON						
4. Borrowings from Reserve Bank	37.07	35.43	12.81	31.00	(in '000 bales of 400 lbs each)						
of which against					Indian:	Jan '55	Dec '54	Nov '54	Oct '54	Sept '54	
Usance Bills	28.25	24.42	6.44	17.50	1954-55	1043.9	942.3	850.2	861.1	9160.1	
5. Advances and Bills discounted	622.57	615.00	589.43	538.19	1953-54	907.3	778.8	701.2	733.8	884.2	
of which Imperial					Foreign:						
Bank's	128.99	127.87	120.17	124.63	1954-55	135.7	152.3	161.1	173.9	169.2	
6. Investments	344.17	345.89	352.31	318.87	1953-54	157.3	173.5	195.1	228.9	251.1	
of which Imperial					Source: East India Cotton Association*						
Bank's	93.70	93.91	97.64	80.52							
Cheque Clearance	161.03	137.51	156.62	158.18	COTTON IMPORTS						
† For Reserve Bank and Cheque Clearance week ended 1-4-55. Scheduled Banks week ended 25-3-55.					(in '000 bales of 392 lbs each)						
Bombay Money Rates	1-4-55	25-3-55	4-3-55	2-3-54	Source:	Dec '54	Nov '54	Oct '54	Sept '54	Sept '54 to Dec '54	
Inter-Bank Call Rate	2 7/8	2 7/8	2 7/8	2 7/8	USA	6	4	7	10	27	
3 months deposits	3 1/16	3	3	3	East Africa*	11	15	27	10	63	
6 months deposits	3	3	3	2 7/8	Egypt and Anglo-Sudan	19	14	10	8	51	
					Other countries	2	—	—	—	2	
Bombay Bullion	7-4-55	A Week Ago	A Month Ago	A Year Ago	Total	38	33	44	28	143	
Gold Spot (per fine tola)	93-11	92-4	92-14	93-6	Total imports in corresponding months of the previous year:	17	14	43	64	138	
„ Forward „ „	93-3	91-12	91-14	92-9	* Includes Kenya, Tanganyika and Uganda.						
Silver Spot (per 100 tolas)	165-6	164-15	168-0	171-7	COTTON EXPORTS						
„ Forward „ „	164-8	166-16	168-0	171-9	(in bales of 392 lbs each)						
					Destination:	Dec '55	Nov '54	Oct '54	Sept '54	Sept '54 to Dec '54	
					UK	1	2	1	5	9	
					Netherlands	2	2	—	—	4	
					USA	2	2	1	—	5	
					Other countries	14	16	12	4	46	
					Total	19	22	14	9	64	
					Total exports in corresponding months of the previous year:	21	11	6	71	109	
					Source: Indian Trade Journal						

INDEX NUMBERS OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-group	Week ended 19-3-55	A Week Ago	A Month Ago	A Year Ago
I. Food Articles	296.5	297.3	304.9	371.3
Cereals	340	339	343	425
Pulses	229	231	236	365
Others	248	250	264	292
II. Industrial Raw Materials	406.3	418.7	438.8	459.8
Fibres	446	459	492	443
Oilseeds	326	342	359	514
Minerals	431	424	411	442
Others	481	483	482	403
III. Semi-Manufactures	332.1	334.3	340.8	355.6
Leather	391	390	389	388
Mineral Oils	221	221	221	221
Vegetable Oils	347	357	395	477
Cotton Yarn	440	442	441	447
Metals	242	242	242	238
Oilcakes	282	285	307	417
Others	331	334	337	306
IV. Manufactures	376.1	377.0	376.6	375.7
Textiles	419	421	421	419
Jute	469	479	480	420
Cotton	407	407	409	413
Rayon & Silk	468	468	455	512
Woollen	310	310	310	313
Metal Products	340	340	340	337
Others	287	287	284	286
V. Miscellaneous	554.9	556.5	563.7	686.3
All Commodities	352.3	355.1	362.3	394.0

COAL PRODUCTION & DISTRIBUTION

(Monthly average or calendar months)

(in '000 tons)

	Raisings	Despatches	Stocks at pit-heads
1948	2,485	2,155	2,262
1949	2,621	2,339	1,417
1950	2,666	2,235	2,008
1951	2,859	2,626	2,646
1952	3,019	2,625	3,519
1953	2,982	2,563	3,411
1954	3,080	2,662	3,771
1954:			
Jan	2,903	2,424	3,474
Feb	3,056	2,244	3,902
March	3,071	2,594	4,003
April	3,037	2,599	4,051
May	2,977	2,621	4,093
June	2,885	2,576	3,950
July	2,966	2,810	3,653
Aug	2,958	2,926	3,380
Sep	3,171	2,887	3,210
Oct	2,921	2,787	2,914
Nov	3,322	2,728	3,161
Dec	3,503	2,747	3,468
1955:			
Jan	3,155	2,672	3,482
Feb	3,249	2,502	3,783

Source: (i) Monthly Abstract of Statistics
(ii) Inspector of Mines

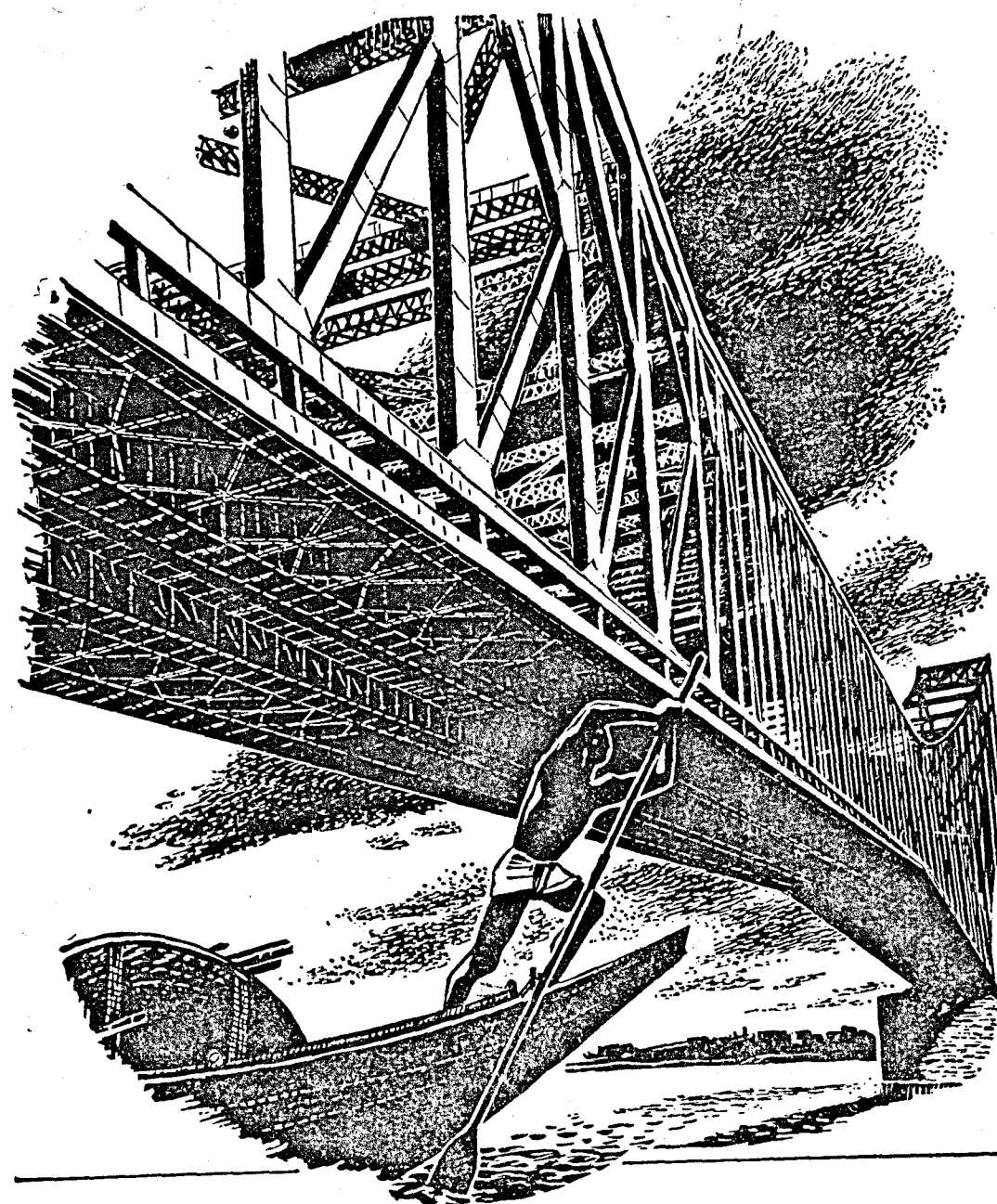
ELECTRICITY GENERATION AND DISTRIBUTION

(Monthly Average or Calendar Month)

(in million kwh)

Distribution											
			Generation	Domestic consumption	Commercial light and small power	Industrial power	Public lighting	Traction	Irrigation	Public works & sewage pumping	Total
1948-49	...	...	390.1	34.8	20.3	206.0	4.2	23.8	11.0	14.7	427.9
1952-53	...	...	525.1	51.5	29.2	275.6	6.0	27.7	19.2	19.4	464.4
1953-54	...	...	573.1	68.3	31.7	298.1	6.5	29.7	19.1	20.6	
1953											
July	...	...	588.0	57.0	30.7	307.2	6.4	28.0	20.2	21.5	471.0
August	...	...	587.9	58.3	31.0	305.2	6.5	30.8	15.2	21.5	468.9
September	...	...	576.5	58.8	30.8	303.2	6.5	30.1	13.6	21.1	464.1
October	...	...	583.1	59.2	31.2	304.0	6.8	28.4	17.5	21.6	468.7
November	...	...	563.1	58.0	31.1	293.9	6.9	26.6	18.4	20.8	455.7
December	...	...	603.6	59.8	32.8	312.4	6.9	28.4	25.4	20.7	486.9
1954 January	...	...	589.7	59.3	33.4	307.9	6.9	31.4	18.4	20.8	478.0
February	...	...	551.4	57.4	32.3	289.1	6.7	28.7	17.8	18.4	451.4
March	...	...	593.3	59.1	37.6	305.7	6.8	34.2	18.9	21.2	483.5
April	...	...	613.3	59.9	39.4	318.9	7.0	34.5	22.1	22.6	504.4
May	...	...	639.9	61.1	40.5	325.6	6.9	33.8	23.6	23.8	515.5
June	...	...	629.4	61.6	37.7	325.9	6.9	32.3	22.2	23.2	510.3
July	...	...	633.4	62.3	37.5	338.6	7.1	31.9	15.6	22.9	515.8
August	...	...	635.0	64.9	37.2	338.8	7.3	27.3	11.7	23.2	510.5
September	...	...	647.6	65.0	37.4	344.6	7.4	27.6	18.4	23.1	523.3
October	...	...	626.5	63.7	35.3	336.6	7.7	30.8	14.9	22.6	511.6
November	...	...	656.5	63.4	35.2	351.2	7.7	31.9	22.5	22.6	534.6
December	...	...	683.5	63.2	36.2	370.9	8.1	33.2	23.0	23.5	558.0

Source: Ministry of Irrigation & Power



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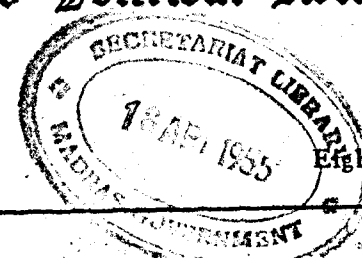
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Minimum Prices for Food Grains

PRICE parity or cost of production, what is the basis of the floor prices which the Government of India has fixed for wheat, rice, bajra, jowar and maize? Twelve crores of rupees, it has been announced, will be advanced for the purchase of wheat to the Governments of the principal wheat-growing States in case prices tend to drop below this floor. This is only for wheat, for the present, but no doubt, if price support becomes necessary for the other crops also, the extension of the same facilities may be expected in due course. The other short-term measure contemplated for price support, besides direct purchases in specified areas where prices tend to fall below the minimum, is the removal of restrictions on internal movement while long-term measures include improvement of rural credit, greater development in rural areas including, naturally, that of cottage industries in order to raise the purchasing power of villages and the large-scale of construction of storage accommodation to enable Government to purchase and store surpluses in good years for utilisation in bad years. The floors, however, have been fixed at a level at which Government is not likely to be called upon to come forward and buy except perhaps in pockets of acute distress.

On the question of parity, the Secretary of the Ministry of Food and Agriculture sought to correct a popular misconception—this is what his observations amount to. There has actually been no fall in parity, he said, only the differential advantage which agriculturists enjoyed until last year has now disappeared. This presumes a knowledge of the movement of price parities into which, however, the Agricultural Secretary has not taken the public into confidence. Some of the components of the price parity that he had in mind, however, he very obligingly specified, *eg*, prices of such manufactured articles as iron, steel, cement, cloth and kerosene. But is he quite certain that taking availabilities also into consideration, and not only the prices, the agriculturist had such a high differential in his favour which now only he has lost? True, since parity is a ratio, it can be adjusted as much by raising agricultural prices as by reducing the prices of the things which the agriculturists buy. But action at the latter end in the past has not proved a conspicuous success; nor is it likely to prove any more effective in the present situation. Hence the case for price support.

While parity between agricultural and industrial prices holds the centre of the stage at the moment, parity between different agricultural prices, as for instance, between those of food crops and cash crops, must not be lost sight of. While the disappearance of the differential advantage which agricultural goods enjoyed until recently may not yet have produced unfavourable repercussions on agricultural production—there is at least a phoney theory which posits an inverse correlation between agricultural prices and agricultural production taken as a whole—price parity between food crops and cash crops does not have the support of any such high theory. This makes the situation somewhat more delicate. This year's bumper cotton crop, for example, is a reality, the lessons of which should not be lightly thrown away. Mill

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production of cotton textiles for the first quarter of the year, for which statistics have just been released, has reached an all-time high. This has been made possible because in the cotton mill industry, at any rate, capacity is an elastic concept not subject to too many technological limitations. Production has broken all past records, because mills have had abundant supplies of cotton grown in our own fields.

Prices of cash crops, therefore, could not have been ignored while fixing the minimum prices for food grains that have now been announced. What is the basis on which these particular prices have been chosen as minima? Since the Government talks about parity but produces no figures or indices which can be taken as a criterion for the fixation of minimum prices, cost as a possible basis of price fixation cannot be altogether ruled out, however notional the ideas about costs might be. At least the Krishnamachari Committee on Agricultural Prices was foolhardy enough to suggest that fair prices in agriculture should be determined on the basis of costs of production on representative holdings, including

payment of fair wages to agricultural labour and subsistence to the producers at a standard of life equivalent to that enjoyed by other comparable classes. This was the ultimate objective, the attainment of which would depend on collection of necessary data about costs and, doubtless, on the compilation of which would depend on the collection of such data, the Committee had suggested that agricultural prices should be based on the parity prevailing during the five years 1924-29. Now, to hark back to the years of the depression may not appeal to Government statisticians of the present day, but it would not be prudent to infer therefrom that the Agricultural Ministry has given up toying with costs altogether.

There is no harm if cost studies amuse the Ministry, but why not come out with a straightforward index of prices of the things which the farmer buys cloth, kerosene, salt, gur, sweet oil, iron and steel, bullocks, manures, oil cake and fodder? True, this cuts across the neat classification into agricultural and industrial prices but it would certainly be more realistic, particularly in that it recognises the folly of sharply dividing producers and

consumers goods in relation to the subsistence economy of the Indian farmer.

It is curious, however, that during all this interminable talk about price parities, no one has ever held a brief for regional studies and compilation of zonal indices. A relatively high spatial correlation of wheat prices has been noticed by statisticians; the reasons for it would be worth close investigation. But it would be surprising if a similar claim were to be put forward for prices of rice, the movements of which are desperate in the main. In order to construct an index, it is necessary to determine the weights of the commodities that are intended to be covered. The absurdity of applying weights on an all-India basis to an index, the object of which is to measure changes in farm incomes, is too obvious to need any emphasis. It may be unavoidable and also less open to objection in the case of the usual type of wholesale price index. But for price parities in agriculture, zonal indices are the only ones that could be realistic and useful. Even as abstractions, indices should not fly in the face of reason and everyday experience.

flaunted, alternately by the Ministry of Commerce and Industry on the one hand and the Ministry of Production on the other. Even when these two ministries fell out on the question of steel, differences did not extend to each side putting up its own target. They clearly could not because they had both to fall back on definite projects in various stages of implementation. Much the same holds for the targets for fertilisers or locomotives, wagons and passenger coaches. Were these then the oats that the asses have been carrying so laboriously for the horses to munch?

If these exemplify the sort of data at the disposal of the Panel—and one hopes they do not—not much time could have been spent by the economists gathered at Delhi on working out carefully the physical balances. Does one then assume that the economists looked at these figures, found them not too ambitious in themselves and proceeded to work out in financial terms the broad outline with which these could be fitted at a later date? If that is what they did, neither the horses nor the asses worried about the quality or quantity of oats that was there; they proceeded, to change the metaphor, to chew the cud in a manner reminiscent of the formative phases of the first Five-Year Plan. In other words, the translation of the work into financial terms was perhaps achieved with little trouble; and once that was done, progress was swift, since planning on those lines has been with us for years now.

Admittedly, this is all speculative. But it is not wildly so, since the meagre reports emanating from Delhi are similar to those which appeared in the early years of the First Plan. That apart, one might forget the inconsequential debate on whether it is the statisticians or the economists who do the planning now, and turn to the material available to the outsiders—in whatever order they may be placed in the animal kingdom—for forming an opinion on the shape of things to come in the second Five-Year period. Inevitably, the discussion here has to be in financial terms, since the magnitude of the task to be performed is most easily reckoned that way.

To start with, the Second Plan is expected to involve an investment outlay of Rs. 5,600 crores. One does not yet know whether or not

this is comparable to the outlay envisaged under the First Plan, since that outlay was not strictly on 'investment' in the physical capital formation sense. Financially, that should not make a difference, since the resources necessary for meeting this non-investment but none-the-less developmental expenditure in the public sector will be allowed for before working out the resources available for financing investment. In other words, the difference there

may be in the concepts used for defining outlay in the Second Plan will not affect the magnitude of fresh resources to be raised by the public sector or the deficit-financing to be undertaken. If our esteemed Calcutta contemporary has the right figures, the public sector will have to find at least Rs. 1,800 crores in five years from fresh taxation, additional income from State enterprises and deficit-financing. Given this starting point, what really will be

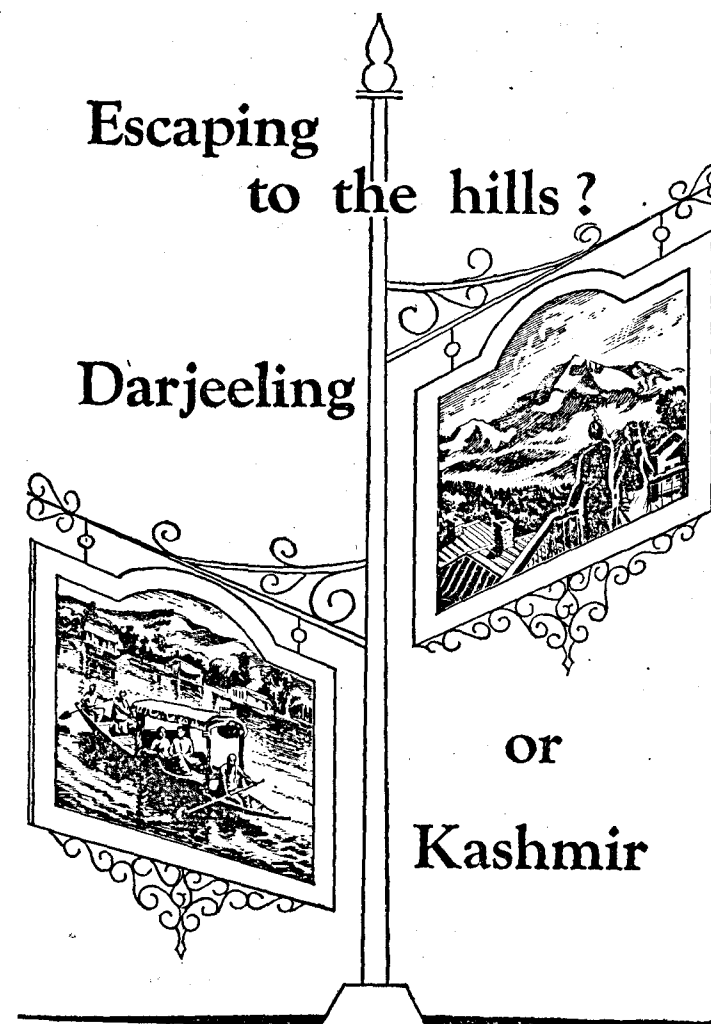
Where Are the Oats?

ASSES carry oats and horses eat them; this simile was innocently and rather inadvertently, it now appears, used when a flutter was caused in the dovecots of economists by the talk of physical planning some time ago. Economists, it was remarked in these columns, were very much on the defensive and the more talk there was of physical planning the more convinced they were of losing ground to statisticians. But things have happened since then and last week the Economists' Panel met in Delhi to examine and work out what will in effect be a first approximation of the plan-frame. Presumably, the economists and the statisticians were able to agree on a modus vivendi, since the Panel has, it appears, recommended more or less unanimously a plan-frame. Discussion and dispassionate examination of the issues involved both on the physical and financial planes could alone have led to this very large measure of agreement. It would therefore be ridiculous now to ask who won and who lost. To revert to the simile then used, could one then say that the oats were shared between the asses and the

horses? In saying this one may, however, be presuming too much. For where are the oats? The usual press reports give little idea of the sort of material that the Panel had before it when the plan-frame was forged. But a Calcutta contemporary which has the highest reputation for the reliability of its news, has published what looks like the raw material for the Second Five-Year Plan that was submitted by Prof P C Mahalanobis to the Panel of Economists. The enterprising New Delhi correspondent of this journal has got hold of and reproduced the financial magnitudes and the physical targets for the Plan. In view of the fact that both Prof Mahalanobis and the Panel put the size of the second plan at Rs. 5,600 crores, and agree broadly on the pattern of outlay, there is room for believing that Prof Mahalanobis's physical targets do not clash with whatever corresponding financial estimates may be made for them. Those who are better aware of economic processes would not be surprised by this accord. For, in their language, physical and financial targets are just two facets of economic entities which non-economists keep on con-

fusing. To those not so clear in their own minds, the possibility of such a conflict arising is not to be dismissed too lightly. They would look at the conflict arising this way: in the event of the financial contributions proving inadequate for achieving the physical targets laid down, which is to be accorded higher priority over the other and maintained inviolate? Now obviously, the homely doctrine of cutting one's coat according to the size of the cloth does not quite meet the point because one has first to decide what constitutes the cloth in this case.

Leaving this somewhat abstruse point of planning theory aside for the time being, let us for a moment look at Prof Mahalanobis's physical targets. Such of them as are readily comparable to similar ones put up by the ministries concerned show a surprising correspondence. Surely these targets could not have been produced out of electronic machines, from elaborate input output analysis and the solution of a large number of differential equations giving optimal results. Take the target for steel for example. It is the same five million tons which has been



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the gap in resources that will need to be met by resort to deficit-financing? As of today, only the Centre has implemented some of the recommendations of the Taxation Enquiry Commission. There is therefore room for presuming a considerable increase in the tax resources of the States, if they really get down to the job of mobilising resources seriously. Even so, it seems unlikely that the tax receipts plus profits of State enterprises, net of unavoidable increases in non-plan expenditure in the quinquennium, will be of the order of Rs 800 crores, which would be necessary to keep deficit-financing down to Rs 1,000 crores in five years.

To get a hang of the proportions, deficit-financing of the order of Rs 1,000 crores will mean an increase in money-supply of around Rs 1,500 crores, if consequential

expansion in bank-money for which means that years money supply with the public will have risen by over 15 per cent compared to present levels. This in itself need not be a problem, if measures to contain inflationary impact of such expansion are worked out and implemented. And this is where physical balances come into the picture. Unless the additional money supply goes with this increase in those markets where planned investment brings forth an increase in supplies, the price-structure will go awry. And the anti-deficit-financing school will have a field day.

One cannot judge at the moment whether or not Indian economy will be able to absorb such an increase in purchasing power. The odds are no doubt in favour of anti-

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icipating that it will. But such a viewpoint assumes that the rate of increase in consumption goods which has been witnessed in the past two years will be not only maintained but augmented in the coming five-year period. At least, it assumes that such shortage in real goods will be of a magnitude that can be met by not-too-radical a departure from the present control phase. On the argument that no acceleration of development is possible unless some belts are basis tightened somewhere, one might dence—w. bother too much about the position to whatever one might choose when, to revert to it. But all this applies to metaphor, the oak to a much-laboured abundant. A couple of these are not too it would be dangerous to need work on such meagre supplies.

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US Defence and Tariffs

AS if raising tariffs against Swiss watches by 50 per cent in July last year were not enough, the US Department of Justice had instituted soon after anti-trust action against American importers and manufacturers supplied by the Swiss watch industry. This naturally brought forth violent protests from the latter, a sample of which will be found in the following excerpts from the statement issued by the President of the Swiss Federation of Watch Manufacturers on the occasion:

"We are astounded that the US Government—not content with legal action against our American customers—is now reaching out 4,000 miles beyond its territorial 12-mile limit and trying to abrogate legal sovereignty directly over our industry here in Switzerland.

"Coming as it does on the heels of the watch tariff decision which struck a grievous blow at the Swiss economy, this action can only be construed as a further indication that the United States is treating the world's oldest democracy and staunchest advocate of free enterprise as a commercial enemy.

"This is additional proof of a deliberate policy of harassing our export industry. In President Eisenhower's action to increase tariffs and the Justice Department's action to prove a conspiracy in restraint of trade, there is a curious contradiction. The first action was successful because the American watch companies convinced the President that the Swiss were sending too many watches to the United States, at too low a price, with no restraints or controls over the distribution.

"And now the Department of Justice claims just the opposite."

This is not the end of the story, however. There is an anti-climax to it. It now transpires that the ground on which tariffs on watches were raised was that of defence. The US Department of Defence has released a hitherto secret report which completely contradicts the reasons given by the US President last July for raising the tariff on Swiss watches. It found after an exhaustive study of military requirements for all types of products which would be produced by the Jewel Watch Industry during war time emergency "that no special or preferential treatment is necessary." And yet, the US President had authorised the tariff increase on the precise

ground that the American watch-making industry needed protection "to preserve its precision skill for national security." The "necessity for defence" myth has been exploded by the Department of Defence in this particular case, but the myth persists. For instance, lace manufacturers want protection because they make mosquito nets which are essential for defence. So do manufacturers of woollen gloves who make soldier's gloves and of cutlery who make military matchsets. And even those who catch tuna fish want protection on grounds of defence because their fleet is needed in war time and the Association of Lead Pencil Manufacturers want it too, because pencils are also indispensable to national defence, though they may not be "directly utilised for combat purposes".

High tariff lobbies in Washington may not be put off, even by such damaging Defence Department disclosures; but British bicycles and some other Continental manufactures against which tariff agitation is being worked up, may gain a respite. The publication has come too late, however, to help Swiss watches.

Out-dated Organisation

AN interesting crisis seems to be brewing in the All-India Scheduled Castes Federation or rather in what remains of it. The apparent cause is the dissatisfaction felt by some of the prominent members over the leadership of Dr B R Ambedkar. One of them, Shri N Shivraj, who happens to be currently President of the Federation, has not only threatened to quit the organisation, but also indicated the possibility of the South Indian unit seceding from the parent body. Meanwhile, the General Secretary, Shri P N Rajbhoj, a close associate of Dr Ambedkar, is reported to have taken the 'final and irrevocable step' of resigning from the organisation as a protest against the 'insufferable conditions in which I have been forced to work during the last few months.' The fact appears to be that the learned Doctor has been doing things pretty much as he likes. Not that this reveals any new trait in him; but the very men who might once have had implicit faith in his political wisdom and who might have followed him without question do not seem to be so inclined now. The reason is obvious. The Doctor's recent political tactics, far from strengthening, or enhancing the prestige of, the organisation, has reduc-

ed it to a position of helplessness that is truly pathetic. The rot had in fact begun with the crippling defeat suffered by the party in the last elections, when on the Doctor's advice the Federation entered into an alliance of convenience with the Socialist Party with advantage to none.

But it may be urged on behalf of Ambedkar that his whims and fancies, however destructive in themselves, are not wholly to blame for the plight in which the Party finds itself. In the new climate of India, with communalism at a discount at least in the political sphere and the accent on constructive endeavour, politics such as the Federation might have pursued with impunity and even considerable advantage in the past have little scope. Though it cannot be said that the grievances of the scheduled castes have been wholly redressed in fact as in law, there is no mistaking the earnest efforts being made by Government, public bodies and enlightened citizens to improve their status. The label of being the down-trodden in the social sense at least is no longer fashionable, thanks to the pride that freedom has given to all citizens and the sense of confidence and security that the laws of independent India have promoted. Grievances are crystallising around economic issues rather than social or communal ones. The Doctor, and with him the Federation that he built up, are behind times by at least a decade. He has been left high and dry by the swift march of events, and the organisation has clearly outlived its utility. While blaming their leader for whatever harm he might have done to the Federation, both Shri

Weekly Notes

Malodorous Indecorum

IF Nandaji's performance in Parliament in the discussion for demand for grants was surprisingly the best, as reported by our Delhi correspondent elsewhere in this issue, what is one to say of the performance of the Minister for Information and Broadcasting in the previous week? To quote from his despatch, which was delayed in transmission and could not therefore be taken in the last issue:

"Dr Keskar tried to put life into the debate, when his grants were being discussed. He is another imitator of the Prime Minister in his style and also in his theory that time is not a matter of any consequence. He took more time than the Prime Minister in the foreign policy debate. But there the comparison ends. Few can at the moment compete with Dr Keskar in his arrogance and ignorance. A substantial part of his speech was devoted to personal threats held out to one of his officers—the Director-General of the AIR. I don't know the gentleman concerned, but Dr Keskar certainly touched the lowest levels of parliamentary debate in his references. He lectured to Parliament that this was a very undesirable practice, but what does he practise himself? . . . there is the Director-General, the great manda-

rin, who was sitting and whose work was being interfered with. Who is he? He is an officer of Government. . . . A large part of Dr Keskar's speech is full of such contemptuous references. Dr Keskar threatened that "there will be interference" with this officer and every officer, "there will be more and more interference, and still more interference". This is amazing language."

If the report is correct, the language is, indeed, amazing. Unfortunately it is also worse than that. To think of the British practice in this connection is natural, not because having imported a parliamentary form of Government, it has to be imitated slavishly but for the very simple reason that since the civil servant cannot defend himself in public, he should in fairness be kept out of political controversy. A Minister calling a servant a mandarin sets up a new low in parliamentary misdemeanour. It is as much in bad taste as it is unwarranted, besides being unsportsmanlike.

Commenting on this remarkable display of bad manners, the Delhi correspondent goes on to say in effect that it is not merely a matter of bad form or lack of sportsmanship but has far more serious consequences. When an officer of prov-

ed integrity and ability, he goes far to say, is put in charge of a responsible position, the Minister is not supposed to interfere in his administration. After the attitude taken by Dr Keskar and some of his colleagues—particular mention is made of the Minister for Communications in this connection—no self-respecting person will be prepared to take up office under ministers who hold such views and we would soon have, in fact, we are already having, a number of important and responsible posts filled with personnel with little to commend themselves except their willingness to please, at any cost.

The results are what could be expected. There has been a falling off in the standard of performance on the AIR, Air Transport Services, The Delhi Road Transport and even in departments where competence and efficiency are of the most vital importance to the nation. It is surprising that the Prime Minister should allow Ministers to violate the rules of the game and so far forget themselves as to disregard common decency and ignore decorum on the floor of the House. The worse things that happen in consequence are however matters of even greater import but they cannot be dealt with in open debate in Parliament.

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institution of property would disappear or rather it would belong to society and every one would take according to one's need and there would be complete social equality. It is time that Jaya Prakash were wakened from his dream and brought back to the workaday world. Can't Pandit Nehru do the trick? The Pandit's socialism depends on attracting men of Jaya Prakash's calibre. It is time, he parted company with men who have adopted socialism for a mess of pottage.

PLODDING THROUGH

The Parliament has been plodding through the demand for grants. In between, the Lok Sabha has passed the Fourth Constitution Amendment Bill. The Prime Minister felt greatly elated by the Hitler majorities he secured in both Houses on the reference of the Amendment of the Joint Select Committee. The Committee has wisely restored parity of treatment as between agricultural and industrial properties. The Prime Minister himself, apart from unnecessary personal references to members of the Opposition, was in a modest and reasonable mood as compared to the time, when he was introducing the Amendment. He then breathed fire. It was difficult to believe that we were listening to the Indian Prime Minister in the Indian Parliament. It looked as though we were in the Soviet Union in October 1917 and a revolutionary regime was actually on!

Over a period, and given the chance, the vested interests should know that the Prime Minister is a very reasonable person and is unlikely to disturb them seriously. The slogan of socialism, apart from its value on the domestic front, is not without its uses in the *battle of the blocs*! He assured business interests that "there will be no such thing (expropriation) except by law and except on payment of compensation. Remember that". Who should remember? ... After he had delivered himself against the monstrous doctrine of the divine right to property, he descended rapidly: "... It is right. The possession of property is a thing which we recognise, which we protect." Philosophy again welled up in his mind. "Mind you, I have no respect for property at all. ... I respect the other person's respect for property occasionally ... In life's journey one should be lightly laden ... While not appreciating it (the property sense) I realize and

recognise it is there ... I do not want anything to be acquired except—normally speaking—on payment of just compensation."

Normally speaking—but he keeps on saying every now and then that the times are abnormal. Let those, who bank on his assurances regarding nationalization, remember that the Prime Minister is an unknown quantity in the changing equations of Indian politics. Hamlet, with all his philosophy, did strike ultimately, though suicidally. Strange to say that the outstanding fact of Indian politics is that the Communists alone understand the Prime Minister and he also understands them fully. What a perfect understanding! ... It was the Prime Minister, who said in this very speech: "... the thing that is really necessary is somehow to activate and dynamise (not dynamite) the base of the Indian social structure ... this base of Indian society ... means millions and millions of

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villagers, millions of workers and small earners, unemployed people on the land ... And in activating this base one may have to take numerous social steps of all kinds."

NANDAJI'S SURPRISING PERFORMANCE

In the discussion on the Demands for grants, the performance of Shri Nanda was surprisingly the best. My suspicion is that he is extremely well supported by his secretariat. It is otherwise not reasonable to expect such a logical, well-documented speech from Nandaji. He is reasonably proud, against the background of general short-fall in expenditure on the Plan projects, that his Ministry is likely to overshoot the mark, certainly in expenditure, and in all probability, in actual achievements. ... The overall position ... for the period of five years, implementation will be to the extent of 99 per-cent or a little more." In

(Continued on page 475)

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THE ECONOMIC WEEKLY

From the Calcutta End

West Bengal's Damaged Economy

CALCUTTA is like that! Sir Winston Churchill's retirement has provoked strange reflections in this city. Opinion differs about the Press in Calcutta. In a country where literacy is low, the Press is supposed to educate the people. In Calcutta, it seems to be the other way about. The average educated Bengali seems to be more literate and informed than the Press in this city. It is symbolic of Sir Winston's greatness that both the Press and the people even in West Bengal are so appreciative of him.

But the average Bengali is more interested in discussing Sir Winston's retirement in the context of conditions in this country. India's historical associations with Britain have encouraged some common traditions and beliefs in both countries. Geniuses may not be ostracised in this country as misfits. But India seems to share the British belief that one does not reach maturity before fifty-five. In Calcutta's streets, cafes and coffee houses, Sir Winston's retirement is provoking discussions about the ageing politicians in this country.

AGEING POLITICIANS

Dr Rajendra Prasad, the President, is old and ailing. But the average Bengali is not worried about his successor. It is agreed that, when Dr Rajendra Prasad chooses to retire, India will have an able President in Dr Radhakrishnan. No one is able to choose the next Prime Minister. Congress has succeeded in choosing Panditji's successor as its President. But even those who have a flair for political speculation are unable to choose Panditji's successor as Prime Minister. Panditji once gave an indication that he would like his mantle to fall on Jaiprakash. But nothing came out of those overtures. Vinobaji has kidnapped Jaiprakash away from New Delhi.

Bengalis are State-proud people. They are not uninterested in indulging in the political pastime of choosing the next Prime Minister of the Republic of India. But they are more anxious to nominate the next Chief Minister of West Bengal. Dr B C Roy is ageing. He is not as fit or agile today as he was a couple of years ago. For his age, he is more than fit. But he is

showing signs of exhaustion. And, not even the most politically informed Bengali is able to nominate his successor. Sir Winston's retirement from active politics has revived these discussions. But these topics have been under discussion for some time in this city.

This was, of course, not one of the topics under discussion at the recent West Bengal Pradesh Congress Conference at Malda. It was a grand show. It was staged and monopolised by Shri Atulya Ghosh, President of the West Bengal Pradesh Congress Committee. There have been rumours in the city for more than a year that he harbours ambitions to be the next Chief Minister of this State. There are many dissensions in this State's Congress Committee. Shri Atulya Ghosh seems to be a typical, successful, Congress boss. But even those who do not like the look of Dr B C Roy seem agreed that Shri Atulya Ghosh would be a poor successor to the dictatorial Doctor.

STRATEGIC STATE

At Malda, the West Bengal Pradesh Congress Conference discussed many issues affecting the economy and politics of this State. West Bengal is a strategic, border State. A strong and stable government for this State is, therefore, of importance not only for this State, but also for the country as a whole. To the Congress party, this, naturally, means that the State Congress must be a strong and united organisation. It was not without significance that Shri U N Dhebar, the new Congress President, attended the Malda Conference.

Much was heard about the need for purifying the Congress. One of the resolutions passed at the Malda Conference enjoined the party members to live up to the Congress ideal of sacrifice and suffering. Both Shri Dhebar and Shri Lal Bahadur Shastri, who inaugurated the Conference, spoke on the resolution. Need for constant touch with the people was stressed. It was, however, not clear from the speeches whether the contact with the people was to be established for winning the elections or for developing Community Projects and the National Extension Service. As this relation was not stressed, one can

only presume that party members are to woo the people so that elections can be won.

WEST BENGAL'S ECONOMY

Even as the Malda Conference started, it became evident how it came about that the Union Transport Minister was presiding over a State Pradesh Congress Conference. Shri Sastri disclosed in his presidential address that India and Pakistan would discuss, at the officers' level, the issue of a rail link between the two Bengals. Such a conference was recently held in Calcutta to discuss the prospects of running of two goods trains between the two Bengals. These arrangements have not yet been finalised. But recent developments indicate that chances of a freer flow of trade between the two Bengals are not discouraging.

It was symbolic of West Bengal's major problems that economic issues dominated the deliberations of the Malda Conference. Of the main resolutions passed at the Conference, one was on the Farakka Barrage. This is one of the projects on which West Bengal's economic rehabilitation depends. It is not yet known whether this project will be included in the second Five-Year Plan. But both the Government and Congress in this State won a moral victory for their claims in the Union Transport Minister's candid confession that he would have voted for the resolution had he not been a Cabinet Minister. Among other things, the Farakka Barrage will solve transport problems between western and northern West Bengal.

UNEMPLOYMENT

It is not customary for a Pradesh Congress Conference to emphasise the economic problems of the Pradesh concerned to the neglect of issues relating to party politics. It is not customary, but it is desirable. Partitioned Bengal's, West Bengal's, main problem is economic. It has become a problem State because partition has damaged its economy beyond repair. West Bengal's economy cannot improve merely by abolishing zamindaries, according to schedule, on the Bengali New Year Day, which falls within this week. Nor can it be strengthened by the completion

of the Farakka Barrage alone.

On the concluding day of the Malda Conference, Dr B C Roy, who did not attend the Conference, made an appeal to the Bengal National Chamber of Commerce to "employ as many Bengalis as you can" to solve the unemployment problem which was assuming alarming proportions. It was clear from the Chief Minister's address before the Chamber that he regarded the simultaneous co-operative, development of small-scale and large-scale industries as essential for the solution of the unemployment problem. His address before the Chamber was significant in his implied admission that he, as head of the State, accepted the State's responsibility to provide the necessary vocational training to those seeking employment.

While the West Bengal Pradesh Congress Committee is concerned only about the Ganga Barrage, Dr B C Roy, the State's Chief Minister, is equally anxious about rapid industrialisation of the Durgapur region. Recently, the British Steel Mission was in Calcutta on its way to inspection of a probable site for an iron and steel plant. It will visit Durgapur during its inspection tour. Both Shri G D Birla, and Dr B C Roy are equally interested that Durgapur should be the location of one of the new iron and steel plants in this country. All thinking persons will endorse Dr B C Roy's repeated warning that West Bengal will perish unless the Durgapur belt is industrialised. West Bengal's existing industries are decaying. It must have new industries to absorb the alarming growth in unemployment.

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Letter to the Editor

Federation's Second Five-Year Plan

I HAVE read with interest the special article appearing in *The Economic Weekly* of April 2 entitled "Industrialists Want More Consumption". There are of course some points made in that article on which one might hold a different opinion. But my purpose in writing to you is only to draw your attention to two statements in the article which are factually incorrect.

1. On page 423 there is the following statement:

"The investment proposed in the next five years adds upto Rs 7,200 crores, as against the target of Rs 2,100 crores for the First Five-Year Plan, of which no more than Rs 1,800 crores are likely to be realised in part."

Even a cursory reading of the Note would show that Rs 7,200 crores is the total planned expenditure, *ie*, inclusive of the public and the private sectors. The comparable figure in the First Plan therefore would be about Rs 36 to Rs 37 hundred crores.

2. On page 430 where you refer to the multiplier effect of industrial employment, a reference is made to the percentage distribution of the population between different occupation groups in 1931 and in 1951. I fail to see how percentage figures can be relevant in this context and in any case it would be tricky to try to extrapolate an employment multiplier from a past period when other variables in the system are also likely to be different.

S S Marathe

Federation of Indian Chambers of Commerce & Industry,
28, Ferozshah Road,
New Delhi, 1,
April 7, 1955.

[The first is an obvious slip which is much regretted. The employment multiplier, however, is quite a different matter in support of which the Federation advances no argument. Since a definite figure 6 to 7 was assumed, a general reference was made to past experience to suggest the improbability of such a high figure. Nothing so absurd as extrapolation of the multiplier from previous census returns was ever intended.—Ed.]

Official Documents

Small-Scale Industries in Japan

Report of the Study Group of Small-scale Industry Experts on their visit to Japan. Economic Commission for Asia and the Far East, Bangkok. Pages 293. Price not mentioned.

IN recent years, the countries of South-East Asia have been taking an increasing interest in small-scale and cottage industries. As such industries occupy a prominent place in the economy of Japan, it is not surprising that their organisational and technical structure should attract considerable attention. An official Indian delegation in fact visited Japan some years ago to study small-scale industries. Bombay Government sent a delegation for this purpose in 1951 and the report submitted by the members was reviewed in this journal (December 5, 1953). Only last year the All-India Manufacturers Association sent a delegation to South-East Asia, which among other things made a special study of Japanese small industries. The present report has been issued by a group of experts who visited Japan during April-May 1954 under the joint auspices of the United Nations Technical Assistance Administration and the Economic Commission for Asia and the Far East.

A preliminary point needs to be made. The report covers "small-scale" industry rather than cottage industry as it is known in this country. The use of power, employment of extensive machinery and a large labour force are among the characteristics which distinguish the small industries covered by the present study from cottage industries.

The first question that naturally arises is: What are the causes of their survival? In view of the fact that industrialisation has proceeded at a rapid pace in Japan, this question is very pertinent. The factors listed by the report are highly interesting. (1) Ready availability of cheap electric power and transport in rural areas. (2) Specialisation in production for export with dispersal in manufacturing activities. (3) Cheap labour, through lower wages, longer working hours and availability of appreciable part-time labour. (4) System of sub-contracting with small enterprise, "which minimizes the risks of the large enterprise, since in a trade depression the smaller enterprises absorb the first shocks." The last two points should attract attention from those who would like to decide for

themselves the role that small industries should play in the national economy, while the first two should be properly appreciated in the implementation of any programme for the development of small-scale industries in the country.

The study begins by drawing a very important distinction between the size of the technical unit and the size of the financial and administrative unit. "Technical units of small size in an industry may be quite compatible with large-scale control." That such control need not necessarily mean, though it may, the existence of large firms is clear. In Japan, smaller industries do show a significant dependence on large-scale industry for capital, both fixed and working. Though this solves their problem of finance, it transfers effective control over production to large-scale industry. Such financial control is strengthened by, and, in fact, frequently operates through the sub-contract system of which mention has been made earlier. This system may be regarded from one point of view as a step towards a very desirable integration of large and small-scale industry, but from another, it may be considered a very unhealthy pattern of subordination of small-scale industry to the large units. A different class is constituted by those units which come under the commission merchant's control.

Close integration between small-scale and large-scale enterprise is also achieved on another plane. The large units provide technical assistance and supplies to small-scale industries, while the latter, in turn, supply components to large-scale assembly plants, *eg*, in the bicycles and sewing-machine industry. The main point is that in Japan, "though the individual independent unit is a complete entity, it is often an indispensable part of an organization which ultimately produces finished articles."

But independence from external financing authorities or affiliated large-scale units is also desirable. To enable the smaller units to achieve this, co-operative associations of entrepreneurs are being founded. These are, of course, to

be clearly distinguished from industrial co-operatives, for in them the workers have no say at all. These associations are intended to develop mutual assistance among small entrepreneurs for dissemination of technical and marketing information. When sufficiently strong, these associations can supply credit and guarantee facilities. They can also provide what are described as "common facility" services.

The role of "common facility" service centres in developing and strengthening a large number of cottage and small-scale industries has been discussed in the report for each of the industries concerned. These centres "set up to undertake part or whole of an operation involved in processing or manufacturing an article" have many advantages. They eliminate to some extent differences in production costs and free the individual units from the necessity of having costly and heavy equipment of their own. Uniformity of quality can also be maintained by such centres. If small-scale industries in other countries of S-E Asia form associations and organise some of the services rendered by these centres in Japan, they would be of immense assistance to the growth of small industries, and at the same time reduce their dependence on large-scale factories. The study group, therefore, recommends that such centres should be set up in other countries of the region also.

On the production side, the visiting experts were impressed by the flexibility shown by Japanese industries. Where there is no competition with large-scale enterprises, manual-labour manufacturing methods have been adopted unless found unsuitable otherwise. Where such competition exists, "all possible labour-saving devices are employed in order to achieve economies in production cost." The degree of mechanization also depends to a large extent on facilities provided by "common facility" centres or large-scale units with which the small industry is connected. No predilections on the matter, therefore, restrict the choice of the small Japanese entrepreneur regarding the technique he should

employ.

In the matter of techniques actually employed, the experts were impressed by the extensive use of single-purpose machines in engineering industries for specific operations. This "not only saves considerable time in changing tools, dies, fixtures, etc., on multiple-purpose machines but also ensures better and larger production, making it possible to design better and simpler single-purpose machines in the long run". Being easy to handle, repair and maintain locally, having a low consumption of power and less expensive to install, single-purpose machines are preferred in Japan and have also been approved by the experts of the study group.

The study is not confined to a general survey of the organisation and technical features of Japanese small-scale industry. The principal industries are examined in detail and the conclusions derived for each industry are given separately before being assimilated into the general conclusions drawn at the end. Textiles, ceramics, wood, bamboo and lacquer-ware, paper and paper-products, engineering, and the agricultural and aquatic products—all

these have been individually examined. Detailed information has been given about production techniques and processes, organisation, finance and marketing with special reference to the relation of the smaller industries to large-scale units and "common facility" centres. Some attention has also been paid to the research institutes which do so much to foster small-scale industries by helping them to improve their techniques and reduce costs.

The problems faced by small-scale establishments in the different ECAFE countries and the action that is being taken or is proposed to be taken for solving them have been assembled in an appendix. Readers should be warned, however, that as in most other ECAFE publications, the country report on China is really for Taiwan and what it says about the Chinese mainland should not have found a place in this publication. Even from these scrappy notes, it is easy to see that generally "the structure of the small-scale industry is not based on a planned industrial co-operative set up". It is to remedy this state of affairs that the experts recommend the establishment of an

organisation in each country akin to the Japanese Smaller Enterprise Agency. The report stresses in particular one aspect of the work of this agency which is not usually found in other countries. This is the work of "diagnosis" or industrial efficiency surveys, and the introduction of an uniform accounting system.

In view of the importance of marketing, the establishment of a body like the Japan Export Trade Research Organization (JETRO) and of market research organisations in different industries is also recommended. If these bodies could do careful work, they could undoubtedly prove very useful in countries like India. But how to ensure that the setting up of a multiplicity of organizations does not result merely in wastage of resources?

On the whole, the Study Group has produced a useful report. The wealth of detail contained in the industry-wise studies does not, however, seem likely to serve any useful purpose. It is too detailed to be absorbed by the general reader while being obviously inadequate to assist the technician interested in any particular industry.

Land Gift is World Peace

Suresh Ramabhai

IN May, last year, Vinoba was going round the Shahabad district of Bihar. Out of the 50 households in a village, 22 were of the landless. They needed some 60 bighas of land to make both ends meet. When Vinoba reached the village early in the morning, the local people greeted him with 'Jais' and the slogan, "*Hamare gaon men bila zamin koi-na-rahega, koi na rahega*"! (There will be no landless in our village). Vinoba, folding his hands in acknowledgment, replied, "This slogan is for the morning only; that of the evening is '*Hamare gaon men bila zamin koi na raha, koi na raha*'" (There is no landless in our village now). So please go and work through the day and return to the evening prayer meeting with 60 bighas of land and declare "There is no landless in our village now!"

It went straight to their heart. The Bhoodan workers also were moved. The land collection work began in earnest. They knew no rest till the desired amount of land was attained. Joyously they attended the prayer meeting. After the prayer was over, one old man of the village came to the dais and spoke in a voice choking with emotion, "Brothers and sisters! By the grace of God and the blessings of Vinoba Baba, there is now no landless in our village!"

GIFT OF BULLOCKS

In November, we were in the Purnea district of Bihar. On our way, was a tiny village with 40 homesteads, of which 18 belonged to the landless. The people of the village donated some 50 bighas of land which was just enough to give a tiny plot to each of the landless families. But the condition of eight of them was awful, and they required bullocks too. Bullock donations were called for, and no less than twenty bullocks—ten pairs—were offered, which were distributed to those eight families as also to others. They requested Vinoba to stop for a few minutes and present the bullocks to the needy with his own hands, which he very gladly did.

People in the locality were all amazed. None had dreamt of land gifts. That had, however, now be-

come a reality. Bullock gifts were even farther from their thoughts. But Vinoba disarmed them saying, "The *janata* (masses) are a veritable *Kam-dhenu** who will give whatever is desired. When she could tear open her heart and part with land, parting with bullocks, ploughs or seeds is no pinch at all. She will give you what you want."

In February, this year, our camp was at Manpur in the Cuttack district of Orissa. Every land-owner there had donated his or her entire land in the Bhoodan Yajna. The land has been re-distributed. There is none landless in that village. There is no land-owner either. All ownership is vested in the village as a whole.

It is not only land distribution that has been brought about there, but also a land revolution. Land ownership has vanished for all time. Only He who owns the sky, air, water and everything else owns the land. The rest are *Bhoomi-putras* (land children).

And this is not true of Manpur alone. The first village that was to donate all its land in Bhoodan-Yajna as early as May 1952 was Mangroth in the Hamirpur district of Uttar Pradesh. On 26th January, when Vinoba entered Orissa, he was presented with 93 villages each of which had donated all its land.

On that day, while leaving Bengal and entering Orissa, Vinoba declared:

"The work to be done now is that of *Bhoomi-Kranti* (land revolution). Merely giving land to the landless is not enough. Private land-ownership has to be abolished. Land can only be God's or of the society. If people at any place can fully live upto this idea, it will be the *poornata* (completeness) of the Bhoodan Yajna. Thereafter the work of obtaining five crores of acres and distributing them would become very easy. The people themselves would take it up. I, therefore, expect in Orissa a *paripoorna darshan* (full) of Bhoodan Yajna."

* The divine cow which gives whatever you may want.

LIKE THE GANGA

When Vinoba reached Lakhana-natha Road, his first halt in Orissa, he was asked to address a few words to the large number of people who had gathered to receive him. He said:

"I have spoken so much during the last three and a half years that there should be no need for me to talk much in this State at any rate. My message has already reached here. My hope from Orissa is not small. I am quite confident that now when the Bhoodan-Yajna current has flowed on to this place, it will widely expand even as your Mahanadi expands near the sea. I learn that Sri Mukund Deva tried to bring the Ganga to Orissa. Perhaps he failed to earn the honour. But you will now earn it. This Bhoodan Yajna's current is the Ganga's. May you march with it right to the sea, the sea of humanity!"

Beginning with the gift of 100 acres on 18th April, 1951, about 37 lakh of acres of land have been so far donated as also about 150 villages. Meanwhile, the Ganga has been joined in her course, as it were, by various tributaries—the Jamuna (Jiwan Dan Yajna), the Gomti (Sampatti Dan Yajna), the Ghogra (Buddhi Dan Yajna), the Gandak (Prem Dan Yajna) and the Kosi (Shram Dan Yajna). And now it rushes to merge itself in the waters of the great ocean.

The past four years have clearly shown that of all problems in our country, the land problem is the most acute and vital—basic in the truest sense of the term. But it is equally evident that a mere solution of the land problem will not suffice. Growth of agriculture must be accompanied by that of village industries. The two are inseparable. Again, it is also evident that in tackling the land problem, mere zamindari abolition or fixation of ceiling will be of little avail. What is important is not that the rich be deprived of what they have, but that the poor should get what they deserve and require.

Of course, things will not drop from the heavens and the earth will get only when the sky yields; yet it is quite possible that the process will be held up by intermediaries, be they village panchayat chiefs or those in



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the lower rungs of the administrative hierarchy. Zamindari has been abolished in UP all right, and land passed on to Government and indirectly to village panchayats; yet the landless can be reckoned in millions. A ceiling has been fixed in West Bengal no doubt; but the landless have known no change. The Bhoodan Ganga, cutting across barriers, reaches down to the bottom and provides land to those toilers who had never even dreamt of it.

NEW VALUES

But Bhoodan is much more than this. It claims to establish the following new socio-economic values.

- (i) Land and wealth cannot belong to private ownership—they must be owned only by the village or society;
- (ii) The use of the means of production must be given to the producer. Land must go to the tiller and not remain with those who never work on it;
- (iii) The distinction between manual labour and mental work should go;
- (iv) Manual labour—productive physical labour—should be a part of our daily routine even as bathing;
- (v) One must share what he or she has with his or her neighbour.

Thus viewed, land distribution is the smallest part of the Bhoodan programme. The ultimate object is to re-build the entire village structure on a new basis. A beginning is to be made in those villages where land revolution has become a fact—where the dedication to Bhoodan Yajna is complete.

While Vinoba was at Manpur on 26th February last, he expressed his great joy on coming there. In his post-prayer address, he said:

"I experience a sense of extreme gratefulness to God on reaching this place. I have cherished the hope—that hope is now strengthened—that this Bhoodan Yajna, which enjoys the blessings of Providence, will enable the whole of India to make land-revolution a living reality."

TWO POSSIBILITIES

At the recent Puri Sammelan, Vinoba gave a clarion call for land revolution. He observed that systematised and limited violence had

now reached the stage of '*ati-himsa*' (extreme violence). There were now two possibilities. This *ati-himsa* had to transform itself into *a-himsa* or assume more fearful forms and reach the consummation of ending the life, of man on this planet. Urging his audience to show courage, he asked them to prepare for complete *Ahimsa* by eliminating *Ati-himsa*. In other words, he indicated that people had to strain every nerve to found the *danda-mukta* (arms-free) and *Shasan-mukta* (state-free) society. He felt that *Sat-yug* was drawing near and that India was once again likely to be the source of an inspiration making itself felt all over the world.

Addressing the entire humanity from his rostrum, he said:

"Let all of you put your shoulder to the wheel for two years. This call of mine is not addressed to the people of India alone or merely to Sarvodaya devotees, but to one and all. I urge the whole world to leave no stone unturned for two years so that an arms-free society may come into force by 1957."

Proceeding further, he pointed out:

"Wherever you go for land donation, tell them that every *dan patra* is conducive to world peace. Don't you want peace in the world? If you do, won't you offer your share in the Bhoodan and Sampattidan scheme of solving the land problem? Your donation of one-sixth is a vote for world peace."

He concluded:

"Unless we work strenuously for two years to render our society state-free, non-violence will not come. Our work stands for the welfare of the whole world, for the benefit of the entire creation. '*Sarva bhoota hite ratah*' is the motto of this Conference. It is not only a matter of tackling the land issue. We have, in fact, to wipe out all Governments of the world, for they cannot succeed in limiting the sphere of armed conflict. We have to found non-violence. I ask for land gifts for the sake of world peace."

COMPLETE CHANGE

Thus land revolution implies a complete metamorphosis in every aspect of life, social, economic and political. It is to usher in a new world, a new society and a new man. Vinoba has chosen Orissa for the

fulfilment of his mission. Workers there are now concentrating on the Kohraput district where most of the villages have been offered. Vinoba himself will reach there on foot in May next. If they could succeed in securing a sixth of the land of that district or a large number of the 4,000 villages there, it would symbolise the efficacy of the Bhoodan technique. And if land revolution should prove possible in one district, why not in others too? And why not in the whole country indeed?

Marked by misery as her own, Orissa was Gandhiji's beloved province. The Bhoodan workers there are industrious and unostentatious. They may rise to the occasion and eradicate their age-old poverty by achieving land revolution. If this happens, who knows, Orissa which is so poor today and so backward may not only forge ahead as the most progressive of the states in Free India, a mighty surge may break forth from its borders which will sweep all the other states and much besides.

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Land Tenure in Nepal

Y P Pant

THE system of land tenure in Nepal is not the same as it is in India. Despite the wide variety of types of tenure prevailing in different parts of the country, three broad types may be distinguished—Zamindari, Birta and the Kipat system of tenure. As compared to India, the zamindar, however, does not possess so many privileges and in theory he is just an intermediary between the Government and the tenant, and is remunerated for the collection of the land revenue by the Government at the rate of about 5 per cent (10 pies out of every collection of one rupee). Again, he does pay the same proportionate amount which an ordinary landholder pays for the land he owns. In Terai, the zamindar usually cultivates the bulk of his land himself and sub-lets only a part of it on contract either in kind or in cash, mostly the latter. Formerly, ejection of the tenants by the zamindar was quite common but this has been legally banned altogether since the advent of the new set up. Legally, he is not entitled to exact feudalistic dues, *begar*, *najarana* and so on, though under the Rana rule, because of the highhandedness and ruthless exploitation of the ruling classes, the zamindars in western Terai used to exercise all these illegal privileges. Even now, the law is the same, though of late, both interpretation and enforcement of the laws are being made more in favour of the tenants.

In the eastern Terai, however, which is much more densely populated, the hunger for land is also more acute and the *batai* systems like half going to the owner of the land and half to the tenant, or five-ninth of the produce going to the land-lord and only four-ninth to the tenant, still prevails. In contrast to the western Terai, where the zamindar possesses and cultivates vast tracts of land with much of labour and capital, in the eastern parts the holdings are small and the zamindar, in majority of cases, does not cultivate his land himself. Most of the tenants in the western part are generally migrants from Gorakhpur, Basti, Baharaich and Gonda districts of UP, who do not sever their link with their village homes and move only seasonally from Bhairawa, Butwal, Berdia, Nepal Ganj districts of the western

Terai. Such cases are not to be found in the eastern Terai, where tenants have got their own homes permanently and no such ties with the neighbouring Indian districts. There thus appears to be greater scope for exploitation of such migrant labour, in the western Terai than in the east.

The Birta system, however, is peculiar to Nepal. These are rent-free lands held by the Ranas and their sycophants and relatives to whom these lands had been given away generations ago as rewards for their loyalty. Birta lands present a serious problem and should be solved as early as possible. Such lands, in no case, are cultivated by the owners or their families but are generally given to tenants at will. Immediately after the set up, a Birta Abolition Committee was appointed to draw up measures for the abolition of the system. At one time, a scheme was put up before the Government to charge revenue on such lands and it was estimated that the State would have gained some Rs 80 to Rs 100 lakhs, had revenue been fixed at the same rate as under the zamindari system. However, the idea appears to have melted into thin air, in spite of the staggering deficit of more than one crore of rupees in the current budget. Pending a proper survey and assessment of the tracts of lands under different systems of tenure (which cannot be estimated even roughly), nothing better than the above scheme of levying revenue on Birta lands appears to be a practicable proposition.

The problem of landless, fortunately, has not assumed such gigantic proportions in Nepal so far, as in India. In some of the hilly regions, however, the problem has appeared of late of extreme scarcity of cultivable land. Efforts therefore should be made towards the reclamation of land in north Terai.

The third type of tenure, the Kipat system, prevails in the eastern most parts of the hilly regions and economically the standard of living of these people can be well compared with the backward classes in India. There are inherited ranks, known as '*sub-bas*' who cultivate or even sub-let their lands to others and in return they have to pay certain contributions to the Government. Every successor will have to pay a part of

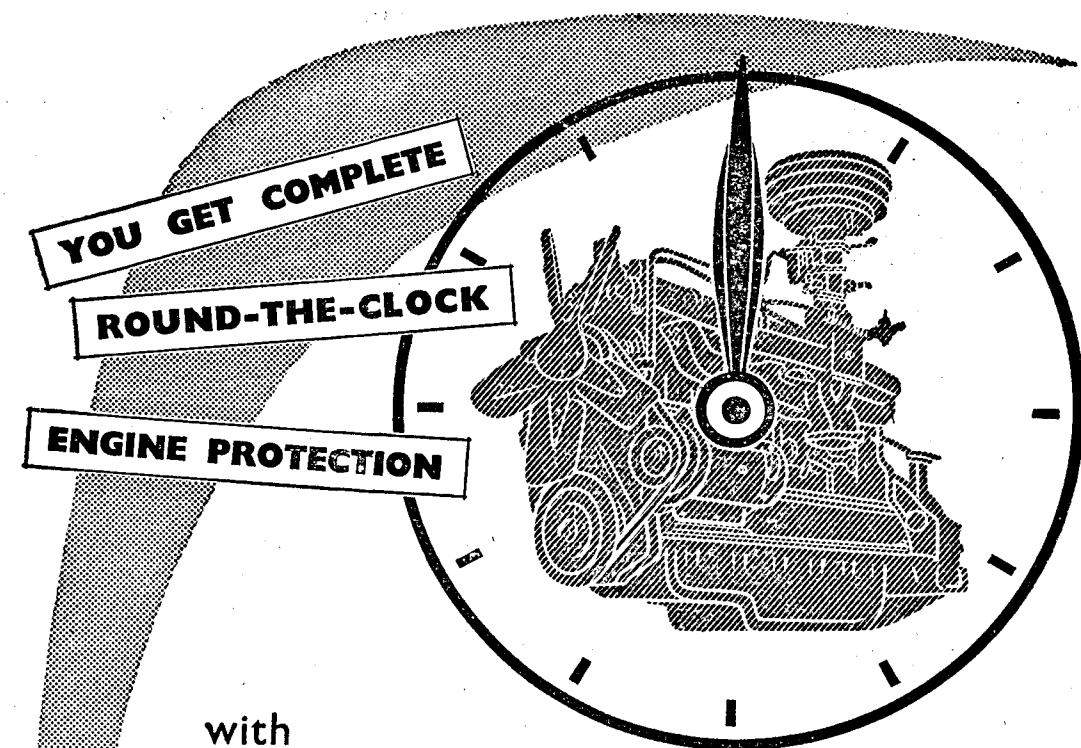
his property to the Government but these tribes are so unruly that it is a serious problem even to maintain law and order among them, not to speak of collecting dues properly.

For any scheme of land reform in Nepal, a serious handicap is the lack of uniformity in the land tenure system. For example, the Birta system has about 16 variations. Even though the system may be basically the same, practices and customs vary widely in different parts of the country. And till today, so many things are dependent on social customs and traditions handed down from generations, that such differences are not easy to eradicate. For example, in certain parts of the western Terai, till last year, some zamindars refused to acknowledge even receipts for the contractual payments made by the tenants. All this has been possible because the Government has been generally run during the Rana Rule on the basis of certain assumptions which could under no circumstances be ignored. Again, even at present, the Government has no reliable land statistics and neither landlords nor tenants have any record of rights.

The Government is now seriously thinking of raising the standards of the masses by introducing various measures of reform and land reform figures prominently among them. Approximately 80 per cent of the cultivated land is under tenancy and the problem of land reform has of late come to the fore. The Land Reform Commission appointed in 1952 for setting down as primary policy objectives the control of exorbitant rents and ensuring security of tenure submitted its preliminary recommendations in 1953, of which the more important ones were:

- (a) The preparation of a land record, detailing the terms of tenancy;
- (b) The abolition of non-official intermediary system in the collection of land tax; and
- (c) The security of tenure for cultivating tenants, subject to the right of land-owners to resume possession of a limited area of land for personal cultivation

It is high time that the Government were serious and tried to implement all such measures directed towards the betterment of the peasantry.



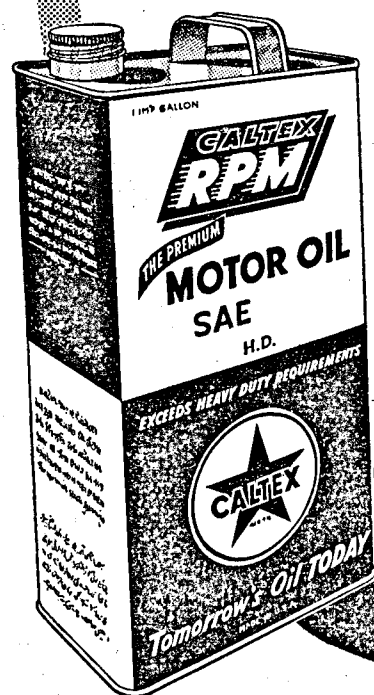
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(Continued from page 466)

expenditure, it will be 107.5 per cent! Why not entrust all the money to the Ministry for Irrigation, Power and Planning? At least, we shall then have all the barrages, dams, reservoirs and the like. Our rivers can keep us usefully busy for quite a time. We need not dig holes in the ground and fill them up again or bury notes in disused coal mines. Here is Nandaji, ready to spend Rs 1,100 crores in the next five years. Why shy at corruption in the execution of multipurpose projects? Let us be realistic. All this money would not have been spent and all these dams and barrages—the places of pilgrimage for the Prime Minister—would not have come up, if there had been no incentives. Payment for corruption is part of the supply price in this country.

Shri K C Reddy, the Minister of Production, also occupied the floor in Parliament for quite an hour much to the irritation of the Chairman, who, I am sorry to say, rebuked him for his long speech. He had really nothing particular to say, and his sole point was that if Parliament and Prime Minister were to show him grace by indefinite retention of job without undue stress on performance, he would not mind his entire work being done by his colleagues. It is rather a very awkward remark to pass that Shri TTK and Shri Reddy have wholly undeservedly lowered the prestige of the south in the north in recent months. Shri Reddy, however, is really an innocent man. He referred to the target of six million tons of steel by the end of the Second Five-Year Plan (1961) as a very remarkable progress! It looked as though we were turning out all the steel right now. But never mind. We have cleverer people, who will have British steel produced in India before the German combine delivers the goods or Soviet collaboration assumes a material form.

Meanwhile there has been considerable progress. So we are assured by a Progress Report issued by the Planning Commission for the third quarter of last year. There is nothing in the Report that is new or has not been shouted from the house-tops for quite some time. The only difference is that the prefatory remarks of Shri V T Krishnamachari, previously characterized by a measure of humility, now strike a note of confidence, with quite a touch of variety. The Baby of the Plan-

ning Commission has grown teeth and is even beginning to bite. This, however, is an insufficient analogy against the background of the fact that the Commission has even conceived the second Five-Year Plan with a total expenditure of Rs 5,600 crores—1,400 crores for large scale, heavy industry, 950 crores for agriculture, irrigation and flood control, 900 crores for transport, 500 crores for power development, 200 crores for small-scale industries, 100 crores for development of consumer goods industries, etc. This pattern of investment and other allied economic and social issues were examined last week-end by Deshmukh-packed Panel of Economists. They missed the bus in the First Five-Year Plan and Deshmukh got the work done by his own bright boys, who, as events have proved, lacked elementary judgment regarding the working of economic and social forces even for the short period. Deshmukh's rebuke in his Banares speech touched the hearts of the economists and they appealed to him to give them a chance. So we have the Panel of Economists determined not to miss the bus this time. It must be confessed that Prof Gadgil of Poona has done a man-sized job. It is only to be hoped that his will not be the croakings of a Cassandra—a la Keynes—his experience of the Agricultural Credit Committee and the Commodity Prices Board having been sufficiently tragic in the past. But if Prof Gadgil takes over, what will Deshmukh's blue-eyed boys do? If they keep quiet, they might earn a promotion abroad. It is only natural that an economic adviser to Government or the Reserve Bank should after all the hard labour that is necessary to keep Deshmukh pleased, be promoted to a cushy job like that of the Executive Director of the IMF or the World Bank. Deshmukh has plenty of these sinecures and they should be satisfied with these plums. It is time—and it would well accord with Chitpavan Brahminism—that D R Gadgil came into his own as the maker of economic policy. How is it that this elder economist, who has for the past several years wasted his energies on such sectional pursuits as the agitation for Samyukta Maharashtra, has not yet spoken about the socialistic pattern of society? It is time, he did; or is it that he has done it in his secret confabulations with the authorities? Can't he utilize his personal influence with Deshmukh, as he knows how, to forge a socialist pattern of society?

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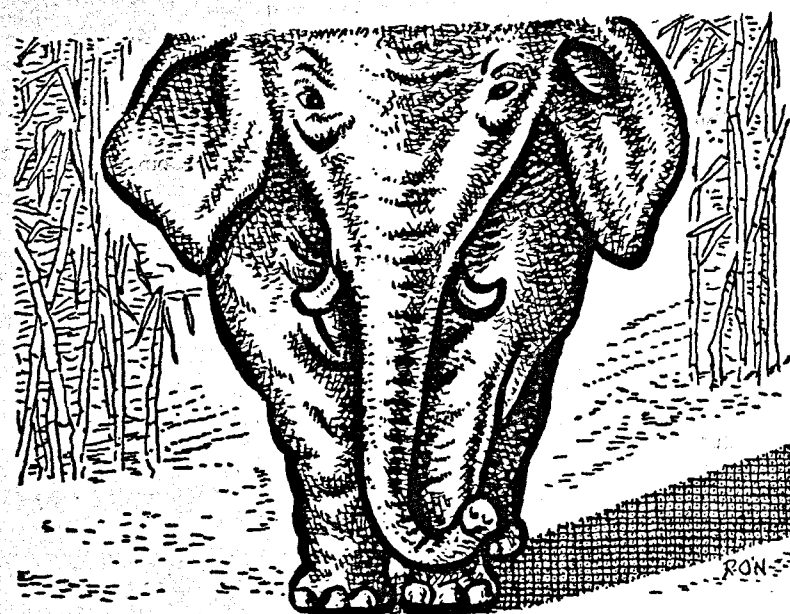
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Hesitant Equities

Wednesday, Evening

EQUITIES have been marking time on the Calcutta Stock Exchange for the last few weeks. There has been a considerable reduction in the volume of business. In the absence of support, equities have tended to be irregularly lower. But it is of interest to note that selling pressure is not much in evidence. This explains why equities are not falling. Such a description of market movements in recent weeks does not, however, tell the whole story.

Admittedly, there is lack of investment support in the shares which are included in the clearing list. Indian Iron have been fluctuating within a narrow range. In sympathy, the other forward shares remain idle. Even so, on many occasions, Orient Paper and Burrakur Coal were bid up to higher levels on interested buying support. In both these shares, there has been support from knowledgeable quarters in recent days.

INDIAN IRON

Absence of any improvement in Indian Iron must have come as a surprise to "bulls". Output data for the year to March, 1955, are highly encouraging. From the increased output, it is a reasonable assumption that the Company's earnings and profits for the year to March last will be higher than that of the previous year. This will, perhaps, not be denied by those who are reluctant to lend support to Indian Iron at current levels.

But there are two reasons why investors are hesitant about Indian Iron. For one thing, even if the Company's earnings and profits increase, the dividend disbursement may not be higher as the Company has heavy prior charges and commitments. There is something in this argument. But it would be foolish to ignore the fact that higher earnings will enable the Company to strengthen the financial position further.

In the main, Indian Iron, along with other iron and steel shares, remain hesitant because of the uncertainty relating to steel retention prices. This is a factor which affects both Indian Iron and Tata Steel. But investors and speculators are not wrong in assuming that the question of retention prices is of more importance to Indian Iron. Even so, even on last year's reten-

tion prices, it should be possible for the Company to maintain dividend payments.

ENGINEERINGS UP

Despite the irregularly lower trend in Indian Iron and in Jute shares, selective support to Engineering and Tea shares continues. Even though the Engineering shares which are now being supported are the scrips which moved up some months ago due to cornering activities, there is no reason to believe that cornerers are still in the market. It is presumed that Engineering shares are meeting with investment support.

A couple of years ago, Engineering shares started moving up on the argument that secondary engineering industries must expand along with economic improvement according to the Plan. Later, Engineering shares fell, in sympathy with the drop in equities in general, because of apprehensions that the public sector might be expanded at the expense of the private industrial sector.

These doubts and apprehensions persist. But market circles are now arguing that, irrespective of the uncertainties relating to the Government's future economic policy, secondary engineering industries may be expected to prosper as the emphasis shifts to expansion of industries during the second Five-Year Plan. Engineering shares are being bought on some such argument.

TEA DIVIDENDS

Along with Engineering shares, there is selective support for Tea shares. It is not without significance that Tea shares are being supported, though recent auction results are not encouraging. In Tea shares also, cornerers do not seem any longer to be interested. Tea shares are moving up not because of syndicated buying, but because of selective investment support.

There is more than one reason why investors remain interested in Tea shares. Immediately, dividend anticipations are stimulating investment support. Reports are encouraging. In many gardens, the output has been higher. Many companies have sold tea at higher prices. Investors are, therefore, buying Tea shares on the argument that forthcoming dividend disbursements will be higher.

Some speculative investors have shown revived interest in Tea shares since the publication of the report of the Taxation Enquiry Commission. As it became known that the Commission was opposed to taxation of bonus shares, buying started in Tea shares in anticipation of issues of bonus shares. Market circles argue that the proposed amendment of Section 23A of Income-Tax Act may force some tea companies to raise dividend disbursements.

Three factors are, at the moment, hampering stock market activity. Doubts persist whether industrial expansion in the second Five-Year Plan will be mainly within the public sector to the neglect of the private sector. Industry feels frustrated that the State will be the dominant partner in the future exploitation of heavy industries.

Investors are arguing whether implementation of the recommendations of the Taxation Enquiry Commission will be conducive to the development of the private sector. Shri G D Birla complains that the implementation of the Commission's suggestions will lead to a diversion of funds away from the private to the public sector.

Industry is worried that the Commission has suggested that deficit financing should be kept at a minimum level. This means that taxation, direct and indirect, will be raised gradually. And that, industry apprehends, will mean continued diversion of funds away from the private sector. Industry would also seem to be dejected that the inflationary stimulus of deficit financing would not be as strong, as anticipated formerly, if the Commission's suggestion is accepted by the Government.

For **ECONOMY & COMFORT USE**



THE INDIA ELECTRIC WORKS LTD
6 SIR PHIROZSHAH MEHTA ROAD FORT BOMBAY

Story of Co-operation, 1952-53

IN view of the decision subsequently taken by the Government of reorganising rural credit and channelling it through the co-operative societies on the recommendation of the All-India Rural Credit Survey, the progress of the co-operative movement, though the statistics for it are only for the year 1952-53, deserves more than usual attention. This particular year is also of unusual significance for co-operation, being the second year of Five-Year Plan. That commodity scarcity and controls should have been the cause of expansion in the activities of co-operative institutions during the inter-war and post-war years, therefore, does not add to one's confidence in the inherent vitality of the movement in India. But that is the inevitable conclusion that emerges from the *Statistical Statements relating to the Co-operative Movement in India for the year 1952-53*, published by the Agricultural Credit Department of the Reserve Bank of India. Like the previous issues, this report too has appeared after a time-lag of two years; this is hardly calculated to sustain public interest in the working of those institutions because it can throw little light on the state of things obtaining at the time

of publication.

A significant omission in the report, however, is the possible impact of the measures under the Five-Year Plan on the movement. Co-operation has been given a place of pride in the First Five-Year Plan. "The reorientation of the economy in terms of the objective of the Plan", said the Planning Commission "involves a rapid extension of the co-operative form of organisation. The possibilities of co-operation in the vast fields of primary production of cottage and small-scale industries, of marketing of agricultural produce, of residential housing, of wholesale and retail trade are immense. The encouragement of co-operative enterprise in all these fields has to be given the highest priority." It would be natural, therefore, to expect in a report on co-operation covering the second year of the Plan some mention of what the Government did to translate these aims into deeds and with what results. Curiously enough, there is not a word about the Plan in the field of co-operation in an otherwise illustrative and exhaustive report.

Though the movement is now half a century old, it is only during the last 10 years that it has been

expanding at an appreciable rate, judged by the number of societies, population covered, funds employed and range of activities. But the movement continues to be spoonfed by the State. In spite of all the goodwill and sympathy from all quarters, it seems that for many more years to come, State sponsoring, supervision, management and large scale financial assistance will be indispensable.

The number of primary societies of all kinds has been increasing at the average rate of 4,000 a year. There were 1,89,436 societies at the end of 1952-53 compared to 1,85,650 at the end of 1951-52 and 1,81,189 at the end of 1950-51. Of the total of primary societies in 1952-53, 68.6 per cent were credit societies; credit societies accounted for 77 per cent of all agricultural societies. The decrease of 1,500 in the number of grain banks during the year was due to decontrol. Among non-agricultural societies, credit, non-credit and insurance societies have registered steady progress.

The membership of primary societies recorded a rise of 3.8 per cent from 137.92 lakhs in 1951-52 to 143.16 lakhs in 1952-53. Despite

THE ECONOMIC WEEKLY

the increase in the total membership of primary societies, however, membership in agricultural non-credit societies fell steeply from 33,65,243 in 1950-51 to 27,32,047 in 1952-53. It is not quite clear whether this decrease in membership was solely due to the removal of rationing and lifting of controls or it also indicates a weakening of the movement in the non-credit sector.

While the total working capital of all types of societies increased from Rs 306.34 crores at the end of 1951-52 to Rs 327.10 crores by the end of 1952-53, ie, by 6.7 per cent, the bulk of it came from increases in the owned funds of the societies themselves, deposits from individuals and other sources and from borrowing from land mortgage banks and societies on debentures. Though the deposits from primary societies and other co-operative institutions also showed an improvement, it was not large enough to contribute materially to the improvement in working capital. Indeed, the increase of the ratio of owned funds to total deposits from 79.1 per cent in the previous year to 83 per cent in the year under report raises the pertinent question whether or not this is to be regarded as a healthy trend at all. The resources of the societies are too inadequate to meet the demands on them. Continued dependence on external agencies for finance has often been regretted but cannot be helped. It is the other trend, which was so prominent during the year, which is equally an undesirable feature of the movement.

Taking a broad view of development in co-operation since the beginning of the war, it will be seen that working capital has substantially increased. If the average for the five years to 1939-40 is taken as the base, the total working capital expanded from 105 crores roughly to 327 crores in 1952-53, ie, by some 203 crores. This increase was made up as follows:

Share capital	40
Deposits from members ..	16
Deposits from societies ..	13
Loans from Provincial Banks	21
Loans from Government ..	14
Loans from non-members and other sources ..	62
Borrowing from land-mortgage banks ..	14
Reserve funds	23
Total	203

It will be noticed that the most substantial part of the increase came equally from loans and deposits from non-members and other sources, and from share capital and reserve funds, the last two taken together amounting to the same figure as the first item. Contrary to popular belief, however, though Government assistance has increased substantially in recent years, up to the period of the report it was not one of the major items making up the total.

The substantial increase in share capital while deposits lag behind, needless to say, is highly deceptive in that it shows no increase in the savings of the members held in this particular form in preference to deposits. On the contrary, the figures of share capital represent forced saving in that taking up of shares is a condition precedent for availing of borrowing facilities.

To return to the developments in 1952-53, there was a precipitous fall in the amount of loans advanced by Apex and Central Banks alongside a slight increase of Rs 1.1 crores in the loans advanced by primary societies. The total loans advanced by the former fell by 2.2 per cent from Rs 97.95 crores in 1951-52 to Rs 95.86 crores in 1952-53. The report ascribes this to the lack of demand for funds for dealings in controlled commodities following the relaxation of controls during the year.

A particularly disturbing feature is that 'loans outstanding' have been going up faster than 'loans advanced'. The total outstandings of all banks amounted to nearly Rs 20 crores at the end of June 1953, percentage of overdues being 18.6 per cent in the case of individuals and 16.5 per cent in the case

of banks and societies as against 12.6 per cent and 16.4 per cent respectively at the end of the previous year. From the point of view of strength, stability and progress, this trend has to be reversed. Allowing some margin for backwardness and other reasons, a very big percentage of overdues to outstanding remained to be collected in part 'B' States. In Bhopal and Vindhya Pradesh, it was as high as 99 per cent and 98 per cent respectively.

The rates of interest charged by the primary agricultural societies also call for comment. Even in States where co-operation is relatively well developed, eg, Bombay and Madras, the rates are still high; in some States like Assam, Madhya Pradesh, Punjab, Uttar Pradesh, Pepsu, Rajasthan and Manipur, they are as high as 12½ per cent. And this, when the Reserve Bank lends at 1½ per cent and the Government provides large loans on nominal interest.

Inadequate local deposits or the uneconomic size of the Central Banks in some of the States cannot justify the usurious rates of interest still charged. Elimination of the long chain of intermediaries and determined efforts to reduce service cost will certainly lead to substantial improvement in the situation.

With the recommendations relating to the reorganisation of the co-operative movement made in the Rural Credit Survey, and with the efforts of the Central Committee for Co-operative Education to plan and organise the training of personnel together with the large-scale efforts of the Planning Commission, the co-operative movement should be able to look forward to better days ahead.

Table I—Progress of Co-operative Credit Banks

(Amounts in Rupees Crores)

	Apex Banks			Central Banks			Primary Agricultural Credit Societies		
	1950-51	1951-52	1952-53	1950-51	1951-52	1952-53	1950-51	1951-52	1952-53
Number	15	16	17	505	509	505	115,462	117,010*	111,628†
Membership	20,932	23,272	25,611	107,074	231,318	248,650	51,53,907	54,24,321	51,26,002
Loans advanced during the year ..	42.1	55.3	39.9	82.8	105.6	65.6	22.9	24.6	25.7
Loans repaid during the year ..	38.2	53.3	40.6	77.2	101.8	64.9	18.3	19.3	21.2
Loans outstanding at the end of the year	17.9	20.0	19.9	34.1	35.9	35.9	29.1	34.6	37.7
Investments	11.4	11.3	13.4	14.1	16.8	17.6	1.2	1.13	1.5
Owned funds	3.8	4.2	4.9	8.8	9.8	10.7	17.3	19.2	19.3
Deposits	22.1	21.2	24.2	37.8	38.2	39.1	4.5	4.42	4.4
Other borrowings	8.5	11.3	9.5	9.7	12.1	11.5	19.2	23.13	25.5
Working capital	34.4	36.7	38.6	56.3	60.1	61.2	41.0	46.8	49.2
Ratio of Deposits to Working Capital	64.3	57.8	63.0	67.1	63.7	63.8	10.9	9.7	8.9

* Includes 9,085 Grain Banks.

† Includes 7,013 Grain Banks.

Table II—Transactions of the Primary Societies

(Rs crores)

	1948-49	1949-50	1950-51	1951-52	1952-53
Loans advanced by primary societies during the year	60.06	70.56	86.57	97.95	95.86
Loans repaid during the year ..	50.56	59.45	72.66	84.57	86.37
Loans outstanding at the end of the year	61.84	71.37	83.86	97.29	106.09
Loans overdue at the end of the year ..	7.80	8.91	9.78	13.10	16.38
Percentage of overdues to outstandings at the end of the year ..	12.6	12.5	11.7	13.5	15.4

Working Capital for All India
(Rs in crores)

	1935-36 to 1939-40	1952-53
	(Average)	
Share Capital	13.6	53.4
Loans and Deposits from:		
Members	9.5	25.2
Societies	4.0	17.4
Provincial or Central Banks ..	24.5	55.3
Government	1.3	15.1
Non-members and other Sources	29.4	91.3
Borrowings of Land Mortgage Banks and Societies	4.8	19.2
Reserve and other Funds	17.5	50.3
Total	104.7	327.1

CURRENT STATISTICS

BANKING RETURNS (Rs Crores)					JUTE STATISTICS				
	Latest Week†	A Week ago	A Month ago	A Year ago		Feb 1955	Jan 1955	Dec 1954	July to Feb '54-55
Reserve Bank					Production ('000 tons)				
1. Note circulation	1322.77	1291.59	1281.19	1226.28	Hessian	32.3	32.5	36.8	264.8
2. Rupee Coin	105.44	102.09	101.11	97.44	Sacking	46.4	48.5	54.4	373.6
3. Deposits					Others	3.1	2.9	3.1	22.1
a) Central Government's	57.81	65.02	55.22	60.61	TOTAL	81.8	83.9	94.0	661.3
b) Bank's	44.95	46.27	48.47	42.33	Total Production in the corresponding months of:				
c) Other Government's	30.16	61.59	18.51	27.08	1953-54	68.3	67.3	77.8	569.2
d) Others†	21.52	21.84	21.68	45.38	1952-53	68.3	73.0	78.8	597.2
4. Foreign Securities	651.98	626.98	678.15	678.15	Stocks: * ('000 tons)				
5. Balances held abroad	73.96	97.77	52.73	74.77	Hessian	26.7	24.0	23.3	—
6. Rupee Securities	533.75	533.75	472.64	421.34	Sacking	55.1	51.4	45.2	—
7. Investments	47.23	47.78	51.36	64.99	Others	1.3	1.2	1.3	—
8. Loans and advances to Governments	1.19	—	1.20	1.66	TOTAL	83.1	76.6	69.7	—
Scheduled Banks					Stocks at the end of the corresponding months of:				
1. Demand liabilities (net)	575.03	567.39	575.53	533.16	1953-54	95.4	95.7	98.6	—
2. Time Liabilities	376.37	376.88	371.29	325.41	1952-53	136.1	128.4	115.0	—
3. Cash on hand	32.73	31.61	33.29	31.33	Despatches: † ('000 tons)				
4. Borrowings from Reserve Bank	37.90	37.07	17.32	22.37	Hessian	29.3	31.6	39.8	275.4
of which against					Sacking	43.4	42.8	49.6	369.5
Usance Bills	27.17	28.25	8.26	9.06	Rope, twine, etc	2.1	2.2	2.5	16.9
5. Advances and Bills discounted	632.52	622.57	601.64	545.50	TOTAL	74.8	76.6	91.9	661.8
of which Imperial					Total despatches in the corresponding months of:				
Bank's	129.19	128.99	124.01	124.96	1953-54	68.1	68.5	75.5	605.4
6. Investments	344.31	344.17	347.48	318.83	Raw Jute Consumption: (lakh bales of 400 lbs each)				
of which Imperial					1954-55	4.84	4.84	5.46	36.93
Bank's	94.64	93.70	92.03	81.50	1953-54	3.96	4.03	4.53	33.01
Cheque Clearance	126.95	161.03	114.65	139.57	1952-53	3.93	4.22	4.62	34.86
† For Reserve Bank and Cheque Clearance week ended 8-4-55. Scheduled Banks week ended 1-4-55.					IJMA Mills' purchases of raw jute (lakh bales)				
					Pakistani	0.90	0.86	0.36	6.86
					In corresponding periods of:				
Bombay Money Rates	8-4-55	1-4-55	11-3-55	9-4-54	1953-54	0.49	0.45	1.12	5.65
Inter-Bank Call Rate	2 7/8	2 7/8	2 7/8	2 7/8	1952-53	0.25	0.31	0.40	9.66
3 months deposits	3 1/16	3 1/16	3	3	Indian	3.21	5.42	4.11	34.57
6 months deposits	3 1/16	3	3	2 7/8	In corresponding periods of:				
					1953-54	2.22	3.31	4.30	26.83
					1952-53	3.60	2.06	4.01	27.44
Bombay Bullion	14-4-55	A Week Ago	A Month Ago	A Year Ago	* Stocks at the end of the month.				
Gold Spot (per fine tola)	96- 1	93- 11	93- 6	93- 3	† Despatches include exports and sales for internal consumption.				
„ Forward „	94- 1	93- 3	92- 4	92- 13					
Silver Spot (per 100 tolas)	167- 0	165- 6	166- 12	169- 12					
„ Forward „	163- 8	164- 8	165- 12	169- 12					

Source: Monthly Summary of Jute and Gunny Statistics issued by the Indian Jute Mills Association.

INDEX NUMBERS OF WHOLESALE PRICES LATEST "ALL-PAKISTAN" CROP ESTIMATES

(Base: Year ended August 1939 = 100)

1954-55

Group and Sub-group	Week ended 26-3-55	A Week Ago	A Month Ago	A Year Ago	1954-55	1953-54	% Change
I. Food Articles	293.0	296.5	300.5	378.0	Rice (second)		
Cereals	336	340	344	432	Area ('000 acres)	22,781	23,568 — 3.3
Pulses	227	229	232	371	Wheat (final)		
Others	245	248	252	299	Area ('000 acres)	10,651*	9,507† +12.0
II. Industrial Raw Materials	400.1	406.3	433.0	461.4	Production ('000 tons)	3,683*	2,438† +51.1
Fibres	429	446	479	446	Bajra (first revised)		
Oilseeds	334	326	358	518	Area ('000 acres)	2,393	2,422 — 1.2
Minerals	423	431	416	430	Jowar (first revised)		
Others	475	481	482	404	Area ('000 acres)	1,304	1,324 — 1.5
III. Semi-Manufactures	331.9	332.1	337.2	357.2	Maize (first revised)		
Leather	391	391	390	387	Area ('000 acres)	1,025	1,004 + 2.1
Mineral Oils	221	221	221	221	Sugarcane (second)		
Vegetable Oils	348	347	375	484	Area ('000 acres)	962	864 +11.3
Cotton Yarn	439	440	440	450	Tobacco (final)		
Metals	243	242	242	238	Area ('000 acres)	193*	174† +10.9
Oilcakes	277	282	297	417	Production ('000 lbs)	201,988*	164,771† +22.6
Others	331	331	337	306	Sesamum (second)		
IV. Manufactures	374.5	376.1	376.1	375.8	Area ('000 acres)	209	208 + 0.5
Textiles	416	419	420	419	Linseed (first)		
Jute	450	469	475	415	Area ('000 acres)	75	72 + 4.2
Cotton	407	407	409	413	Cotton (second)		
Rayon & Silk	468	468	455	526	Area ('000 acres)	2,813	3,120 — 9.8
Woollen	310	310	310	313	Jute (final)		
Metal Products	340	340	340	337	Area ('000 acres)	1,150	760 +51.3
Others	287	287	284	286	Production ('000 bales of 400 lbs each)	2,708	2,503 + 8.2
V. Miscellaneous	545.6	554.6	559.0	690.0			
All Commodities	349.3	352.3	358.8	396.8			

Source: Ministry of Food & Agriculture, Pakistan

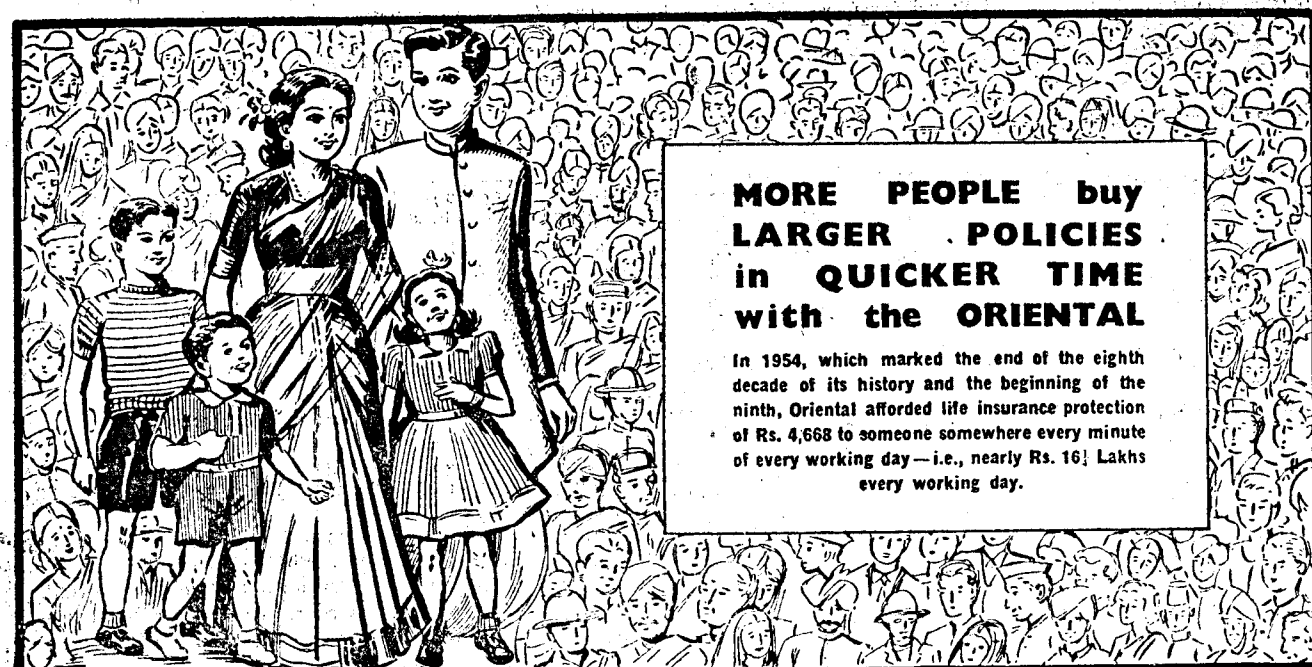
INDUSTRIAL PRODUCTION

	Units	1955				1954				Monthly Average	
		Jan	Dec	Nov	Oct	Sept	Aug	July	1954	1953	1952
I. Consumer Goods											
(1) Cotton Textiles	crore yds	43.7	45.10	42.1	37.9	41.2	41.6	44.1	41.8	40.65	38.3
(2) Woollen Manufactures	lakh lbs	20.27	16.80	18.25	17.05	17.49	17.45	17.82	16.87	16.04	13.82
(3) Matches	'000 cases	—	—	48.5	41.9	44.9	47.6	46.3	—	49.2	50.7
(4) Sewing Machines	Nos	6,428	8,130	7,143	3,896	6,166	6,301	7,105	6,685	5,202	4,170
(5) Vegetable Oil Products	'000 tons	18.2	16.91	19.62	17.95	15.98	14.45	16.75	19.23	15.97	15.90
II. Raw Materials or Intermediate Goods											
(1) Cement	'000 tons	375.9	394.4	367.8	372.3	361.5	342.5	365.1	366.5	315.0	294.8
(2) Chemicals:											
(a) Sulphuric Acid	"	—	—	12.61	13.55	13.06	14.46	11.93	—	9.1	8.0
(b) Caustic Soda	"	—	—	2.33	2.60	2.60	2.61	2.34	—	1.91	1.42
(c) Soda Ash	"	5.95	5.26	3.50	4.34	3.33	3.79	3.13	4.02	4.74	3.69
(3) Coal	lakh tons	31.53	35.03	33.2	29.2	3.17	29.6	29.7	80.6	29.9	30.2
(4) Cotton Yarn	lakh lbs	13.50	14.30	13.50	12.30	13.10	13.20	13.60	13.04	12.55	12.08
(5) Jute Manufactures	'000 tons	83.9	94.0	88.6	75.1	79.0	78.2	80.7	77.3	72.4	79.3
(6) Non-ferrous Metals:											
(a) Copper	tons	336.0	642.0	630.0	665.0	605.0	606.0	623.0	602.5	410.0	596.6
(b) Aluminium	"	486.2	488.4	465.8	498.6	56.70	514.6	438.6	407.2	313.2	297.2
(c) Lead	"	225.0	240.0	200.0	77.5	94.5	139.0	150.0	139.8	141.2	94.3
(d) Antimony	"	—	46.0	51.5	80.0	85.0	35.9	5.8	45.0	10.9	15.1
(7) Paints and Varnishes	'000 tons	—	—	2.48	2.78	2.60	3.10	2.98	—	2.67	2.68
(8) Paper and Paper-boards	"	—	12.7	15.0	13.96	13.00	12.80	13.25	12.6	11.64	11.46
(9) Iron and Steel											
(a) Pig Iron	"	—	—	153.2	151.7	140.6	153.4	146.0	—	137.9	140.4
(b) Steel Ingots and Castings	"	—	—	143.3	143.2	133.1	140.4	141.4	—	125.6	131.5
(c) Semi-finished Steel	"	—	—	123.3	120.6	119.2	123.5	122.5	—	102.5	109.0
(d) Finished Steel	"	—	—	112.8	105.0	102.5	99.3	100.4	102.9	100.6	84.8
III. Capital Goods											
(1) Machine Tools	'000 Rs	—	—	291.5	414.7	409.7	382.1	551.1	—	367.3	369.8
(2) Diesel Engines	Nos	—	1,047	851	640	718	625	704	721	310	354
(3) Electric Motors	'000 HP	17.8	—	16.5	13.8	16.0	16.0	17.6	—	13.6	13.1
(4) Power Transformers	'000 KVA	—	—	35.4	28.6	39.3	35.7	39.4	—	25.7	17.9
IV. Transport Equipment											
(1) Bicycles	'000 Nos	—	—	42.11	26.97	23.78	29.72	31.55	—	22.01	16.41
(2) Automobiles	Nos	—	1,948	1,372	1,276	1,377	1,293	966	1,205	1,160	1,274

Source: (i) Directorate of Industrial Statistics.

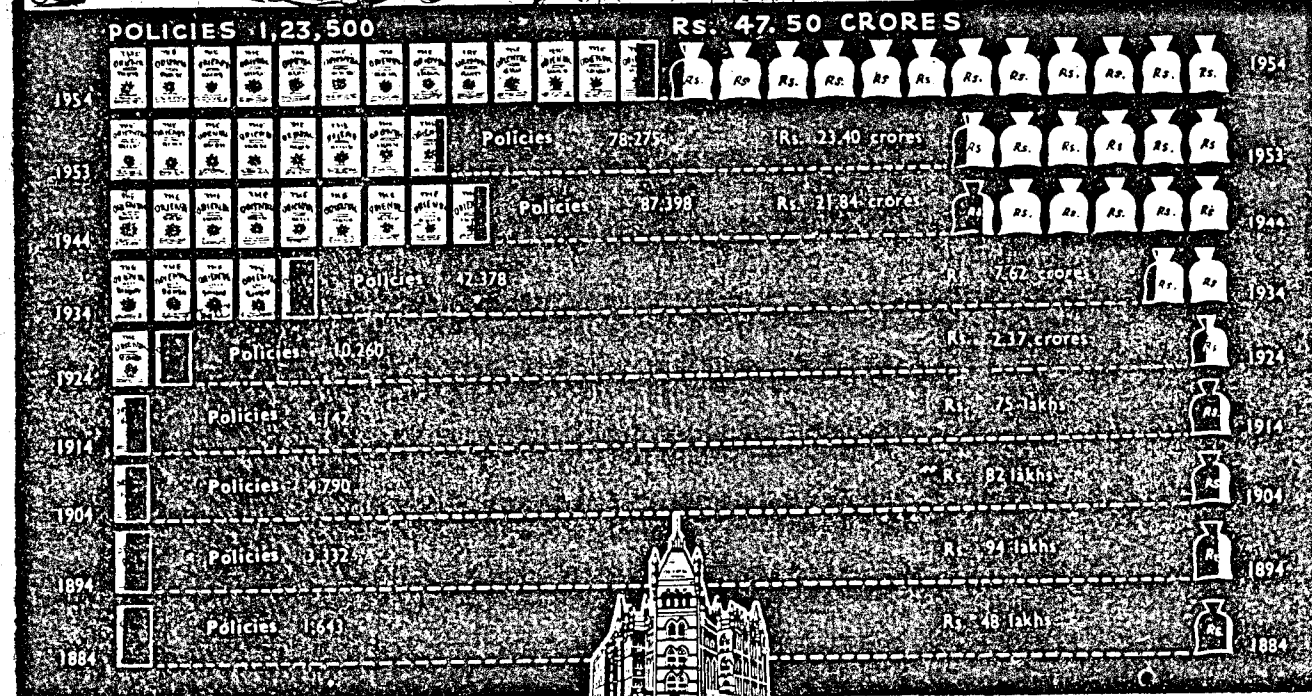
(ii) Indian Trade Journal

Edited by Sachin Chaudhuri, printed by him at Western Printers & Publishers, 15 and 23 Hamam St., Bombay 1, and published by him for The Asian New Age Publishers Ltd., from Noble Chambers, Parsee Bazar Street, Bombay 1. Business Manager: A. Fernandes.



MORE PEOPLE buy LARGER POLICIES in QUICKER TIME with the ORIENTAL

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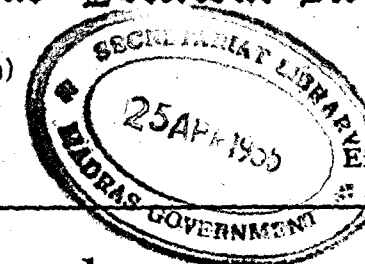
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Bandung

FOR the first time in history, twenty-nine Asian and African nations are now assembled at Bandung to discuss problems of common interest. Deliberations of the Asian-African Conference to date belie fears, expressed at the time when the proposal was first mooted at Colombo a year ago, that there can be no useful purpose in holding a Conference of nations which have no geographical, or political, or economic interests in common. To Indonesia, a south-east Asian Power with affinities to Africa and the Middle East, goes the credit of initiating such a Conference. Enthusiastic response to the invitation, issued to the Asian and African nations after the meeting, some months ago, of the Colombo Powers in Indonesia, was ample indication of her faith in such a Conference. It is inevitable that opinions will differ on issues discussed by a Conference of nations with such varied social, political and economic interests. But the proceedings to date will assure those who are familiar with the bickerings and indecisive discussions at the United Nations.

Bandung was expectantly awaited if only because there the Asian and African nations were to have the first opportunity to discuss their common problems informally, but intimately, with China and Japan. China has emerged as one of the most powerful nations not only in these regions, but in the whole world. Japan's re-gained world status is beyond dispute. According to the preamble to the Indo-China Agreement on Tibet, Peking is committed to Panch Shila as the basis of relations between China and the nations of the world. China's adherence to the Five Principles of Peace was reiterated by Mr Chou En-lai in his joint declarations with the Indian and Burmese Prime Ministers. In his inaugural address before the Bandung Conference, he has re-affirmed China's desire to be at peace with the world, and to maintain regional and world peace through negotiated settlement of disputes. There is nothing in the Five Principles which can be repulsive to Japan. Inaugural address of the head of the Japanese delegation is reassuring. He is emphatic in his assurance that Japan has abandoned her policy of militarist expansionism, and that she is eager to live in peace with her neighbours and the world.

Much has happened since the Geneva Agreement to emphasise the importance of Bandung. Developments in South Viet Nam threaten to prejudice that Agreement. SEATO is widely condemned in Asia and Africa as a violation of the spirit of the Geneva Agreement. America's pledge to defend Formosa is an obstacle to peace in the Far East. In the Middle East, there is opposition to the Turco-Iraqi Pact. In many parts of Africa, political arrangements are being perpetuated which are resented by the peoples directly concerned. Some of these developments are instances of interference in Asian and African affairs by outside Powers. Some others represent imposition and enforcement of policies without the consent of the peoples and nations concerned. These and similar other related problems will inevitably be discussed in detail at Bandung. From the statements made so far, it is clear that all the nations assembled at Bandung are united in their

opposition to colonialism and racialism. Bandung will emphatically endorse Pandit Nehru's warning to the Western Powers not to interfere in Asian and African affairs, nor to try to solve their problems without consultation and consent of the peoples and nations directly involved.

It is neither the intention nor the purpose of the Bandung Conference to form an Asian-African Bloc; or to create any regional military organisation like NATO and SEATO. Bandung is not a move against the United Nations. There is emphasis on the application of the principle of self-determination throughout Asia and Africa. Colonialism and racialism are to be fought jointly and collectively. There is re-affirmation of the resurgent East. But there is no hostility to West, or to the United Nations, dominated by the Big Western Powers. Bandung's major purpose is to proclaim the principle of world peace through negotiation, mediation and conciliation. Colombo Powers are already converts to the principle of attaining and preserving peace through negotiation. Their intention is to extend the area of peace to the whole of Asia and Africa. From the enunciation of Egypt's policy by her Prime Minister, it is clear that the Colombo Powers have an influential ally in Egypt, the leader of the Arab world, in the pursuit of their aims. Asian and African nations are opposed to military pacts and alliances as major means of maintaining regional or world peace. They are determined to resist aggression. But they are equally determined to eliminate threats of aggression through mediation of issues in dispute. In accepting national sovereignty, they undertake not to interfere in the internal affairs of nations. But the proceedings at Bandung have already made it clear that, though committed to non-interference in domestic affairs, they are eager to use their good offices to solve the issues in dispute among some of them.

Final assessment of Bandung must necessarily await the conclusion of the Conference. It is certain that Bandung will go down in history as the visible symbol of the resurgence of Asia and Africa during the second half of the twentieth century. Bandung should be regarded as the logical sequel to, and culmination of, the development which began in Paris some years ago.

It was during one of the rare sessions of the General Assembly of the United Nations at Paris that Pandit Nehru reminded the West that Asian affairs and problems could no longer be discussed or solved in the context of Europe alone. To Paris also can be traced the beginning of the assertion by the small Powers of their growing importance in world affairs. It was when the Berlin Blockade emerged as an imminent threat to world peace that the small Powers asserted their new world status and respon-

sibilities. There was deadlock in the negotiations among the Big Powers concerned. At that crucial phase of the Berlin Blockade, the small Powers had the diplomatic wisdom to initiate informal talks, under their auspices, among the Big Powers. This effort to preserve peace was successful. A compromise solution was found during those informal discussions. War was averted. This was the origin of the Arab-Asian Bloc in the United Nations. On all major disputes in many parts of the world, this Bloc has exercised a restraining influence. Its efforts at solving disputes through negotiation have been in direct contrast to the Western Powers' exclusive reliance on collective security to maintain world peace.

Bandung is not the beginning, but an emphatic reminder of emergent Asia and Africa, and of the growing importance of small Powers in world affairs. These are international developments which are already well established. Bandung has wider implications. It is an attempt by the Colombo Powers to extend the area of peace throughout Asia and Africa. By endorsing Panch Shila as the foundation of relations among nations, Bandung is expected to ensure peace and amicable relations among Asian and African nations. Bandung is essentially an effort to maintain peace in the vast regions of Asia and Africa through negotiated settlement of disputes among the nations concerned. Bandung has a more ambitious objective. There will be hope that Bandung will be a beacon to the wider world to live in peace through settlement of disputes by conciliation. Peaceful co-existence is not the prime objective of Bandung, though the progressive application of the principles proclaimed by the Colombo Powers should result in peaceful co-existence. Asian and African nations assembled at Bandung owe a responsibility to ensure world peace in conformity with their growing world status. They have a common interest in world peace. Bandung can not only enhance the importance of small Powers, but can prevent a third world war by an active and collective endorsement of the Ceylonese Prime Minister's call to Asia and African Powers to offer their good offices as mediators in the conflict between the Capitalist Powers and Communist States.

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India and Lancashire

INDIA's emergence as an exporter of cotton textiles in world markets does appear, in retrospect, to have taken her own textile interests and her Government by surprise rather than the others. To whom should the credit for it go? Is it our just desert or merely a fluke? Like augurs of old examining the entrails of a goose, our millowners take a hurried peep at the Japanese mills and come back with woeful tales of our own deficiencies; gloomy forecasts follow about the impending disappearance of Indian cloth from world markets, unless this or that were done. There are variations on the theme but the keynote is the same: reduction of excise duty and "hands off cloth". The Government torn between the importunities of the millowners and pleadings of Gandhians in their own camp, mindful of the political danger of the rural unemployed or under-employed making common cause with handloom weavers in distress, vascillate and try to maintain an uneasy peace on both fronts.

What has brought up this country as a leading exporter of cotton textiles, whether it is the technical excellence of the industry, managerial ability of the millowners, the skill of the textile workers or the self-denial of the cotton grower who has to remain content with a price below world parity—the question has never been answered clearly. Disturbing uncertainty remains about the chances of our being able to maintain textile exports. Every fluctuation in monthly or quarterly figures is bewailed and gives rise to gloomier forebodings. Those who claim to read the future from the past are even today bemoaning the fall in cloth exports in the first quarter of the year to 192.5 million yards from 232.8 million yards in the first quarter of last year. Indian cotton textiles have lost ground to Japan in Burma, which has discontinued the preferential duty so long enjoyed by them; our position in the Sudan is threatened because we declined to buy high priced Sudan cotton, in view of the bumper cotton crop at home and so on and so forth. In these figures is writ large the increasing inroads of Japan in the markets of Asia and Africa. True, there is concerted action, or at least a move for export promotion—standardisation of

packing, inspection before shipment and such others, the usual routine checks for removing tares from corn and preventing malpractices of the garden variety.

The same vascillation, arising from the uncertainty at heart, have led the Government, very unwisely it seems, to receive the British Mission which came to negotiate reduction of import duties on British textiles. Exports of Indian cotton textiles to Britain last year reached the record figure of 133 million sq yards, seven times as much as in 1953. More than half of it, however, was for processing and re-export. To that extent, India is helping Lancashire to utilise its processing capacity; it will not pay Lancashire to produce grey cloth, the cost would be too high.

The reasons why Lancashire has not shared Tory prosperity in Britain—"it is a forgotten community"—is not Indian competition, fair or unfair. Last year, while India increased her exports to Britain sevenfold, British exports of textiles were the lowest for a 100 years; lower, in fact, for any year since the 1840's. There is no uncertainty and little disagreement about the causes the world has changed; other countries have developed their own textile production, consumer preference is moving away from cottons, in which Britain has no particular advantage anyway, to synthetics, the continent has already effected the change-over, Lancashire has to adjust or drop out. Meanwhile, Indian grey cloth can give and has given it breathing space.

It is silly to suppose that Tories can be happy to see this pioneer of industrial revolution fallen on such evil times. That the British Chancellor of the Exchequer did not yield to Labour agitation for restricting imports of Indian cloth was for the very sound reason that restrictionism is no solution for any of Britain's problems and in the case of cotton textiles, placed as she is, it would only have meant opening the door wide to imports from other countries, particularly Japan. Hence the search of a solution by exploring possibilities of increasing exports, among others, to India.

New Delhi was unwise in countenancing this move, for the simple

reason that its own commitment in the matter of excise duties leaves it little scope for a downward adjustment of import duties, particularly when it is its firm policy to restrict imports to luxury goods and British textiles that may find a market here belong clearly to the latter category. At the annual meeting of the Bombay Millowners' Association held this week, Mr Burns pointed out, quite unintentionally perhaps, how tightly the Government's hands are tied. Excise duty and cess on some of the superfine varieties of cloth, he worked out, amounted to 22 to 25 per cent *ad valorem*; they reach as high as 28 per cent in some categories and are not lower than 15 per cent in the case of finer varieties. Britain for her own reasons has been trying to get Japan admitted into the GATT; Japan is now entitled to the most favoured nation treatment which ties down India so badly that it is not possible for her to offer any substantial inlet to British textiles, without inviting a flood of imports from Japan. Even if this measure of accommodation were extended to Britain, it is doubtful, how far she would gain.

Indian exports of cotton textiles to Britain, however, cannot be viewed in isolation. Britain herself would shrink from pressing for it. In yardage however fantastic last year's cloth exports to Britain might look, in terms of value they accounted for no more than £16 m out of a total export from India to Britain of £148 m. That cloth exports were so much higher than a year ago, is quite another matter. On the other hand, British exports to India last year amounted to £115 m and exports of textile machinery alone to nearly £7 m as against her imports of Indian cloth of £16 m which was, in any case, an all-time record. If some modest adjustment of duties could be made, consistent with our policy in other respects, it would not be such a bad idea to allow some marginal imports of finer textiles to give just a little healthy shake-up to the select group of mills in this country which go in for this luxury type of product and reap a reward out of all proportion to their efforts. But the possibilities are limited and the chances of disturbing the complacency of favoured mill magnates remote in the extreme.

Weekly Notes

Criminal Procedure Code and the Press

THE press is with us late and early, except for Londoners who have not had a newspaper to look at for many weeks now except the *Daily Worker*. Indeed, the press strike has come to be accepted and almost overlooked. That London has been without newspapers for so many weeks and yet the skies have not fallen, has shaken, for the first time, the third estate. Fleet Street has begun to be nervous: so people can do without them; the quip about one not being able to pack one's lunch with a radio has begun to wear a little thin. Here, however, the press has been very much with us, particularly with the Home Minister, who is carrying the mantle of his predecessor manfully and sticking up for the clause in the Amendment Bill to the Code of Criminal Procedure, now before Parliament, which protects public servants from libellous attacks from the yellow press. The words are not exactly these; but that is the intention.

Knowing that the Home Ministry is dead-set on getting this clause through, it is an agreeable surprise to find a dyed-in-the-wool Congressman taking up the cudgels on behalf of the press in the staid Rajya Sabha which is supposed to hold elder statesmen who should be on the side of order and decorum, rather than countenance scurrilous writing. Speaking in support of the bill, which is parliamentary good form—comparable to loyalty to the throne resolution with which the Congress used to begin its sessions in the pre-Gandhian days—Shri Raghavendra Rao attacked the clause which authorises civil servants to sue offending newspapers for defamation at Government expense. The points made by Shri Raghavendra were many—to protect the innocent from calumny is a laudable objective, but why discriminate in favour of public servants and leave others, honest citizens, exposed to the same risk? Why, again, protection from the printed word and not from the spoken word which can be as foul and hit just as hard? Then, there is the definition of 'defamation'. "Will it not be a double-edged

weapon whereby even an honest press, for want of sufficient sources for presenting the required evidence on the spot, may itself be hauled up? Have the framers of this measure ever thought of affording equal opportunities or making equal facilities available to the press also?"

A defamed public servant may be called upon, under this clause, either to present his defence and prosecute the press or face condemnation and departmental action. In law, it may be the Government that would sanction the prosecution, but in fact, it would be his superior officer who would first move in the matter. Thus the junior public servant would not only be left at the mercy of the yellow press, but also exposed to the whims of his superior, especially if the latter happens to be of a vindictive type. Will it not then institute a new tyranny? "Strangely enough," said Shri Raghavendra, "the Press Commission, which unfortunately happened to consist of an overwhelming majority of such eminent men, who have had nothing to do with the working and the life of the press, arrived at an unhelpful conclusion, and took a stand broadly in support of the defamation clause entirely in opposition to the interests of the press." Rather than this wrong measure, it is the Press Commission's other recommendation for setting up a Press Council which should be immediately implemented so that the yellow press may be handled properly. Instead of proceeding with it, why is the Government so persistent in pushing on with a measure that has been condemned by every section of responsible opinion in the country?

Student Unrest

STUDENTS in India have often been talked about and talked at; but seldom have been they been talked with. In that respect, the seminar sponsored by the Union Ministry of Education and the Indian National Commission for Co-operation with UNESCO at Hyderabad marks a pleasant departure. The nine-day seminar which started last Saturday has had the advantage of hearing the views of

both teachers and students on a subject of considerable urgency like "the problems of maladjustment in adolescent students and their academic and social surroundings". This question has been figuring frequently in convocation addresses of late; but the diagnosis attempted and the solutions suggested have had the defect of being one-sided and also perhaps somewhat too paternal for the taste of modern boys and girls. After all, the latter are the best judges of what goes on in their minds or causes that restlessness which has often resulted in acts of indiscipline and open revolt; and the present generation of teachers, brought up in a different atmosphere and a different social setting, can, with all their power of understanding, do no better than help the young to probe into the stresses to which they are subject and reveal their essential features.

We have no means of knowing how far the student representatives at the seminar felt free to participate in discussions or suggest solutions. Perhaps a seminar or a public conference, where comparative strangers meet to debate general issues, is not exactly the place for the diagnosis of delicate problems bearing on the complex workings of the human mind. Little groups of teachers and students meeting in a setting of friendliness, frankness and free understanding could perhaps tackle the task better. Nevertheless, it must be said to the credit of the seminar and its sponsors that they have indicated a new and welcome line of approach to the problem by encouraging students to have a hand in its solution.

The First Proper Land Census

HYDERABAD is one of the few States which have taken the census of land holdings seriously. It accepts the importance of accurate and reliable agricultural statistics for an appraisal of agricultural production and formulation of production targets, for a proper assessment of resources and for the implementation of land reforms as well as for watching their progress. Village records, prepared with reference to the registered occupants and not those who actually hold the

lands, convey very misleading information regarding rights in land. The State was therefore early impressed about the necessity of a proper record of rights in land. It has been carrying out the census with due care as the directives and instructions issued to revenue officials by the Land Reforms Division of the Board of Revenue will bear out. The preliminary results of the census for 36 of the talukas, covering a fourth of the area of the State, therefore, merit more than a passing notice.

These figures show that 87.7 per cent of the agricultural land belong to small holders owning less than the basic family holdings; 11.3 per cent belong to middle owners owning less than the ceiling but more than one family holding; and only one per cent of the owners are substantial holders, owning more than 4½ times the family holdings. For purposes of comparison, all land is converted into dry acres according to a standard rate of conversion.

The area covered by the census for which these preliminary results are out, includes Telengana, and in view of the recent history of this district, the findings would not be representative of the whole state, much less of other states. In the other districts of Hyderabad, the number of small holdings is not likely to be as large. An interesting finding of the census, however, is about the fragmentation of holdings. Ownership holdings in the area covered consist of four scattered plots on an average, the number depending on the size of the holding. Substantial owners own at least 10 separate plots. The significance of the latter finding need hardly be emphasized. Large holdings do not mean cultivation in big consolidated farms though so far as economies of cultivation are concerned, this does not rule out those arising from marketing and finance, if not from management also.

India and America

A DIPLOMAT has to be diplomatic in his actions and statements. Mr Sherman Cooper, the new American Ambassador to India, has begun well. At his first Press Conference in New Delhi, Mr. Cooper is reported to have observed that there is no contradiction between Panch Shila, as enunciated by Pandit Nehru, and the basic policies of the American Government. Even those who may disagree with this statement will admit that there should not be any con-

tradiction in the foreign policies of these two friendly nations.

Both India and America are members of the United Nations. Panch Shila is not in contradiction with the fundamental principles of the UN Charter. To emphasise this is not to accept that there is no contradiction between the foreign policies of America and of India. America, like India, desires world peace. But America differs with India about the means to attain and to preserve world peace. America relies on collective security to deter aggression and to maintain world peace. India's foreign policy is based on her conviction that disputes among nations can be settled through mediation.

According to news agency reports of Mr Cooper's Press Conference, Mr Cooper is reported to have admitted that there has been some misrepresentation about India's foreign policy of non-alignment. But he is reported to have assured his audience that there is now greater understanding in America of India's foreign policy of non-alignment. It is good to know that India's foreign policy is now better appreciated in America. But, from Mr Cooper's

Letter to the Editor

"Malodorous Indecorum"—A Protest

I READ with interest your comments in the Weekly Notes under the caption "Malodorous Indecorum" which appeared in the last issue. I am afraid that you have missed the main point in Dr Keskar's speech referred to in the note. If you had listened to the speech or read it carefully, you would not have taken this point for comment. Dr Keskar's contention was that Ministerial interference is inevitable under certain circumstances. According to him, it is the duty of a civil servant, high or low, to carry out the policy decisions taken by Ministers. No officer of the Government can be a law unto himself. If any officer is not in agreement with the policy laid down and becomes indifferent in carrying out the directives, some sort of interference is inevitable and in such cases if the officers concerned approach Members of Parliament and the latter raise the bogey of Ministerial interference, it is unfair to the Minister. After all, it is the Minister who is responsible to the Parliament for the policy of his

definition of it, it seems doubtful whether Washington is even now aware of the basic essentials of India's foreign policy.

One of the prime responsibilities of an Ambassador is to interpret the country to which he may be accredited, to his own Government and the people. Mr Cooper has a responsibility to interpret India faithfully to his own country and Government. To enable him to discharge this responsibility, it is necessary for him to appreciate India's foreign policy in its proper perspective. Non-alignment may be an incidental aspect, but it is not the essence of India's foreign policy. India's foreign policy is based on Panch Shila. It is not a negative, but a positive influence. India is neither neutral nor non-interventionist in the passive sense. Her positive foreign policy is reflected in her active efforts to ensure peace in Korea and in Indo-China through mediation. India is not only interested in extending the area of peace. She is equally active in co-operating with all Powers in maintaining and in preserving peace through negotiation. To define such a foreign policy as one of non-alignment is to misinterpret it.

ministry.

Another point made by Dr Keskar related specifically to the AIR. The methods of recruitment, conditions of service, functions of the various categories of officers, etc, were all in a mess in this particular department because the All-India Radio had developed under emergency conditions. It was, therefore, inevitable that when reorganisation and regularisation of service took place, there were a few who had been adversely affected. In fairness, a Minister should be judged only by the policy he adopts and the way in which he gets it implemented. If Ministerial interference makes the implementation of the accepted policy difficult, then also the Minister concerned deserves blame, but to quote a particular sentence uttered under provocative circumstances, out of the context in which it was uttered, is hardly fair.

Delhiman

New Delhi,
April 19, 1955

Economics of Afro-Asian Countries

OF the African countries represented in the Conference, Gold Coast and Liberia have little contact through trade, history or politics with the other countries, the only common bond being that they are slowly emerging from subjection. The pattern of the economy in tropical Africa is basically agricultural; population density is usually low; self-sufficient village economies are the prevailing type, interspersed with plantations and mining, both developed with foreign capital and technique. Some of them are major producers of minerals. Gold Coast, for example, is a substantial producer of bauxite and the third leading producer of manganese in the world. In recent years manganese imports from this ex-colony have been overtaking imports from India in the UK market. Africa in 1951 accounted for 54 per cent of world production in manganese.

The countries of North Africa, however, are of a completely different character. Here population density is extremely low, compared to the total land area, but pretty high, to the extent that there is stable agriculture, if comparison is confined to those who wrest a living from the limited cultivated area. Countries west of Egypt, however, are still largely pastoral.

In the Middle East also, density is very low, but compared to the cultivable area, it is high. On a pastoral-cum-primitive agricultural economy, economics of oil has made a deep and disturbing impress. Middle East production of oil is only 15 per cent of the world total and US still leads, with half the world's production. The proved reserves of the Middle East, however, exceed those of the US. The land surface is largely mountain and desert; cultivable area hardly comes to 5 per cent of the total. Inequality of incomes and wealth has always been far greater than even in South East Asia because of the land holding system; it is being greatly intensified by the impact of oil economies.

Turkey, however, though geographically a northern extension of the Middle East, is in many ways very different from the rest. Among other things, it is a substantial exporter of wheat. There is not much beyond oil that Middle East exports besides dry fruits and a little grain

and some pastoral products. The countries are dependent on imports for almost all their requirements of manufactured goods.

Egypt again is different. It has a valuable export crop in cotton, also other exports, a fairly developed banking system and it has made a beginning in industry.

Though important exporters of plantation crops and minerals, developed largely under the aegis of foreign capital, it is the substantial development of agriculture, despite very low yields, which marks out South East Asia sharply from the countries of Middle East and Africa. Excessive dependence on exports of these crops is also a feature of these economies. Not only is 50 per cent

of the national income of the countries of South East Asia derived from agriculture and only 10 per cent from industry, but for many of them, exports form 13 to 15 per cent of the national product; for Burma and Ceylon, the proportion is more than double. Bulk of the exports is primary products, accounting for more than 80 per cent of the total; for countries like Pakistan, Ceylon and Thailand, it is even higher. Moreover many of these countries depend only on one or two commodities for their export earnings, Burma solely on rice, Pakistan on cotton and jute, Ceylon on tea and rubber. Since these exports find a market principally outside the region, the economies of these countries are highly susceptible to fluctuations in the world economy through the changing world demand for these products.

Though basically their economies are competitive, those of Japan and to a certain extent of India are complementary in that the latter two countries have manufactures to export which all these countries have to import. If China develops industrially, it may be able to complement the other countries. Therefore, possibilities of closer trade relations between these groups of countries depend on the progress of industrialisation in India, China and Japan. Between China and Japan, again, there is a high degree of complementarity, in that Japan has to export food and raw materials; China can supply some of these and can offer in turn a market for the industrial products of Japan.

Though broadly competitive, it will be seen there is also a degree of complementarity, which would appear to be much greater than it appears on the surface, if certain other factors, normally not reckoned in international trade, are taken into account. When these countries were under colonial rule, some degree of specialisation developed, and this was made possible because of their political subjection under the same power. That is how Burma could develop its rice production and exports; India imported rice from Burma and exported labour and personnel of various types and services such as banking, insurance and lately shipping.

Area Population Density			
	('000 sq kms)	(millions)	per sq kms
Africa			
Gold Coast	204.1	3.7	20
Liberia	111.4	1.5	13
Libya	1759.5	8	1
Egypt	1000	19.0	22
Sudan	2505.7	8.8	4
Ethiopia	1060	15.0	14
Middle East			
Iran	1630	20.3	12
Iraq	435.4	4.6	11
Syria	181.3	3.5	19
Lebanon	10.4	1.4	130
Jordan	96.5	1.3	14
Saudi Arabia	1600	7.0	4
Yemen	195	.5	2
Turkey	767.1	20.9	29
South East Asia			
Afghanistan	650	11.0	16
India	3288.2	356.9	113
Nepal	140	7.0	50
Pakistan	943.7	75.8	80
Ceylon	65.6	8.1	12.4
Burma	677.9	16.8	28
Indonesia	1491.6	60.4	52
Thailand	514	17.4	38
Viet-Nam	329.6	25.9	79
Viet-Minh			
Cambodia	139	3.9	28
Laos	236.8	1.3	5
Philippines	299.4	19.2	70
Far East			
China	9736.3	582.6	59
Japan	368.3	83.1	235

2.59 Sq Kms=1 Sq Mile

Statistical Year Book, 1954.
United Nations

Vrindaban without Krishna

Wednesday, Evening

WITH the Prime Minister away, Delhi is like Vrindaban without Krishna. The capital has lost its political glamour, it lacks lustre. Even when he was here, he had practically abdicated his functions as Prime Minister of India. He was feeling and moving about as the Prime Minister of Asia, treating Nasser and Naim as colleagues in a common government for Asia. In reality, however, a new, somewhat patchy block of 'peace' powers has become visible on the political map of the world. If these patches were painted—what neutral colour should we choose for neutrals, green or blue?—it would present a curious shape not unlike that of a jig-saw puzzle, with tiny Yugoslavia off the Adriatic, Egypt, not long ago defeated by Israel and fast losing its leadership of the Arab powers, the land-locked Afghanistan, overshadowed by the Soviet Union and looking across the Khyber and the Bolan over the plains of the Indus valley, Burma with tenuous authority in its own capital, and Indonesia, which has yet to build up a stable government. Is this a block, which in times of stormy weather can stand the stresses of international conflict? The weakness of Bandung can be imagined from the fact that even Pakistan was able to twist its tail at its very birth. Pandit Nehru is obviously in very uneasy company with Communist China on one side and the agents of the Anglo-American block—Turkey and Afghanistan—on the other.

BANDUNG CONFERENCE

Anti-Israel Muslims may shake the conference not a little, for even Pandit Nehru held the view that the exclusion of Israel from the Asian-African Conference did not appear to him logical. In a very significant political sense, however, the conference is likely to be an eye-opener to Pandit Nehru. Little did Mahatma Gandhi realise in 1921 that the fanning of the extra-territorial patriotism of Muslims through the khilafat agitation would blow up his whole philosophy in 1947! The Pandit would now come to realise that India is just an island in a vast sea of Mohammedan powers stretching from the

Mediterranean through the Indian Ocean to the Pacific. This realisation of the Indian Prime Minister is essential for the development of the Indian polity on sound secular lines. The Prime Minister has many qualities but he shares one common—and costly—misconception with the Mahatma, viz, the anti-secular nature of Islam. It is not Hindu communalism or casteism that will blow up the Indian polity. These are dead horses, whom the Pandit has been unnecessarily flogging for many years past. What can possibly blow up—God forbid—the Indian polity is the historically futile attempt to absorb an anti-secular element within the framework of a secular state.

SAME MISTAKES ON ASIAN CANVAS?

It is difficult to escape the disturbing thought that the mistakes of Indian politics may now be committed on a far larger scale on the canvas of Asia. But what is the Prime Minister to do except to take out the fangs that might possibly bite in the not too distant future? Seen in this light, the Pandit appears a far-sighted statesman, looking across vast distances and differences, to a peaceful, socialist world of the common man—the ideal of the late Dr Einstein, whose death he mourned in such poetic language at Bandung. Strange to say that another statesman—President Eisenhower, the military man, to whom our Prime Minister has made not very graceful references in the past—also spoke in the same poetic vein as Pandit Nehru. Though amidst Asian comrades, Pandit Nehru should realise that there are common bonds of the spirit stretching across the Atlantic to the South China Sea. I confess, however, that this is somewhat uncharitable to Pandit Nehru to whose supernaturalism I owed not a little in the most impressionable days of my life.

Nevertheless I said all that because I am convinced that in any possible conflict with an Islamic country, we shall find all the Muslim countries (including Indonesia) as undependable quantities or possibly worse. It is against this background that I was rather struck by the Pandit's fraternization with Lt-

Col Nasser, Premier of Egypt, and Sardar Mohammad Naim, Deputy Prime Minister and Foreign Minister of Afghanistan. Seated on a picturesque throne modelled on the *Diwan-e-Am* the Prime Minister introduced them as the bride-grooms of the occasion! When a half-million crowd cheered him lustily, he said with good humour: "In tonight's bridal procession, I am not the groom. . . ." Then he went on to speak of Bandung, Panch Shila, Baisakhi, Jallianwalla Bagh, Mahatma Gandhi, class conflict and what not. Col Nasser referred feelingly to our ancient civilization, to his affection and admiration for India, the revolution in Egypt and the treaty of friendship recently signed.

WATCH ON THE INDUS

Sardar Naim spoke briefly and made a veiled reference to the immemorial historical and cultural ties between our countries. The past is always glorious. Mohammed of Ghazni is just a legend. The three Afghan wars were none of our business though the British tried to convince us to the contrary. Lord Auckland brought the gates of Somnath (subsequently proved fake) from Ghazni to prove that the British were the protectors of our religion against the fanatical hordes of central Asia. Now we shall forget all this. It is not without significance that we have a friend just across the Khyber. History is in any case a tricky affair. Not many people know that Ranjit Singh ruled over Peshawar and controlled the Khyber Pass at the time of Lord Bentinck; and Dost Mohammed, ruler of Afghanistan during the first Afghan war appealed to Lord Auckland to get him Peshawar from Ranjit Singh. I have to recall this because I find it difficult to convince anyone that the Sikhs controlled the Khyber just a little over a century ago! If this is true—as it is—who knows what is in the womb of history? It was, I believe, Dr Jadunath Sarkar, who, at the time of the partition, quoted the German poem, "Boys, keep watch on the Rhine." "Boys," so Dr Sarkar said, indirectly, "Keep watch on the Indus!" This explains our Afghan policy.

These two statesmen—Col Nasser and Sardar Naim—like Marshal Tito were invited to address the Houses of Parliament. There was really nothing, nothing particular about what was said to them or what they said. Didn't Wordsworth say, "Earth is weary and heaven tired of the hollow words, which kings and statesmen utter, when they talk of peace and justice!" It was forgotten that there is not a semblance of democracy either in Egypt or Afghanistan. Like Pakistan, they have no constitution. But why say all this? Politics is politics. It is a nuisance, Pandit Nehru said in one of his recent speeches. It is a mask, I would add; and if the Pandit wears it too long, the man might become the mask! Such a consummation is devoutly to be wished against.

REACTIONS TO THE PLAN

It is now possible to size up the reactions to the Plan-frame statistics and estimates for the Second Five-Year Plan. In government circles, the feeling is widespread that Prof Mahalanobis has emerged as a super-economist; the professional economists have missed the bus once again and can't afford to hail a taxi! The reason for this is that the pragmatism of the administrator can easily absorb the physical magnitudes of the statistician, while economic doctrines appear to him as mystic nonsense. The economist is actually a word of abuse among the services and gleefully they sent off Prof Thomas (of Madras) from the Ministry of Finance, Prof Vakil from the late Department of Planning, Prof Gadgil along with his Commodity Prices Board; how they wound up Prof B P Adarkar's show in the Ministry of External Affairs and sent him off on a foreign mission; how gracefully Dr Gyan Chand had to quit the Cabinet Secretariat. They are waiting for the exit of Shri Deshmukh to pack his boys off. Some of them have sought shelter in the administrative cadres. Prof Mahalanobis is trying to organise a statistical service. It is only fair that Shri Deshmukh should do likewise. Prof Mahalanobis has come out on the top. You should not be surprised to find him a Minister of State, if he can manage a seat in Parliament.

The reaction of businessmen to the Plan-frame has been somewhat queer. They think that these five to six thousand crores are small game, that it is necessary to stimu-

late the propensity to consume and that it is advisable in the national interest to have an investment plan of Rs 9,000 crores, if employment is to be rigged up! Incidentally, how much do they expect to make on an investment of this magnitude? Can't the Federation economists make some calculations? It does not matter what capital output ratio they assume, for we all know that it differs from industry to industry, that it is highly unstable, that a monsoon can change it out of recognition etc!

DULL SESSION IN PARLIAMENT

The Parliament has been pretty dull, except for a bit of liveliness when the Finance Minister was found absent, while the Lok Sabha was debating the Finance Bill. They were very uncharitable to the great Finance Minister, however, though in order to win popularity, he has practically scrapped all his tax proposals. It probably wounded their self-esteem that in the economy of Shri Deshmukh, the stock exchanges should be more important than the House of Parliament! If any one doubts this, let him look backwards to the reactions in the stock exchanges to the budget proposals and the following procession of tax concessions. I suppose as a good banker, Shri Deshmukh imbibed the belief that the modern economy is a casino and that enterprise is a bubble on the stream of gambling speculation in the casinos of the stock exchanges!

NATIONALISATION OF IMPERIAL BANK

Nevertheless Shri Deshmukh has proved by the nationalisation of the Imperial Bank that he is also a true socialist. Private interests are beginning to feel that this might just be the thin end of the wedge. Shareholders will, of course, be handsomely paid on the basis of the average market value during the 12 months preceding December 20, 1954, when the Finance Minister announced the Government's decision to take over the Imperial Bank. The stock exchanges have responded beautifully to this announcement of compensation, which means that it is much higher than their expectations against the background of the Prime Minister's unnecessarily fiery speeches, when he introduced the Fourth Amendment Bill. But businessmen are not satisfied with what they have been able to get from the public exchequer and they want the

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preceding boom valuations to be taken into account, for the Imperial Bank fully paid-up share touched a level of Rs 1950 in 1951. Let the friends of big business warn them that they should cash in quietly, so long as Shri Deshmukh is there, for afterwards there might be the deluge, when the Prime Minister is able to get a Finance Minister, who sincerely shares his social philosophy.

WHY NOT NATIONALISE THE MANGANESE MINES?

The nationalisation of the Imperial Bank and the general fondness for the socialist pattern of society are encouraging the back benchers in Parliament to make all sorts of fantastic proposals! There has been a demand for nationalisation of manganese mines on the ground that while the owners of this foreign-dominated industry are making huge profits (two of these firms have declared a dividend of 50 per cent), the workers live under appalling conditions with a wage of Rs 1/2 for males and annas fourteen for females. The member, who introduced it—I believe, it was Shri R K Malaviya—was fairly well-informed but the Minister in charge held that it was impracticable! The nationalisation of mining is imperative in the national interest, but it would be too much to expect the present Government to indulge in this luxury. Socialisation, like self-government, can only be progressive and we can roughly measure the rate, when Pandit Nehru expects not to realise his dream in his lifetime; and we all wish him a long life.

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From the London End

Election Issues

WITH a particularly glorious Easter (in view of the weather, of course) now behind, the country and people face a week and a month of intense public activity and decision. The new Prime Minister has announced the date for the holding of general elections. In the meantime the Budget is to be presented and insofar as it is possible for the Budgetary provisions to include tax changes, these changes are more likely to be in a popular direction. The London press—in the most uneventful of times a controversial one—has been given so long and so enforced a holiday that the people generally have come to accept the situation with a nonchalance which certainly bodes ill for circulations when the strike is over. The coming month, fateful as it is, is thus unheralded by what the late Prime Minister called "the chatter of the London press".

The newspapers not having been around to prepare public opinion, all the preparation that needs to be done is now solely left to the parties. At no time in modern British political history did the outcome of a general election depend so much on party organisation as on the present occasion. The Government party itself is in a strong position. The nation is grateful to Mr Butler for prosperity at home and to Sir Anthony Eden for peace abroad. On the other hand it is possible for the average Briton—particularly the working Briton—to take a good look at the impeccable four of the Tory rulers, Sir Anthony Eden, Mr Butler, Mr Macmillan and Lord Salisbury, and find that their shade of political thinking to be too blue to be in accord with the times or to his own benefit. But this would be possible only if the average Briton is able to weigh up in an abstract sort of a way, as the French are accustomed to, and assess which of the policies advocated comes nearest to his line of thinking. In your correspondent's experience one of the great factors which has swayed public opinion in the past has been the level of Britain's prestige in world affairs—if the prestige is high, no matter how it was obtained or the number of hypocritical actions committed to place it on a high level, then the Government party has a

good chance of winning. In a sense this is a reflection of the weight which herronvolk still pull in British politics. When Sir Winston Churchill spoke of the "lion" and the "lion's roar", he knew that he was striking a chord which never fails to respond and move the average Briton into ecstasy. This, it is believed, was shown in the recent Local election results: the Tories won some 109 new seats from Labour by the slogan—"Prosperity at home and Peace and Prestige abroad".

"Prosperity at home and peace abroad" record of the Tories merits examination. As a statement of fact, it is undisputed. Full employment accompanied by rising wage rates without any pronounced increase in the cost of living is by all counts a feat likely to influence the electorate. Whatever may have been the strains in the economy—and here the adverse movement in the balance of payments will be recalled—they were not of the dimensions which afflicted the British economy in 1950 and 1951. Mr Butler could with considerable justification point out that he was ever watchful and that when the occasion warranted, he applied the brake with decision. There are however some difficulties which slightly spoil this otherwise flawless record. First, while wage rates have moved up, this upward movement has not been at a pace equal to the growth of profits and dividends. The recently published estimates on National Income and Expenditure show that income from employment rose by 7 per cent between 1953 and 1954 while trading profits rose by 9 per cent, and dividend and interest payments increased by just under 10 per cent. This unequal rate of increase in earnings of capital and labour has always been a sore point in industrial relations in Britain and the crux of every industrial dispute that has taken place since the Tories have been in power has rested on this point. While Mr Butler can claim that the sharper rise in dividends and profits is all to the good of the economy in view of his special incentives for these types of earnings to be re-invested in industry, the working-man is likely to remain unimpressed.

The other of Mr Butler's difficulties is the state of the Lancashire

cotton textile industry. The industry's plight is a pathetic one—in contrast to modernisation going on in other industries, and of the adoption of latest scientific techniques, cotton textiles continues to lag sadly behind in everything. Yet, Lancashire attracts a considerable amount of public sympathy. The reason is partly subjective—particularly when the sympathy is from the Tories. The British Cotton industry led the industrial revolution—the pioneer of British industry—and in view of its past, if for nothing else, it has to be maintained. This die-hard attitude has relieved the Tory Government of the responsibility of effecting a smooth transition of Lancashire from being heavily dependent on cotton textiles to becoming a centre of some of the newer industries now growing up elsewhere. But the Tories have now to account to the people who are unemployed or working short-time in Lancashire and it will not be easy.

Similarly the "peace abroad" record of the Tories contains problems likely to become issues of some importance in the electioneering campaign. It is true that peace has been maintained and that Britain's prestige and position has moved forward from the time the Tories took over in November 1951. Sir Anthony Eden can claim that his refusal to take part in the American plan to intervene in the civil war in Indo-China saved the peace in Asia and further that his role in the Formosa dispute has been to stave off a shooting war in that dangerous area. But what he will find difficult to explain is the precarious character of the current peace. No matter how much people may avoid to recognise it, it remains a fact nevertheless that every major initiative in the direction of peace has come from either the Russians or from the Colombo Powers and it equally remains a fact that the current uneasy peace is directly or indirectly the result of these initiatives. In Europe, the drive for a rearmament Germany has been pursued with little regard to its consequences. More than that, all the talk of a "meeting at the summit" remains a dream. In Asia Sir Anthony Eden will have to explain why Britain is undoing the Geneva accords by its participation

in SEATO and more than that, its approval of the Franco-American scheme to put off the elections in Vietnam.

These can become the election issues if only Labour cares to take them up. And here uncertainty is rife. The *New Statesman & Nation* has recorded its hope that only if Mr Attlee would adopt a fighting spirit and "address a militant appeal to all Socialists", these issues can win for the Party a majority in the elections. But will Mr Attlee do this? He is heavily committed

From the Calcutta End

Bengal without Zamindars

ON April 15, 1955, on the first of Baisakh, 1362, the Estates Acquisition Act came into force in West Bengal. On that Bengali New Year Day, zamindars and the zamindari system ceased to exist. All their rights and interests in estates, vested in the Government. On that day, when the Bengali businessmen open new accounts, both the Government and the twelve lakh intermediaries involved opened new ledgers. In the Government's budgetary accounting, "Land Revenue" will remain revenue from the land. But the tenant, and not the zamindar, will pay land revenue direct to the Government.

Those twelve lakh intermediaries also opened new accounts on their New Year Day. Gone are the days of "najarana". No longer will zamindars receive "rent" from the intermediaries. No longer will the intermediaries receive "payments" from those holding inferior rights upto the raiyat, the man at the bottom of the ladder, who had to pay so that the numerous intermediaries, including the zamindar, could receive more than each and all of them had to pay out, in their turn, to those holding superior rights, and finally, to the Government.

"PEACEFUL REVOLUTION"

To Dr B C Roy, West Bengal's Chief Minister, to many emotional Bengalis, this is not the main significance of what happened on first of Baisakh, 1362. To the Chief Minister of this State, the change in tenancy rights is an "epoch-making one which can aptly be called a peaceful revolution." To

to support German rearmament and SEATO. Moreover, he leads a Party which is seriously divided on the very issues which sway at least the more thinking sections of public opinion. The dice appears to be loaded in favour of the Tories and from the present look of things, it appears likely that they will ride home with a majority far larger than they presently possess. With prestige on their side, with people better-off than ever before, and more than that, with an opposition in perpetual crisis, the Tories are likely to have a field day.

any inhabitant of a raiyatwari State, this would strike as a strange and exaggerated claim. On the first of Baisakh, 1362, West Bengal introduced a system of tenancy rights in land which has been long in existence in all the raiyatwari States. There are, however, ceilings on land holdings, which partly justify Dr B C Roy's description of the event.

To the average Bengali, what has happened is much more eventful. It has been hailed as the end of the 162-year-old zamindari system introduced by Lord Cornwallis when he imposed Permanent Settlement in this province. So, the first of Baisakh, 1362, has been celebrated as the end of feudalism, landlordism and the British-created Permanent Settlement. And the emotional Bengali now takes what little consolation he can for atoning for the sins of some of his ancestors.

If some of his ancestors committed the crime of helping the East India Company to establish British Raj in this country, the average Bengali claims that he and his brothers and sisters have paid the penalty in blood and tears. His claim to have initiated, and suffered in, the struggle for independence, is conceded. If, again, the claim is being made, Bengal was the first province in which Permanent Settlement was introduced, West Bengal is also the first State in which such large-scale abolition of the zamindari system has been effected.

REALITIES

It would be uncharitable not to acknowledge the Bengalis' contribution to the struggle for indepen-

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dence. It would be equally unjust not to admit the significance of the Estates Acquisition Act. But it is also just as necessary, to remind the Bengali of certain cold realities. Certainly, he has contributed richly to the struggle for independence. Admittedly, the Estates Acquisition Act is an achievement. But much remains to be done. Calcutta is not within the scope of the Act. Zamindaris elsewhere may have been abolished. But land reforms have yet to be introduced. And, then, zamindari abolition will not bring in the millennium. When will the average Bengali get over his inclination to self-deception?

PERSPECTIVE

Today, when zamindari abolition is being celebrated, it may not be inappropriate to place Permanent Settlement in its proper perspective. Economic history of northern, western and eastern India has been influenced by three broad developments. West Bengal today is what it is because of Permanent Settlement. Bombay's make-up is tinged with the developments relating to the American Civil War. Former, undivided Punjab's, as well as northern India's social, economic and political set-up is a direct sequel to what came to be known as the Punjab group of, civilians.

Bombay, developed into an industrial centre as the American Civil War gave her the opportunity to emerge as an exporter of raw cotton. Punjab attracted the attention of the British steel frame as the educated, agitating, Bengali started creating trouble. As Punjab became the recruiting centre for soldiers for British Raj, the economic development of that Province started. Ambitious irrigation projects were introduced. Punjab became one of the most fertile tracts for growing wheat and quality cotton. Without Permanent Settlement, without absentee landlordism, without rack renting, agriculture developed, and the Punjabi agriculturists grew rich.

It happened the other way about in Bengal. In 1793, Lord Cornwallis introduced Permanent Settlement. It has been criticised as a policy of farming-out of land revenue. Lord Cornwallis's friends supported the measure, then and on later occasions, on the argument that it would help create a class of rich, progressive, zamindars who would have the means and the wisdom to ensure agricultural development.

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1793 AND AFTER

Lord Cornwallis's hopes did not materialise. Terms and conditions of Permanent Settlement were too rigorous. Many old zamindars failed to pay the revenue fixed in perpetuity. Many zamindaris were sold out. A new class of zamindars emerged, who had no interest in agriculture or in land except making money out of it.

This new class of landlords grew rich. But agriculture suffered. It was during this period that the then Government showed more interest in securing the fixed land revenue than in land reforms. Numerous regulations were introduced to strengthen and to consolidate the rights of zamindars at the expense of the raiyats. By then, due to the gradual increase in land values and to general economic improvement, the land revenue fixed under Permanent Settlement helped the zamindars and the intermediaries to grow rich at the cost of the State.

Soon, it became clear that Permanent Settlement was having unintended effects. Many Commissions have since been appointed. Many Acts have since been passed. More treatises have been published on this problem than on any other in Bengal. Under socio-political pressure, the tendency has been progressively toward enlargement of the rights and privileges of the cultivating raiyats. Even the Flood Commission, appointed by the Government in former, undivided, Bengal, which submitted its report in March 1940, came to the conclusion that Permanent Settlement could not be mended, and should be ended. This Commission suggested acquisition of all superior interests in land so that the raiyatwari system could be introduced. This is what Dr B C Roy's Government has just done. Placing a ceiling on land holdings is the only additional feature of the measure now enforced.

EFFECTS

There are few critics of the Estates Acquisition Act. It will lead to a more equitable distribution of land. Abolition of zamindaris is accepted as an essential pre-condition of land and agricultural reforms. It will, incidentally, help absorption of the surplus staff of the Food and Civil Supplies Department. Some of the redundant staff of the zamindars and intermediaries will also be absorbed. But it is not without significance that some of the inci-

dental benefits of Permanent Settlement and the services rendered by zamindars are being duly appreciated.

Zamindars and the intermediaries may have fleeced the cultivating raiyats. Permanent Settlement may have caused considerable loss of revenue to the State. It may have been responsible for decaying agriculture. It may have made the Bengali easy-going and ease-loving. But the zamindar's support and encouragement to art and culture are now being ungrudgingly acknowledged. If the zamindars were connoisseurs and patrons of art and culture, the intermediaries, the upper middle-class strata of society, produced Bengal's able scientists, doctors, engineers, lawyers and professors.

Those who know Bengal will appreciate the different contributions of zamindars and the superior grades of intermediaries to Bengal's life, society, culture, politics and economics. One has, in recent days, heard much about the future of the Bengali middle-class. This is a knotty problem. But no tears need be shed for the superior grades of intermediaries who are now being divested of their rights and interests in land. This strata of society has now established itself in the professions. But the lower middle class and the landless labourer continue to suffer. It is this lower middle class whom future industrialisation is likely to benefit. Promised land reforms are expected to solve the problem of the landless proletariat. Will these expectations be fulfilled?

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(Continued from page 488)

Development of commercial crops in Indonesia, similarly, was made possible at the cost of the growing dependence on food imports, because imported supplies were ensured and arranged by the ruling power. Malaya, though not represented in the conference, provides an illustration of the operation of these sources to the highest degree—its plantations and mining were developed with immigrant labour, foreign capital and imported food. Migration of populations in response to economic needs was channelled in a certain manner because of the then existing political set-up, resulting in the influx of Chettiar money-lenders into Burma and Indo-China, of Chinese traders in many of these countries, of the Bengali clerks, Surti rice traders and Tamil coolies to Burma and so on.

The withdrawal of foreign powers has left a vacuum which has not yet been filled. The foreign trade of all these territories continues to be with countries outside this region and it is still being conducted very largely through the old, established channels—through Holland, Britain and to some extent, even through France. The profits of foreign trade, an important source of capital formation in any economy, flow out of this region. These countries have certainly a payments problem; to what extent it could be solved by organising a payments union was recently discussed at an ECAFE conference. We shall doubtless hear more about it. But much more than a payments problem, these countries have the primary problem of organising their foreign trade and ancillary services—exchange banking, insurance and shipping. In exploratory talks for closer economic relations, this group of problems has necessarily to be given the first priority.

Next comes development of inter-regional trade. Excessive dependence on intra-regional trade exposes all these countries to wide fluctuations of income and imports which all of them find crippling. This retards their development. Alleviation has been hoped for, long from some sort of agreement through the good offices of the United Nations to ensure steadier earnings and better terms of trade in obtaining industrial goods. These attempts have failed. True, these countries need industrial goods from the West, but the West also cannot do without rubber, jute, tea, pepper, copra and oilseeds. South-East Asia produces 95 per cent of world's rubber, 96 per cent of jute, 99 per cent of tea, 94 per cent of pepper and 81 per cent of copra, rapeseed and sesum. Collective bargaining is bound to gain for these countries

better terms of trade than they have been able to get so far.

Some alleviation may be found by collective action, through agreement with the principal importing countries, but the major solution has to be sought by other means. Diversification of exports on the one hand and greater measure of specialisation on the other, may be some of these means. All these

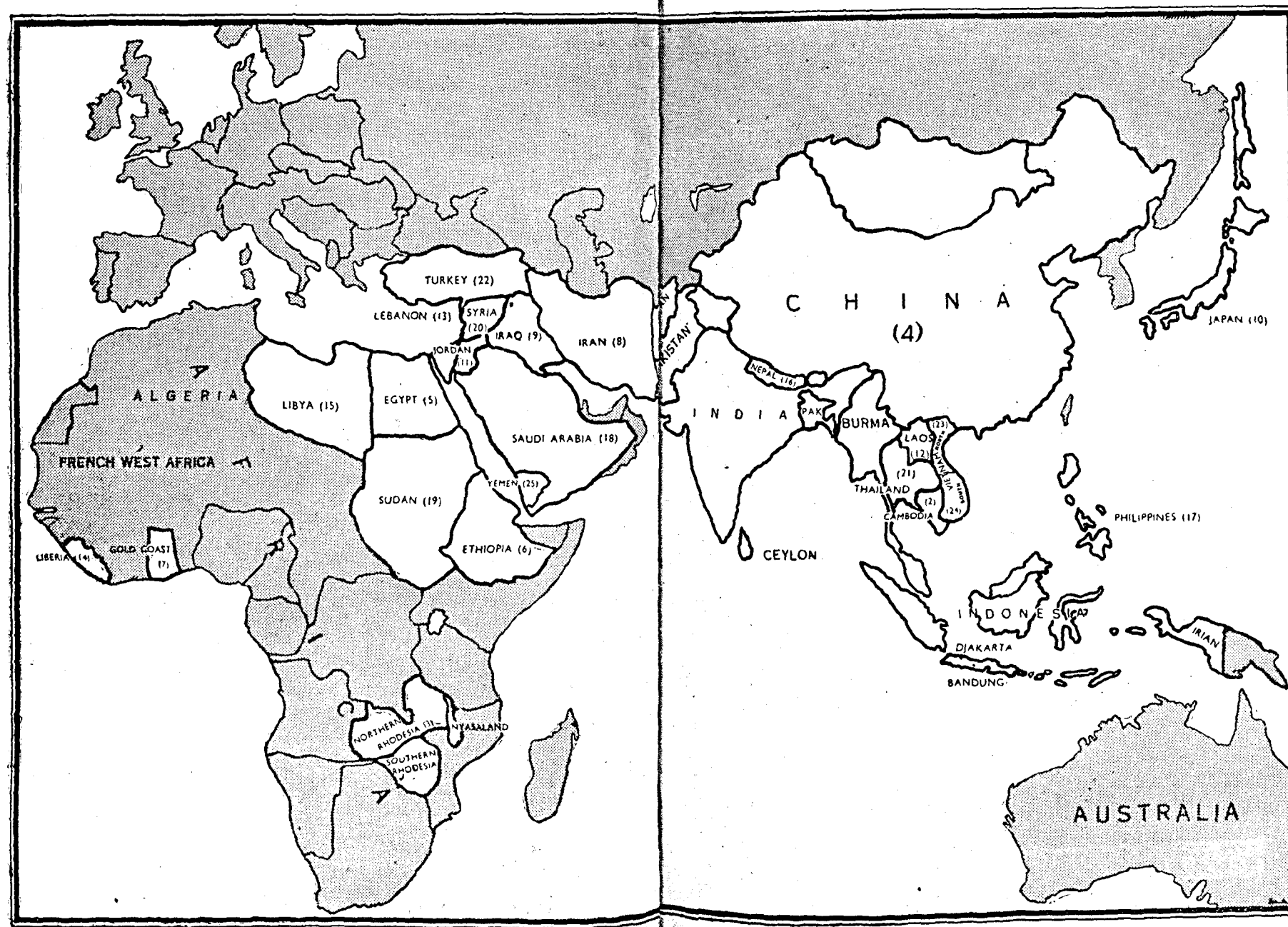
countries have taken up or are on the point of launching on development of their respective economies, based on the pattern of trade established in the past. The lines of development that are contemplated hardly take any note of the change that has come over this part of the world. So Ceylon has set out to achieve self-sufficiency in rice, while Burma and Thailand are threatened with burdensome surpluses,

Burma is toying with the idea of setting up a steel industry, though she has neither coal nor iron ore, Japan is bent on pushing her wares in South-East Asia and to recover the trade she had lost, unmindful of the hopes and aspirations of these countries to develop their own textile and other light industries.

There can easily be some co-ordination of their respective plans of development. True, even the basic facts for the study of these economies remain to be collected. For obvious reasons the ECAFE or any of the other existing agencies cannot take up this task or carry it out adequately. Economic maps have to be prepared for these countries which will take note not only of their natural resources but also of man-power, skilled labour and services with the professed and agreed aim of bringing about an optimal redistribution of resources, both physical and human. If this is done, new vistas will open up, widening scope for economic expansion will suggest itself. Backward Asia and struggling Africa will have new hope and realism to guide their aims and aspirations. Emotion and sentiment that have brought these people together, will end up in smoke, until imagination is controlled by knowledge of facts and purposive action takes the place of vague yearnings.

Aspirations can be easily led into less fruitful channels, a payments union is not difficult to organise, if America is prepared to act as the lender of the last resort, but it will not salvage the members and lift them up from the economic morass in which they are sunk today. An economic counterpart to the SEATO may lead development away from what is most desirable into paths that may promise some immediate gains but prove deceptive in the end.

African and Asian Countries invited at Bandung Conference
(Central African Federation—Northern and Southern Rhodesia and Nyasaland—dropped out at the last moment)



External Resources and the Second Plan

(Contributed)

THIS is a follow up to the note "Probable Size of the Next Five-Year Plan" which appeared in the issue of March 12, p 342. In that note external resources left over at the end of the First Five-Year Plan was taken as Rs 300 crores. This is made up of Rs 100 crores of loans and aid which is expected to remain unutilised at the end of 1955-56, and Rs 200 crores of sterling balances which would be available during the period of the Second Plan. This estimate made here of foreign exchange resources with which we begin the Second Five-Year Plan as well as estimates of further foreign exchange resources that may be available during the next plan period are subject to the general proviso that foreign balances maintained as currency reserves will make no further inroads on foreign exchange availabilities. This may appear to be an unrealistic assumption when in view of the size of the plan and the probable magnitude of deficit financing, a substantial expansion of note circulation must be taken for granted. There are sound reasons, however, for thinking that such an expansion of note issue may not call for a proportionate strengthening of its sterling backing, or any addition to the currency reserves at all. The existing statutory reserve ratio can be no guide to the future, since imports are going to be controlled for the purposes of the Plan and free convertibility of the rupee is not under contemplation.

If the desirable size of the foreign reserves is viewed, as it should be, from the angle of the probable magnitude of balance of payments over a series of years, instead of being taken as a certain given percentage of the internal circulation, then of course the entire basis of calculation will have to be changed. But even if the latter is taken as the only valid criterion, on a very rough assessment, there is no reason to suppose that the present size of the reserve will be found excessively inadequate.

TRADE BALANCE

This much about the carry over. Now let us assess the possibilities of foreign exchange earnings in the next plan period. From a study of

our balance of payments in the first plan period, it appears that we have been having a sizable surplus (it was more than Rs 80 crores in 1953-54) on balance on private trade, invisibles and Government stores imports. This figure takes into account imports of machinery on private as well as Government account for the purposes of development. If we exclude machinery imports, this balance will be still larger.

Assuming that a surplus of about Rs 80-100 crores on the balance on private trade, invisibles and Government stores imports continue during the Second Five-Year Plan period, we would have about Rs 400-500 crores worth of foreign exchange available for the next Plan. This, of course, assumes that our level of exports would more or less remain stable. This is perhaps a justifiable assumption to the extent that the increase in domestic demand for export commodities resulting from Plan expenditure can be and will be met from increases in domestic production. In cotton textiles, for example, increase in production as a result of modernisation, etc, and increase in handloom capacity would satisfy any increase in demand during the next Five-Year Plan period. In jute industry, the unused capacity could be utilised for increasing production. Similar argument applies to other export commodities. The uncertain element in the calculations, however, is the continuation of demand for our exports at around present levels.

The further assumption that the terms of trade will not change significantly implies that there will be no violent fluctuations in the level of economic activity in the USA. If the US economy maintains its present rate of expansion, demand for our export may actually increase and the terms of trade may, to a certain extent, change in our favour. Any way a small change, say 5 per cent either way, will not invalidate our estimates. In the event of extra-ordinary happenings like the Korean war, however, all these calculations will certainly go wrong. But such events are difficult to foresee.

FOREIGN AID AND LOANS

Apart from balance of current earnings considered above, some

foreign aid and loans would be forthcoming during the next Five-Year Plan period. During the first three years of the First Five-Year Plan, foreign aid has been of the order of about half of one per cent of national income. If this proportion is maintained during the next Five-Year Plan period also, we can expect external assistance of the order of about Rs 300 crores.

External resources would also be augmented by the inflow of private capital, if there is any. However, it is difficult to estimate its size as it depends on a multiplicity of factors over many of which we have no control.

Thus we can safely bank on a minimum of Rs 700 crores worth of external resources for the next Five-Year Plan. It would be Rs 1,000 crores, if our expectations regarding external assistance materialise. It would be still larger if there is an inflow of private capital on an appreciable scale.

ALLOWANCE FOR FOOD IMPORTS

In this estimate, we have not taken into account the possibility of food imports during the next Five-Year Plan period. With the completion of most of our irrigation schemes at the end of the First Five-Year Plan, we may not have to face a serious food problem, even if one or two monsoons fail. However, one cannot be so sure on this point. It is advisable therefore to keep about Rs 200 crores for emergency food imports. This would reduce the size of our external resources available for the Plan to Rs 500 crores without external assistance and to Rs 800 crores with external assistance.

FOREIGN EXCHANGE COMPONENT OF DEVELOPMENT EXPENDITURE

The impact on balances of payments of the next Plan would depend upon the size of the Plan and its pattern of investment. If we are to make full utilisation of our external as well as internal resources, the size and pattern of investment would have to be consistent with our available resources. Moreover, to ensure optimum use of our resources, the planned investment would have to be such as to contribute to the maximum possible extent to our economic development.

In abstract terms, our external resources could be utilised either for importing consumers' goods, thus setting free domestic resources for the development of capital goods industries or for importing capital goods necessary for development purposes and satisfying the demand for consumers goods from domestic resources. An extension of the latter would be concentration on heavy industry and earmarking the bulk of foreign exchange allocations for this purpose so that manufacture of consumer goods could be taken up at a later stage with a considerably reduced cost in foreign exchange. Of course, both ways of utilising our foreign exchange resources could be combined in a way consistent with the Plan objectives.

Which way our balance of payments would be affected during the next Five-Year Plan period would depend upon our available domestic resources and the nature and objectives of the Plan. Only after we have information regarding our domestic resources and the proposed pattern and size of our investment can we find out the probable impact of the Plan on our balance of payments.

We will now work out the probable impact on our balance of payments of a Plan of the size of about Rs 6,000 crores (including the public and private sectors) and with the pattern of investment as given in the following table. The pattern of investment assumed below is illustrative rather than substantive, but from available information, it appears that the breakdown may not be wide of the mark.

Out of the Rs 1,800 crores investment in big industries and mines, it is assumed that 40 per cent or Rs 720 crores would be spent on imports of plant and equipment and stocks of raw materials, spare parts, etc. Assuming a gestation period of about two years, these industries would start production only in the third year. In the third year, assuming a capital output ratio of 5:1 (most of these would be highly capital-intensive industries) and the raw materials cost at 40 per cent of the total annual output, the annual demand for raw materials would work out at Rs 144 crores. Out of this Rs 144 crores, it is assumed that Rs 36 crores would be spent on foreign raw materials. Not counting the first two years of gestation, this would mean an expenditure of Rs 108 crores on raw

materials during the Five-Year Plan period. Further, about Rs 270 crores would be spent on foreign goods necessary for development in the 'Transport and Communications' sector, assuming that 30 per cent of the total expenditure in this sector will have to be incurred on imports. For Power Projects, about Rs 144 crores would be the import requirement. The foreign exchange bill of all the other sectors taken together could be put roughly at about Rs 100 crores. Thus, in all, the direct foreign exchange cost of an investment expenditure of Rs 6,000 crores would come to about Rs 1,300 crores.

INDIRECT DEMAND FOR IMPORTS

As money incomes increase as a result of investment expenditure, demand for goods and services will also increase. But how this demand will be distributed among different goods and services, and how much of it will eventually be directed to imports, however, is a different matter. Planning proceeds on the commonsense assumption that the bulk of this demand would be directed towards food, clothing and housing. Judging from the present trends in production and taking into account the expansion provided for in the Plan, it should be possible to meet this demand from domestic production. A substantial increase in urban incomes, especially those of the middle and upper classes, however, is bound to increase the demand for imported consumer goods. This is confirmed by past experience also. But extrapolation of future trends in demand is rendered easier, and application of results to policy rendered safer by machinery of import control that

has been functioning for many years now and must continue during the currency of the next and many subsequent plans.

The case of food in the event of failure of monsoons has already been provided for, Rs 200 crores being allowed for this emergency.

SIZABLE GAP INEVITABLE

Thus an investment expenditure of about Rs 6,000 crores during the next Five-Year Plan period would give rise to an increase in demand for imports of about Rs 1,300 crores, while the available external resources would be somewhere between Rs 500 to Rs 800 crores. Of course, in the absence of food shortage, these resources would be somewhere between Rs 800 to Rs 1,000 crores. The short-fall would then be somewhere between Rs 300 to Rs 800 crores.

This gap would be smaller if the food situation continues to show improvement and the expected external assistance worth Rs 300 crores materialises. Moreover, it is possible to reduce substantially the direct foreign exchange cost of the investment budget. With regard to investment in industries, the bill for imports could be cut down substantially below Rs 828 crores provided for as some of the plant and equipment may be manufactured at home and some of the raw materials may also be produced within the country. In that case, the gap could further be reduced by Rs 200 crores. Taking all these into consideration, it seems that the short-fall in our foreign exchange resources may be somewhere around Rs 200 crores.

(Continued on page 503)

Assumed Pattern of Investment in Second Five-Year Plan

	Rs crores	% to total
Investment in big industries and mines	1,800	30
Power Projects	480	8
Small Scale Industry	360	6
Transport and Communications	900	15
Agriculture and Irrigation	1,200	20
Housing Construction	600	10
Social and cultural	660	11
Total	6,000	100



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Downward Trend in Equities

Wednesday, Evening

STOCK markets are passing through a phase which is not unfamiliar to those who are initiated in stock market techniques, but which may seem puzzling to New Delhi. After a temporary spurt following the budget, equities have developed an irregularly lower trend. Yet, the tax proposals in the budget were not as stiff as formerly expected. Even subsequent tax concessions, and this is more surprising, are not having any stimulating effect.

Many tax concessions were announced this week. But the stock markets did not respond to these concessions adequately. Of course, Textile shares on Dalal Street steadied-up; Orient Paper, which were moving up because of capital reorganisation plans, improved further as reduction in the proposed increases in the excise duty on paper was announced in Lok Sabha by the Finance Minister. But the general market sentiment remains "bearish".

Stock markets are in a mood which seems baffling even to some experienced operators. Sometime last week, TTK announced the Government's plans for erecting three new steel plants. He was ambiguous, but he was subtle in his vagueness in his statement that the question whether these three new units would be within the public or private sector, or would be executed through partnership between the State and private enterprise had yet to be decided.

TTK and Steel Shares

Those informed operators, who were aware of TTK's threatened resignation and his re-entry into the Cabinet, interpreted his statement in Lok Sabha favourably. Many statements by the Prime Minister and the Finance Minister since Avadi had encouraged the impression that earlier apprehensions about expansion of the public sector at the expense of the private sector during the second Five-Year Plan were exaggerated. So, when the

iron and steel shares remain hesitant. Until recently, both Tata Steel and Indian Iron were apathetic because of the uncertainty relating to the question of retention prices for steel. It is now known that this problem has been referred by the Government to the Tariff Board, and that the Board is now investigating the problem. What the Board will decide is anybody's guess. But current market speculation is intriguing as well as encouraging.

Steel Expansion

It is widely anticipated that steel retention prices will be raised. Rumours are also current that, besides the development rebate, iron and steel companies will receive some income-tax concessions. Both income-tax relief and higher retention prices for steel, it is claimed, will be offered in order to encourage the existing iron and steel industries to implement expansion projects. An acute steel shortage and the Government's declared policy of stimulating steel output lend credence to these market rumours.

These, if true, are encouraging developments. Why, then, are iron and steel shares falling? Because, it is argued, the Government's plans for encouraging iron and steel concerns to expand output are based on certain conditions. It is argued that higher steel retention prices and income-tax reliefs will be allowed on the specific condition that an adequate proportion of the resultant higher profits are ploughed back for financing expansion projects.

Dividend Problem

This is a legitimate condition. Investors and speculators do not deny this. But they argue that any such condition will mean that dividend payments will not be allowed to be stepped-up. That is why, Indian Iron and Tata Steel lack support by investors and speculators

Tea Prices

Apart from the downward trend in Indian Iron, the hesitant tendency in equities on the Calcutta Stock Exchange is mainly due to the recent falling trend in Tea shares. During the last few days, Tea shares have been experiencing consistent selling pressure. Investors are not lending support to Tea shares on the growing realisation that the seller's market in tea has come to an end. In the coming season, there may be a buyer's market in tea. On the argument that next season's tea prices will be lower, Tea shares are being sold. It is argued that if tea prices fall, the industry's earnings and profits will shrink.

While tea prices and the tea industry's earnings and profits are expected to drop, there are possibilities that the industry's production costs may rise. Labour trouble is brewing. It is feared that labour charges may increase as a result of the recommendations of the Plantation Enquiry Committee. There are, in addition, fears that, next year, the State Governments concerned may implement the Taxation Enquiry Commission's suggestion to raise the agricultural income-tax on tea companies.

Despite these ominous possibilities, selective support for Tea shares continues, although there has been an all round set-back in Tea shares in the earlier half of the current week. Some days ago, the dividend season for Tea shares started. Many companies have yet to declare their final dividend payments. This is an influence which will remain in operation for some months. As final dividends are declared, the Tea shares concerned may be expected not only to resist the downward trend, but may even move up.

Jute Stocks Pile Up

Jute shares continue to be neglected. Monthly data released by IJMA reveal why Jute shares are friendless. For the fourth month in

As, month after month, mill stocks pile up, both investors and speculators withdraw their support to Jute shares. Dividends for the second half of 1954 are likely to be poor, so are those for the current half-year.

While exports of jute goods remain unsatisfactory, the chances of lowering the prices of jute goods in order to stimulate exports seem

remote. Raw jute prices remain firm. It is now widely realised that, pending the movement of the new crop, raw jute prices are not likely to decline. And this means that the prices of jute goods cannot be lowered. That being so, it is doubtful whether the expected Argentine demand will be as heavy as now anticipated.

With the drop in Tea shares,

there is now less buying of selected Miscellaneous and Engineering shares. At the time of this writing, the Calcutta Stock Exchange seems to have recovered from the shock of the heavy drop in Indian Iron. But recent market behaviour emphasises the investors' fears and uncertainties about the outlook for industrial development in the private sector.



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Not Enough Schools!

Reba Chaudhuri

DOWNTRODDEN people fighting for their freedom have usually a high stake in education; even more than bread perhaps, they see in it the quickest means of breaking their chains. For the essence of political subjection is not the physical restraint on liberty or economic exploitation which goes with it, but the subjection of men's minds. The movement for education, hunger for knowledge and the desire for light have therefore been familiar themes in the saga of political struggle in backward Asia as elsewhere. In the countries which have won their freedom but have yet to develop their economies, transform their society and give their people the fruits of freedom, education may therefore be expected to be given first priority. This, unfortunately, is not the case. Food and economics come first and the system of primary education that was one of the instruments of colonial enslavement, left behind as a legacy, continues to remain a halter round the necks of these struggling people. The domination of ideas is so much more difficult to shake off, tradition hard to break and the fighters of freedom themselves schooled in Western system can rarely take the plunge, break away from the past and start on something that is new, creative and adequate for the requirements of their own people.

To begin with, schooling for all calls for much constructive thinking to which none of these leaders, suddenly called upon to shoulder the heavy responsibilities of running derelict economies and supplying the necessities of life to the teeming population, seem to be able to address themselves. If they cannot apply their minds to the problems, neither can they easily find the means for solving them in the manner in which these problems had been sought to be solved in the period before they took over. And yet in the West, to which all of us in South Asia and in the Pacific region look, whether we like it or not, or admit it or not, compulsory primary education has long been not only an accepted end but an accomplished fact. The West takes it for granted. We, trying to follow the West, struggle hopelessly, finding it an insoluble problem, leave it half attempted, so that compulsory pri-

mary education remains a distant aim to be pursued no doubt, but is not viewed as an aim that can be achieved here and now.

Primary education interests a much wider circle of people than educationists. For instance, it also interests the administrator and the politician but strangely enough, it does not seem to have interested economists and planners to the extent that it should have done. This point was forcefully brought out by the educationists representing a number of countries in South Asia and the Pacific which met in Bombay in December 1952. The UNESCO has brought out an informative report of this conference,* together with a factual background of the problem in the different countries of this region culled from the *World Survey of Education* now in the press. The report is prefaced with a statement of the general issue which attempts to bring out the general outline of the problem which is the same in all backward countries. Finance is mentioned as the biggest single obstacle in the way of universal compulsory education. This is difficult to accept for the simple reason that unless this attitude is changed, for years to come, none of these countries can hope to have primary education, except only for a small percentage of the children of the school-going age. By making finance the essential first step for progress in this direction, education is made dependent on the rate of economic development, which, with the best will in the world and given all the favourable conditions, can at best be only a slow process. Will, then, education have to wait until these countries reach a stage of economic development comparable to that of western countries, when such luxury would be possible? The proposition has only to be stated in so many words to prove how absurd it is.

It has been stated before that economists and planners, that is to say, all those who apply their minds to the problem of finance for economic development, have not taken

* Compulsory Education in South Asia and the Pacific. Studies in Compulsory Education. Unesco, Paris. Pages 157. Price not mentioned.

the same interest in the problem as might have been expected. This is because we do not yet know in statistical terms the magnitude of the problem. One of the recommendations of the Bombay Conference was that we should. No one appears to have worked out in money terms the cost of giving every child of school-going age the minimum of education to make it a fit citizen of a free country, fit to carry on the task of development which all these countries aspire for. If the cost is worked out in each case, whenever development is discussed, we would at least know how it would compare with the cost of other projects that are planned or pressed for. Only then we could see how resources could be found for both and prevent education from being relegated to a secondary position by the demands of economic development.

In the developed economies, development and education do not appear as competing objectives, because inter-dependence between the two is direct, obvious and demonstrable. You cannot have an industrial society and an organised economy unless every individual worker and citizen has been given the minimum of education. In a backward economy of subsistence agriculture, education does not have the same obvious and undeniable economic value. It may acquire that value in certain circumstances, if the content of that education is enriched and made demonstrably functional. But that means thinking out a different system from that which we have inherited ready-made or imitated from colonial administration. And like every other novel experiment, it may be costly too, at least in the initial stages. Hence experiment in this direction is also thwarted by the same obstacle which stands in the way of speedier expansion of the existing system, viz, finance.

Even on the Western concept and without a radical change in the system of the education to be provided, it is easy enough to see why costs are likely to be proportionately higher in the backward than in the more advanced countries, apart from the fact that Western standards of costs have to be accommodated from much lower standards of national

incomes. This is because in under-developed countries the proportion of children of school-going age in the population is much higher, being 15 per cent or more as compared to 8 per cent in UK. These countries have high birthrates and with the little advance that they have been making in recent years, death rates have been going down. Hence the larger proportions of children and the disproportionately higher cost of primary education.

In view of the magnitude of the problem, the Unesco holds conferences every two years for groups of countries to discuss common problems. When the first of these conferences was held in India, in view of the experiment with basic education that has been carried on this country, it was felt that we may have a solution to offer. Basic education had attracted attention hitherto because of the emphasis it puts on developing the creative faculties in the child, instead of equating literacy with education. Literacy, it is now accepted the world over, is not education; it is merely a byproduct. Real education could be imparted through a craft so long as it was borne in mind that the object was not the teaching of a craft, however useful the latter might be. If the child in the process of learning produced something which had commercial value, well, it was just incidental.

Whether the cost of education should be partially met by selling the product of the craft through which basic education is imparted to the child has been a subject of acute controversy. The controversy has also been presented in a somewhat but not substantially different form. It has been maintained that if the child takes home to its parents the products which it helps to make or the produce it helps to grow, *eg* a few yards of cloth or a basket of vegetables, according as the craft chosen is weaving or agriculture, it will help to overcome the reluctance of poor people to send their children to school.

Against the background of the problem faced in all these countries, what India had to offer by way of solution was assured a sympathetic, if not an enthusiastic reception. That was the impression gained in the conference—that all the countries of South Asia and the Pacific accepted basic education as a solution of their problem of primary education. The official report of the

conference, however, does not suggest such as unreserved acceptance of basic education, though some of its features, particularly its economic aspects *viz* its ability to pay for itself in part appears to have received considerable attention in the conference. Now to get on with the report.

Nearly 80 per cent. of the population in South Asia and the Pacific is illiterate and about an equal proportion of the children of school-going age in these countries are not going to school. Article 26 of the Universal Declaration of Human Rights lays down that every one has a right to education, that education shall be free at least at the elementary and fundamental stages, and that elementary education shall be compulsory. In order to give a fresh impulse to popular education, the UNESCO has undertaken a comprehensive programme for stimulating education round the world, education for adults and for children. An international conference for this purpose was held in Geneva in July 1951; the report under review is of the first regional conference for South Asia and the Pacific held in Bombay in 1952.

Previous to this, twelve national and comparative studies have been published on compulsory education problems, providing a broad idea about the extent of the problem in the countries covered and the results of the various attempts made to remove illiteracy. These studies also provide a comparative idea of the magnitude of the problem in these countries.

The countries covered by the present study are still very backward in this respect. They have a population of more than 600 million, of which 15 per cent consists of children between the ages of 6 and 12. The corresponding figure for England and most other advanced countries is near about 8 per cent. Moreover, the population, already so large, grows by one to one and a half per cent per year, (6 to 7 millions). While almost all the countries in this region are expanding their educational facilities, without proper planning this may be too slow to overtake the high birth rate.

The enforcement of compulsory education requires the setting up of new administrative machinery or the expansion of the present administrative arrangements. The problems that arise may differ as between federal and unitary states. The

central problem is how to mobilise all available resources—central, provincial and local—for the development of free and compulsory education. The most important single obstacle is finance. In some of these countries, *eg* Burma, Cambodia and Ceylon, education is financed by the Central Government. In India, it is a state's subject. The cost of primary education is borne by the District Boards, the Local Boards and the Municipalities with the help of grants received from the State Governments. The Central Government only gives block grants to the State Governments for specific non-recurring expenditures. In Pakistan, expenditure on primary education is met from provincial revenues, education cesses, education taxes, local rates, octroi, and grants from Central Government for meeting non-recurring expenditure. In some provinces, an education cess is levied in rural areas at a fixed rate on the land value. Besides these, a primary education tax is also levied on persons in business, trade or the professions according to their income. In some places in Pakistan where compulsory primary education has been introduced, besides educational taxes and cess, provision has been made for the levy of an additional union rate for meeting the cost of furniture, equipment and maintenance of school building etc.

At the present stage it seems to be practically impossible for these under-developed countries to raise enough funds from their own resources to pay for compulsory universal education. The main hope lies in the gradual economic development of these countries, which by raising their national incomes would make it possible to develop compulsory education. In some of these countries, notably in India, attempts are being made to reduce the cost of education by giving up western standards of buildings and equipment. Schools have even been held in the open air and a start has been made in India with basic education under which a part of the expenses is met by selling the articles produced by the pupils in the school.

To speed up the progress of compulsory education, therefore, not only have educational cesses and levies to be imposed, the curricula should also be so orientated towards the basic type that education can also pay for itself, at least partially. There are countries where adequate funds cannot be raised for education

because the national or local resources are very limited and other demands on them are more pressing. Planned advance towards universal compulsory education will also have to depend upon assistance from federal or international sources as the case may be.

The first problem that any scheme of compulsory education faces is in regard to accommodation of the children to be brought to school. A building programme is thus needed to support schemes for compulsory primary education. In practice the responsibility of providing school buildings is in most cases left to the community; in others, the Government pays the rent for accommodation provided by the locality; and in still others the responsibility for school building is placed on the District and Local Boards. For all practical purposes in most countries, responsibility for building continues to be left with the local community. In the changed economic and social conditions, prevalent today, local communities do not appear to be in a position to discharge such heavy responsibilities properly. The quality of buildings provided tends to become increasingly poor with the expansion of schooling. This is very unfortunate, particularly because buildings of inferior structural quality are not only more expensive in the long run, but the distribution of schools over different localities also tends to be unbalanced.

EQUIPMENT

Extension of primary education calls for more equipment, the cost of which is often prohibitive. Cheap but suitable furniture and equipment have therefore to be designed and made from local materials. Whether a child sits on a mat or 'mudda', does not matter, provided it has a light desk of suitable height which can be made of locally available wood. The lack of cheap but suitable reading material is also a big handicap. The books that are available in the market are expensive. The State Governments can meet this deficiency by undertaking the production of suitable reading material for children of the primary stage. The nationalisation of textbook production would eliminate wastage and middleman's profit and would mean not only cheaper books for the children but additional income for the Government, which could be utilised for the free supply of books and other educational materials. To the obvious danger in this, that these books produced by

the Government may become stereotyped and unimaginative, the report suggests no remedy.

SUPPLY OF TEACHERS

For the implementation of the schemes of compulsory education, one of the important problems is how to obtain enough trained teachers for the rapidly expanding number of primary schools. The expansion of the school system has been so rapid that many countries have been obliged to engage teachers with low qualifications in alarming numbers. In service, training through various methods has become as essential as the more regular teacher training programme.

The only efficient way of dealing with the question is planning based upon a study of the various factors involved. The UNESCO Commission on primary compulsory education has recommended 4 approaches or types of training (1) Teachers can be prepared quickly by emergency

courses and then join service, obtaining further training while in service. (2) Longer courses of 2 years or more can be adopted to give thorough preparation to students whose general educational background is good enough. The Commission recommended establishment of rural training colleges with distinctive goals and methods—recruiting students from the immediate countryside. (3) An in-service training system for teachers with inadequate qualification or none at all. (4) Regular training colleges.

To deal with the problem of mass training of teachers Indonesia has devised a special system. This consists of a two years' practical course followed by a correspondence course for another 2 years. Those who have finished their practical training but not their correspondence course are still regarded as trainees. They do not get a teacher's salary but only an allowance and receive a letter of assignment to teach, not a letter of appointment, so that they are forced to complete their course and become properly qualified.

(To be continued)

(Continued from page 497)

How to fill the gap? Several of the following things could be done:

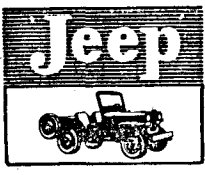
1. We can raise loans from IBRD, USA, UK and Switzerland.
2. We can obtain capital goods as well as heavy plant and equipment to be paid for by exports spread over a number of years, on the basis of bilateral trade agreement.
3. Through our Industrial Credit and Investment Corporation and in other ways, inflow of private foreign capital can be encouraged.
4. We can increase our export earnings by suitable export promotion devices.
5. Foreign tourists' expenditure can be encouraged.
6. Imports of non-essential consumer goods can be further restricted.
7. Foreign balances now locked in the form of currency reserve, can be brought down and utilised for purposes of development.

By means of some of these devices, it appears that we would be able to obtain external resources, sufficient for the purpose of carrying out an investment programme of Rs 6,000 crores.



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CURRENT STATISTICS

BANKING RETURNS (Rs Crores)				
	Latest Week†	A Week ago	A Month ago	A Year ago
Reserve Bank				
1. Note circulation	1325.33	1322.77	1277.18	1226.28
2. Rupee Coin	105.33	105.44	101.64	97.44
3. Deposits				
a) Central Government's	55.39	57.81	67.95	60.61
b) Bank's	50.49	44.95	47.72	42.33
c) Other Government's	24.32	30.16	53.42	27.08
d) Others'	21.40	21.52	22.08	45.38
4. Foreign Securities	661.98	651.98	643.37	678.15
5. Balances held abroad	63.35	73.96	88.77	74.77
6. Rupee Securities	533.75	533.75	507.43	421.34
7. Investments	46.12	47.23	50.17	64.99
8. Loans and advances to Governments	0.31	1.19	0.52	1.66
Scheduled Banks				
1. Demand liabilities (net)	584.38	575.03	574.45	533.16
2. Time Liabilities	378.90	376.37	376.47	325.41
3. Cash on hand	34.77	32.73	34.47	31.38
4. Borrowings from Reserve Bank of which against	21.33	37.90	26.43	22.37
Usance Bills	16.85	27.17	18.61	9.06
5. Advances and Bills discounted of which Imperial	631.11	632.52	576.78	545.50
Bank's	127.75	129.19	124.93	124.96
6. Investments of which Imperial	342.37	344.31	347.46	318.83
Bank's	92.73	94.64	93.60	81.50
Cheque Clearance	133.02	126.95	166.05	139.57

† For Reserve Bank and Cheque Clearance week ended 15-4-55. Scheduled Banks week ended 8-4-55.

Bombay Money Rates	15-4-55	8-4-55	18-3-55	16-4-54
Inter-Bank Call Rate	3	2 7/8	2 7/8	2 7/8
3 months deposits	3	3 1/16	3	2 7/8
6 months deposits	3	3 1/16	3	2 7/8

Bombay Bullion	21-4-55	A Week Ago	A Month Ago	A Year Ago
Gold Spot (per fine tola)	96- 7	96- 1	93-10	92- 7
.. Forward ..	94- 7	94- 1	92- 9	91-15
Silver Spot (per 100 tolas)	166-14	167- 0	166-15	168- 7
.. Forward ..	163- 6	163- 8	166- 1	168- 3

INDEX NUMBERS OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)				
Group and Sub-group	Week ended 2-4-55	A Week Ago	A Month Ago	A Year Ago
I. Food Articles	295.3	293.0	301.1	380.5
Cereals	338	336	344	429
Pulses	227	227	230	378
Others	247*	245	254	307
II. Industrial Raw Materials	403.4	400.1	425.9	464.0
Fibres	444	429	475	451
Oilseeds	327	334	350	518
Minerals	408	423	393	434
Others	474	475	482	400
III. Semi-Manufactures	328.9	332.0†	335.7	358.7
Leather	390	391	388	380
Mineral Oils	221	221	221	221
Vegetable Oils	337	348	365	490
Cotton Yarn	434	439	441	453
Metals	243	243	242	240
Oilcakes	277*	277	292	417
Others	330	331	336	306
IV. Manufactures	375.3	374.5	377.5†	378.7
Textiles	418	416	421	423
Jute	459	450	474	421
Cotton	407*	407*	409*	416*
Rayon & Silk	468*	468*	468*	530*
Woollen	310	310	310	313
Metal Products	340	340	340	340
Others	287	287	287†	289
V. Miscellaneous	546.7	545.6	556.0	703.9
All Commodities	350.3	349.3	358.0†	399.6

* Estimated † Revised

PAKISTAN'S BALANCE OF PAYMENTS

(Rs. crores)			
Year	Exports	Imports	Balance of Trade
1954	127.46	143.67	-16.21
1953	155.12	142.82	12.30
1952-53*	152.10	192.79	-40.69
1951-52*	240.61	287.90	-47.32
1950-51*	247.15	189.47	57.69
1949-50*	94.85	129.82	-34.97
1948-49*	100.88	146.42	-45.54

* July to June

Source: Pakistan Budget
State Bank of Pakistan

THIRD PAKISTAN COTTON CROP ESTIMATE

Variety	Area ('000 acres)			Production ('000 bales of lbs. 392 each)		
	1954-55	1953-54	% Change	1954-55	1953-54	% Change
America	2,550	2,670	-4.5	1,278	1,202	6.3
Desi	507	424	19.6	184	169	8.9
Total	3,057	3,094	-1.2	1,462	1,371	6.6

COAL PRODUCTION AND DISTRIBUTION

(Monthly averages or calendar months)

(in '000 tons)

DESPATCHES														
	Raisings	Total	Indian bunkers & exports	Railways	Electric supply companies	Iron & steel works	Cement	Cotton mills	Jute mills	Engineering	Paper mills	Chemical industries	Brick burning	Stock at pit-heads
1948	2,485	2,155	146	796	160	239	56	156	53	19	34	12	57	2,262
1949	2,621	2,339	127	841	174	279	62	150	48	23	36	12	102	1,427
1950	2,666	2,235	140	825	187	302	77	139	48	30	38	16	143	2,008
1951	2,859	2,626	213	865	195	320	100	134	41	28	40	14	112	2,646
1952	3,019	2,625	221	940	207	298	109	144	45	25	45	17	88	3,519
1953	2,982	2,563	148	956	232	290	121	146	43	29	44	19	134	3,411
1954	3,080	2,662	—	—	—	—	—	—	—	—	—	—	—	3,771
1954:														
Jan.	2,903	2,424	132	911	214	310	126	158	42	21	32	22	23	3,474
Feb.	3,056	2,444	120	827	168	304	96	124	39	18	31	19	68	3,902
Mar.	3,071	2,594	131	927	204	300	115	145	29	16	38	18	181	4,003
April	3,037	2,599	137	963	191	309	116	150	30	21	46	15	199	4,051
May	2,977	2,621	148	948	237	297	111	150	43	20	45	17	196	4,093
June	2,885	2,576	181	902	222	302	116	148	29	17	44	17	117	3,950
July	2,966	2,810	171	985	247	331	129	162	47	22	46	23	144	3,693
Aug.	2,958	2,926	163	1,050	254	336	133	150	46	24	57	25	179	3,380
Sept.	3,171	2,887	136	997	248	324	143	147	49	28	37	26	138	3,210
Oct.	2,921	2,787	140	944	238	306	132	134	44	26	56	24	223	2,914
Nov.	3,323	2,728	116	941	227	321	119	144	43	28	50	22	150	3,161
Dec.	3,503	2,747	—	—	—	—	—	—	—	—	—	—	—	3,468
1955:														
Jan.	3,155	2,672	—	—	—	—	—	—	—	—	—	—	—	3,482
Feb.	3,249	2,502	—	—	—	—	—	—	—	—	—	—	—	3,783

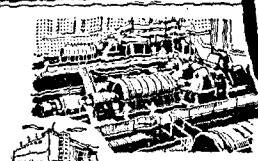
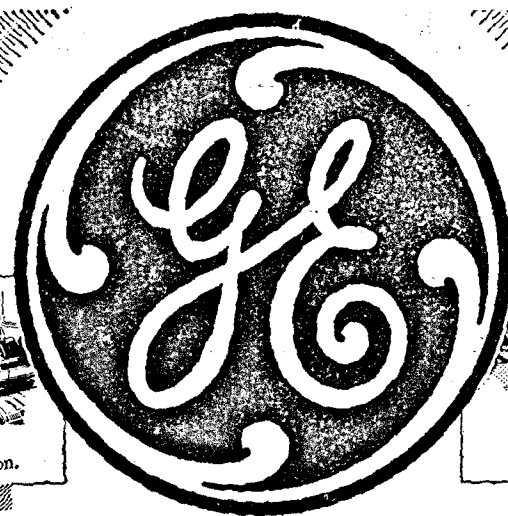
Source: (i) Monthly Abstract of Statistics.
(ii) Inspector of Mines.

INDUSTRIAL PRODUCTION

		Units								Monthly Average		
		1955								1954		
		Feb	Jan	Dec	Nov	Oct	Sept	Aug		1954	1953	1952
I Consumer Goods												
(1) Cotton Textiles	crore yds	40.20	43.7	45.10	42.1	37.9	41.2	41.6		41.8	40.65	38.3
(2) Woollen Manufactures	lakh lbs	—	20.27	16.80	18.25	17.05	17.49	17.45		16.87	16.04	13.82
(3) Matches	'000 cases	—	—	—	48.5	41.9	44.9	47.6		—	49.2	50.7
(4) Sewing Machines	Nos	7,100	6,428	8,130	7,146	3,896	6,166	6,301		6,685	5,202	4,170
(5) Vegetable Oil Products	'000 tons	—	18.2	16.91	19.62	17.95	15.98	14.45		19.23	15.97	15.90
II Raw Materials or Intermediate Goods												
(1) Cement	'000 tons	363.7	375.9	394.4	367.8	372.3	361.5	342.5		366.5	315.0	294.8
(2) Chemicals:												
(a) Sulphuric Acid	"	—	—	—	12.61	13.55	13.06	14.46		—	9.1	8.0
(b) Caustic Soda	"	—	—	—	2.33	2.60	2.61	2.61		—	1.91	1.42
(c) Soda Ash	"	—	5.95	5.26	3.50	4.34	3.33	3.79		4.02	4.74	3.69
(3) Coal	lakh tons	32.49	31.53	35.03	33.2	29.2	3.17	29.6		80.6	29.9	30.2
(4) Cotton Yarn	lakh lbs	12.50	13.50	14.30	13.50	12.30	13.10	13.20		13.04	12.55	12.08
(5) Jute Manufactures	'000 tons	81.8	83.9	94.0	88.6	75.1	79.0	78.2		77.3	72.4	79.3
(6) Non-ferrous Metals:												
(a) Copper	tons	605.0	336.0	642.0	630.0	665.0	605.0	606.0		602.5	410.0	506.6
(b) Aluminium	"	461.4	486.2	488.4	465.8	498.6	56.70	514.6		407.2	313.2	297.2
(c) Lead	"	162.0	225.0	240.0	200.0	77.5	94.5	139.0		139.8	141.2	94.3
(d) Antimony	"	30.0	—	46.0	51.5	80.0	85.0	35.9		45.0	10.9	15.1
(7) Paints and Varnishes	'000 tons	—	—	—	2.48	2.78	2.60	3.10		—	2.67	2.68
(8) Paper and Paper-boards	"	—	—	12.7	15.0	13.86	13.00	12.80		12.6	11.64	11.46
(9) Iron and Steel												
(a) Pig Iron	"	—	—	—	153.2	151.7	140.6	153.4		—	137.9	140.4
(b) Steel Ingots and Castings	"	—	—	—	143.3	143.2	133.1	140.4		—	125.6	131.5
(c) Semi-finished Steel	"	—	—	—	128.3	120.6	119.2	123.5		—	102.5	109.0
(d) Finished Steel	"	—	—	—	112.8	105.0	102.5	99.3		100.4	84.8	91.9
III Capital Goods												
(1) Machine Tools	'000 Rs	—	—	—	291.5	414.7	409.7	382.1		—	367.3	369.8
(2) Diesel Engines	Nos	—	—	1,047	851	640	718	625		721	310	354
(3) Electric Motors	'000 HP	—	17.8	—	16.5	13.8	16.0	16.0		—	13.6	13.1
(4) Power Transformers	'000 KVA	38.5	—	—	35.4	23.6	39.3	35.7		—	25.7	17.9
IV Transport Equipment												
(1) Bicycles	'000 Nos	—	—	—	42.11	26.97	28.78	29.72		—	22.01	16.41
(2) Automobiles	Nos	1,399	—	1,948	1,372	1,276	1,377	1,293		1,205	1,160	1,274

Source: (i) Directorate of Industrial Statistics.
(ii) Indian Trade Journal

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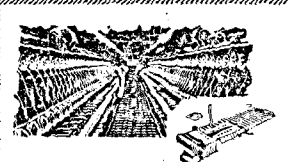


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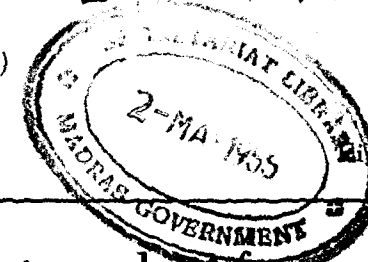
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BANDUNG was not a challenge to Europe or America. At Bandung, Asian and African nations met not to remind Europe of East's domination of the world four centuries ago. Bandung was not a threat to West of East's determination to repeat history. But it was a reminder to West that East had reversed the events of the last four centuries. Bandung was not a challenge to the United Nations. But it was a reminder to the United Nations that the world organisation was not representative of the world. To claim the status and prestige of the United Nations, the international organisation must be representative of the whole world. Many countries in the world are not yet free and independent. Even all independent nations are not members of the United Nations. Many Asian and African nations are not member-states. Bandung was a reminder to the United Nations that no world organisation can fulfill its main purpose of ensuring world peace unless it is fully representative.

Bandung endorsed the principles of the UN Charter. But it was emphatic in its implication that the United Nations, dominated by the Big Powers, had failed to observe the letter as well as the spirit of the Charter. Respect for human rights is one of the basic principles of the Charter. Under the Charter, the people of every country have the right to choose the form of government they like. These Charter principles are aimed against racialism and colonialism in all their manifestations. Racialism and colonialism still persist. Bandung expressed the united opposition of Asian and African nations against all manifestations of racialism and colonialism. Racialism and colonialism are threats to world peace. Bandung has voiced its protest against racialism and colonialism because Asian and African nations desire world peace. They are opposed to both also because of their other obnoxious implications.

Bandung was a reminder to the United Nations that the world's problems cannot be solved in the context of West or of Big Powers alone. To neither the United Nations nor the Big Powers did Bandung issue threats of retaliation. It issued an appeal to the United Nations to admit more Asian and African nations as members so that they could further the cause of world peace. To neither the Western Powers nor the Communist States did Bandung pose a threat of a rival bloc. But to both these rival blocs, Bandung was a reminder to leave Asian and African nations alone. Bandung's main purpose was to extend an area of peace. Asian and African nations assembled at Bandung would welcome opportunities, and expressed their eagerness, to help solve world disputes through peaceful means. But they made it equally clear that they had no intention to become camp-followers of either the Western Powers or the Communist States. Non-alignment is not the essence of the policy formulated at Bandung. But many Asian and African nations expressed preference for non-involvement in the "cold war" between the two rival blocs. This is an incidental consequence of their desire to create and to extend an area of peace.

Despite the compromise policy formulated at Bandung, it is evident that Bandung is opposed to undue reliance on collective security as a

means to ensure regional or world peace. Bandung's preference for reconciliation of disputes through negotiation is emphatic. In this aspect of the policy formulated at Bandung, the Asian and African nations have issued a warning to the United Nations and the Big Powers that the policies so far pursued by both are not likely to ensure world peace. Bandung is not passive in its call to the rival power blocs to leave Asian and African nations alone. Asian and African nations abhor war. They would welcome peaceful settlement of disputes among them. But if, in the event of failure of diplomacy, the rival power blocs start a third world war, they will do so in the knowledge that the nations assembled at Bandung will not join either of the rival blocs in their struggle for power.

The policy formulated at Bandung has also a positive aspect, however, Asian and African nations' desire to mediate on world issues in dispute is implicit in the *communiqué* issued at the end of the conference. There is, besides, a specific suggestion to the United Nations which is aimed at ensuring their effective co-operation in reconciling world conflicts. In demanding admission of more Asian and African nations to the United Nations, Bandung implies that such a policy will enable the small Powers to exercise their restraining influence more effectively. As more of the smaller Asian and African nations become member-states, the United Nations will cease to be dominated by the Big Powers. With such a changed composition of the United Nations, it would be more difficult for either of the rival power blocs to pursue policies which can only make a third world war inevitable. Bandung offers West two choices. Either, the membership of the United Nations should be so changed as to enable the small Asian and African Powers to lend their due weight and influence in the cause of world peace. Or, the Big Powers must leave the Bandung countries alone in the struggle for world domination.

It is not without significance that Bandung's achievements are better appreciated in the Western countries than in some of the countries which assembled there. To take an instance, there has been an undue emphasis in the Indian Press on the differences among the Asian and African nations. There has been a tendency to play down Bandung's moral achievements. Bandung has

served its purpose if only because of Mr Chou En-lai's offer to negotiate with America on Formosa and Far Eastern issues. It is significant that even the American Secretary of State acknowledges this achievement of Bandung. Asian and African nations can justifiably claim that they have been successful in exerting their moral influence on China to desist from the use of force in solving the Formosa dispute. China is committed to Pancha Shila. And the Colombo Powers can take legitimate pride in their achievement in convincing her of the wisdom of settling the Formosa dispute through negotiation. Those who are likely to distort Mr Chou En-lai's Bandung offer to negotiate with America as diplomatic propaganda deliberately ignore the restraining influence exercised by the Bandung nations on Communist China. This is the fundamental significance and implication of Mr Chou En-lai's Bandung gesture.

That Peking's conciliatory gesture is an achievement for the Colombo Powers in their efforts to attain peace through negotiation, is acknowledged by both London and Washington. But America's reaction to Mr Chou En-lai's offer explains why Asian and African nations are not over-optimistic. Peking's diplomatic triumph at Bandung is duly appreciated in London. Britain is, naturally, irritated that Washington has allowed Peking to regain diplomatic initiative in the Far East. Mr Dulles's insistence on cease-fire as a condition precedent to negotiations will be widely endorsed. It will be equally widely appreciated that Peking is entitled to certain assurances for entering into an agreement for a cease-fire in the Formosa Strait. But over-insistence on cease-fire by both Mr Dulles and President Eisenhower as a condition for negotiations with China, to the deliberate neglect of the assurances Peking is entitled, underlines the differences that still persist between Washington and Peking. It is clever of Washington to accept, by implication, Peking's refusal to recognise the Chiang regime in Formosa. But Washington is also adamant in its emphasis that its acceptance of Peking's rejection of the Chiang regime relates only to the issue of cease-fire in the Formosa Strait. From Mr Chou En-lai's offer, it is clear that Peking is interested in negotiating all the Far Eastern issues with America. Washington would seem in favour of restricting the scope of negotiations. While Peking

favours bilateral talks with Washington, America prefers negotiations under the auspices of the United Nations. Differences on the procedural details of the proposed negotiations are not as significant as the implied disagreements on wider issues.

Mr Chou En-lai may not have succeeded in convincing Mr Dulles of his peaceful intentions. But the Chinese Prime Minister seems to have created an extremely favourable impression on the participants in the Bandung Conference. There have been insinuations that Mr Chou En-lai has ulterior designs in his assiduous wooing of the Asian and African nations. Many of the Asian and African nations will endorse the Pakistani Prime Minister's assessment that Mr Chou En-lai is sincere in his peaceful intentions. Many Asians and Africans will also echo Mr Mohammed Ali's remark that his belief in Red China's peaceful intentions does not imply his acceptance of Communism. Acceptance of Communism is not an essential condition for recognising Red China, or for advocating peaceful co-existence. America recognises Communist Russia, but is opposed to recognising Communist China on the argument that such recognition would involve America's acceptance of Communism. This is strange logic. If Bandung leads to recognition of Communist China by some Asian and African nations, it will help extend the area of peace. Bandung has been successful in achieving its immediate objectives. Whether it will succeed in achieving its wider aims depends, to a large extent, on the Big Powers' willingness to accept the realities of the world situation.

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Law-Made Confusion in Pakistan

DEMOCRACY in Pakistan is hanging by a split hair which may snap at any moment, if the Federal Court chooses to sniff at it. This will plunge Pakistan in political chaos from which only a revolution or military dictatorship can pull her out. Though not expressed in exactly the same words, this is the threat with which Mr H S Suhrawardy and some of his colleagues in the Pakistan Cabinet are trying to win over opponents to the Constitution Convention which has been summoned to assume the responsibilities of Constitution-making and also to act as the Federal Legislature, in accordance with the Governor-General's latest proclamation.

Ghulam Mohamed started under wrong stars when, disgusted with group politics and petty jealousies amongst its members, he took the bold step of dissolving the Constituent Assembly. Efforts that followed to give a democratic touch by including in the Cabinet persons who had once been branded as enemies of Pakistan, such as Doctor Khan Saheb or Suhrawardy, had their first success in the consolidation of strength, and for a while merger into a single Western Zone and adoption of the departmentally-drafted American pattern of constitution appeared to be *fait accompli*. Little was it realised then that some day the legal repercussions of the dissolution would threaten the very existence of the State. Trouble started when Tazimuddin Khan, Speaker of the dissolved Assembly, vindicated his status as well as that of his Assembly by obtaining from the Sind High Court a decree in his favour, by which the Governor-General's order was declared *ultra vires*. Developments since then, involving several references to the Federal Court and proclamation of ordinances, baffle even the astutest of constitution experts. The climax came with the Federal Court's judgment of April 12 which turned Pakistan into a superlative constitutional conundrum.

Credit must be given to Ghulam Mohamed and his advisers that in this critical situation, unprecedented in case of even countries with centuries of constitutional tradition behind them, he is still trying for a legal escape, instead of resorting to more drastic measures such as military dictatorship. Proclaiming the maintenance of *status quo* until the

Federal Court, whose judicial advice has been sought, gives its decision, he has summoned a Constituent Convention to be elected by Provincial Assemblies. Meanwhile, the preparations for calling the Convention are going ahead. There has so far been very little opposition to this move from the western provinces of Pakistan, but East Bengal, as usual, has been the problem province. It offered such stout opposition that until the Awami League Working Committee met at Dacca on the 25th, it was feared that it would completely boycott the Convention; and with 60 per cent of Pakistanis holding aloof, the constitution adopted by the Convention would certainly have not been a democratic one. The Convention was originally to have consisted of 60 members; its strength has now been increased to 80. East and West Pakistan are to have equal number of representatives on it who are to be elected by the provincial assemblies (their existence being legally debatable, they will be considered as electoral colleges for the purpose), on single transferable votes. Parity has always been a sore point with Bengalis and it was the issue on which the draft constitution, deliberated for over six years, had foundered.

East Bengal's resistance, however, had been perceptibly weakening with growing dissensions in the United Front, particularly between the Krishak Shramic Party and the Awami League. The Central Cabinet, while concerned about the opposition from East Bengal, was not unaware of the weakening of the Front, and several Ministers led by H S Suhrawardy were sent out to exploit the dissension and win over different political groups. From the stand that Fazlul Huq had taken as the leader of the Krishak Shramic Party, demanding the restoration of popular government in East Bengal as a condition precedent for offering his co-operation, he has resiled, realising his inability to form a government without the Awami League which has withdrawn its support to him. He has finally decided on the complete rejection of the Convention proposal and has demanded instead the formation of a Constituent Assembly by direct election on adult franchise and on the basis of population, not parity. Co-operation has also been denied by the minor par-

ties, such as, Nizam-I-Islam and Ganatantric Dal as well as the Congress. East Bengal Muslim League, which won only ten seats in the Assembly, has also rejected the Convention, and demanded the formation of a Constituent Assembly more or less on the lines suggested by Fazlul Huq.

The Awami League was, therefore, the only party which could be worked upon, and H S Suhrawardy being the President of its Central Committee, took on himself the responsibility for winning it over. The tactful acceptance that he managed to win at the adjourned meeting of its Working Committee during one of his earlier visits to Dacca remained, however, to be ratified by the Provincial President of the League, Maulana Bhashani. Bhashani was then a political exile with an order of arrest awaiting him, should he set foot in East Bengal. He had opposed the Convention over the issue of parity, but subsequently yielded to Suhrawardy's persuasions to visit Dacca and make a desperate attempt to save Pakistan from chaos. Ideologically widely separated from Suhrawardy, Bhashani had been named a Communist, and had bitterly opposed American aid to Pakistan. That Suhrawardy should have succeeded in making Bhashani to use his influence to win over the Awami League, is a great political triumph for him; it also ensures the success of the Convention proposal, which was ratified by the Working Committee of the League when it met on the 26th. The postponement of the Convention by a week to May 16 and extension of time for filing nominations are obviously intended to help the Maulana to win over all the political groups belonging to the United Front.

All these are desperate efforts to obtain for Pakistan a constitution which its Prime Minister Mohammed Ali is determined to finalise within six months provided, of course, the Federal Court gives its legal blessing. It is futile to anticipate what course will be left to Ghulam Mohammed and his advisers, if the approval does not come. He is certainly not going to risk loss of face and call back the old Constituent Assembly. As the old Constituent Assembly still exists legally, Mohammed Tazimuddin, its Speaker, has called a session on May 9, but what chance has it, even if it meets, of a fruitful career?

Weekly Notes

No Politics in Budget?

A FAVOURITE of gods and critics alike—Mr Butler is indeed a very lucky man. His 'hunches' have a habit of coming true; and because they come true, the critics take care to apply standards of criticism that are proper—meaning, in this context, standards according to which Mr Butler's budgets get a high mark. In fact, they go further and admonish those who naively look at Mr Butler's latest budget as a set of fiscal decisions based on or related to economic realities. How patently absurd, when the general election is only a few weeks away, not to recognise that a nation's budget is a political document, especially under a system of Government by party! If Mr Butler has kept one eye cocked at the polls, pat him on the back for his practical sense.

It is refreshing to see this eagerness to applaud not only in the confirmed supporters of Mr Butler's party but the high pontiff of economic commentary. When Dr Dalton and Sir Stafford Cripps and Mr Gaitskell recognised the facts of parties and elections, they were most severely castigated for sacrificing national economic interests to the politics of the moment. And when they resisted such temptations, they were complimented for their courage and honesty. But Mr Butler is a different kettle of fish. He can do no wrong, since the standards of criticism are adaptable when he is concerned.

It is of course silly to argue that the Chancellor has to concern himself least with the politics of the moment in his pre-election budget. Here is one more evidence of the miracle wrought by Mr Butler in the past few years.

It is not only the British economy that has become flexible, but standards of budgetary criticism as well. And the amazing thing is that Mr Butler's latest budget can stand up quite well to the criteria which, we are now told, is *demodé* and absurd and grotesque. Disraeli said nearly eighty years ago that the subtle poetry of the British budget is rarely appreciated outside the House of Commons. He apparently underestimated the propensity to change of the world outside Parliament!

UK Turns Against Japan

THOUGH it was US which had sponsored Japan's accession to the GATT and Britain had so long been luke-warm and hesitant rather than hostile, the President of the Board of Trade, Mr Peter Thorneycroft has now come out openly against the proposal. The Government had decided, Mr Thorneycroft announced in Parliament, that for the time being it would be unable to accept the obligations of the General Agreement towards Japan and, therefore, trade relations with Japan should continue to be dealt with by mutually negotiated arrangements. Britain's attitude towards Japan had never before been stated in such forthright manner. Indeed the timing of the announcement is worth noting. The occasion was the declaration of Britain's attitude to the review of the General Agreement on Tariff and Trade. The accession of Japan to the GATT was, however, a separate issue and could have been so treated.

What lends significance to it is the case of Lancashire which has been very much before the public. In an editorial on the subject "India and Lancashire", it had been argued in these columns that Britain could not very well restrict imports of Indian cloth without opening the door wide open to imports from Japan. The solution of Lancashire's problem has, therefore, to be sought in means of expanding exports rather than restricting imports. The latter conclusion remains unaffected, though after this clarification, to the extent that Britain will have a freer hand in regulating her imports, the position is modified a little. India, however, enjoys no such freedom, having committed herself to support Japan's accession to the GATT. Moreover, the more important obstacle to adjustment of import duty on the part of India—which is likely to be decisive—is not affected, of course, by these developments, since this consists in the high rates of excise duties. The clarification of Britain's stand *vis-a-vis* Japan strengthens the bargaining power of the Board of Trade with other potential or prospective importers of cotton textiles, besides India.

Varied Manufacturing Activity

THOSE who are interested in case studies of industry will find more than a handful in Mr Cecil Stack's speech at the annual general meeting of Dunlops. How quickly the pattern of industry is changing, how many new lines of production are being developed, the part played in such development by research and new techniques, financed and conducted by the principals of the foreign companies operating here—Mr Stack lets us have a peep into all these and more. For Dunlops use domestically grown raw rubber, supplementing in part by imports. So thrown in, is a bit of the problem of price parity between agriculture and industry being debated at the moment. It is, however, a pleasant variation on the usual theme. Domestic producers of raw rubber have been given a price raise without car owners having to pay any more. In fact, tyre prices have been cut and motorists can now have tubeless tyres, the latest marvel, at no higher cost than that of ordinary tyres. An entire range of highly developed manufactures, the production of which has been taken up within the country—besides tubeless tyres, a new type of tyres for trucks and buses introduced only last year, industrial transmission and conveyor belting, the manufacture of which was begun only in 1953, high pressure hoses, the production of which was taken up only this year, and so on.

In November 1952, the question of fair prices for tyres was referred to the Tariff Commission. There is no monopoly in the manufacture of tyres. From the pages of the dailies and the more prosperous financial weeklies, the producers glower at one another. But some of them produce, some of them don't, and though all are foreign companies, their foreignness has many shades, in the methods of raising finance, among other things. Considering the complexity of the problem, what should be the fair price in an industry with such a complex structure and world-wide ramifications, it is no wonder that the Tariff Commission has been sleeping over it all these years—and what arrears it has to clear, for prices have to be looked into, in retrospect, from 1946 onwards!

Slum Clearance in Bombay

THE talk of slum clearance has been very much in the air lately. Since the time when about two years ago Pandit Nehru, appalled by the sight of slums at Kanpur, demanded that they be burned down, which demand he repeated later with even greater vehemence at the inauguration of the Vaitarna Dam, there has been some progress. The main obstacle in the way was and still continues to be the lack of finance. The fourth amendment of the Constitution has eased this problem to some extent in that Authority will be able to take over slum areas for improvement without paying exorbitant sums by way of compensation. This was badly needed as a first step. But the difficulty of finding enough resources for clearing the slums, for providing alternative accommodation to those rendered homeless and, more than all, for putting up new buildings on the sites cleared, continues. As Sardar Swaran Singh, the Union Minister for Housing and Supply, said in Parliament the other day, the loan scheme of the Central Government has not evoked much response from the State Governments because the terms are beyond the reach of the agencies directly concerned with slum clearance. The demand has been for a subsidy, and it is good to hear that the Planning Commission has now been asked to consider it.

Cities like Bombay, Calcutta and Madras have long been grappling with the question of slum clearance and some of them, though not all, have also drawn up tentative schemes for the purpose. For lack of finance, these good intentions have remained unfulfilled. The number of slums in Bombay, for instance, was put at 85 some ten years ago. The figure must be far higher now, with more and more slums springing up everywhere for lack of cheap housing accommodation or any accommodation at all and also because some of the ill-constructed, neglected older buildings have been fast becoming slums. The modest scheme prepared by the Bombay Municipal Corporation for gradually clearing them has been lying idle for about a year; and the reason given for this by the Mayor some time back was red-tapism on the part of the State Government. Whether with the amendment of the Bombay Municipal Corporation as

well as that of the Constitution, the position will improve now remains to be seen. The new Mayor, Shri N C Pupala, however, seems to be optimistic. Speaking at a civic conference last week, he announced that the first scheme of slum clearance in the city would be implemented soon after the monsoon. One hopes that this will come true; for as the Governor, Dr Harekrishna Mahtab, who inaugurated the Conference, said, "You know that the Constitution has been amended, much to the dislike of

property-owners and with great enthusiasm, and one of the grounds for amending it is said to be the clearance of slums. Unless some concrete steps are taken immediately, critics will say that all these were eyewash and that nothing was intended to be done."

High Cost and Low Rent

WHAT is true of Bombay is true of other cities too, not to speak of towns. It may be more easy now to take over the slum areas and clear them without spending too much, and even the question of finding some kind of alternative accommodation for those who are thrown out may be tackled with comparative ease. But this is only one phase of the task; the second and the more important one is that of providing new accommodation of acceptable standards to the old tenants of the slums at rents that are within their reach. The lowest rent that may be charged for the most modest accommodation erected with the utmost economy would be higher than what the slum dwellers could be expected to pay. This gap has to be narrowed, and it is not so easy in these days of high cost of material and labour. There is much talk of cheaper construction; but unless the new buildings to be put up at the cleared sites are to be pigeon holes without adequate space or amenity and unless these buildings in their turn are to decay into slums sooner or later, there is a limit to reduction in the cost of construction. Indeed, the new houses will have to meet the needs not only of the present, but also of the foreseeable future which may well come to have improved standards of living; and houses are not things that can be hastily put up and then altered to meet the needs of different times and circumstances or pulled down and replaced by other and better buildings as and when needed. With no prospect of any great economy in construction and consequently with no possibility of any major cut in rent, other means will have to be found to enable slum dwellers to occupy the new buildings put up on cleared sites without any serious strain on their slender purses. Rents may well have to be subsidised which means a further financial burden on the agencies undertaking slum clearance. It is clear that these burdens cannot be shouldered without considerable State aid.

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—Fitting Celebration of Buddha Jayanti

ON the night of the full moon will be celebrated the anniversary of Gautama's birth, attainment of Buddhahood and final departure, all of which, according to accepted tradition, falls on the same day. On this night, sitting under a Banyan tree on the banks of the Niranjana, the realisation dawned on the enlightened one that it was not by mortification of flesh that man wins release from suffering and attains wisdom. The futility of rituals and the emptiness of scholasticism and authority, he had realised fully before he took to penance. Enlightenment came through the instrumentality of a simple village woman, Sujata, who was looking for someone to offer a plate of rice pudding as was her usual practice. This she did every evening before she took her own meals. It is a beautiful allegory to comfort distracted mankind that all great truth is essentially simple, that it is always lying near at hand, to be accepted and acted upon. And having found what he had been seeking, Buddha wended his way to holy Banaras and in the deer park at Sarnath, he started preaching the truth as he had found it.

In this deer park was first turned the wheel, the Dharma Chakra, slowly at first, then with gathering momentum, as it began to work on the minds of men, kindling a spark wherever the gospel went and it went very far indeed. The word of the law crossed the seas to Ceylon and travelled across the oceans to Burma, Siam, Cambodia, Sumatra, Java, and Bali, and reached as far as the shores of the Philippines. Overland, Buddhism crossed the Himalayas to Tibet, and the Hindu-kush to Central Asia, sweeping across the steppes to Siberia and Mongolia; it penetrated to China and enveloped that vast land and gave a new life to its ancient civilisation, and from China, it crossed over *via* Korea to Japan.

Wherever Buddhism went, it liberated the minds of men and made the national genius flower as it had never flowered before. No soil was too barren or too hard for that seed, whether wind-blown or sown with loving care and nurtured tenderly. The transformation wrought by Buddhism, the ferment

it brought and the efflorescence it produced in due course in the art, literature and the ways of living of the people who came under its spell, are without a parallel in the history of these lands. That story has not been fully told yet. Fragments of it have been discovered, some happy accident has brought to light some scraps and pieces; by the patient research of a handful of scholars, some of these have been pieced together. Many of these bits and pieces still remain to be put together. To make them into a connected whole, to look for and fill the gaps, will require study and research and the co-operation of the people of many lands. It is a labour for a whole generation or more. The task has yet to be taken on hand. Peoples of these countries have been too pre-occupied with their struggles for political emancipation to be able to attend to the things of the spirit. Even today, their energies are fully taken up by the immediate and pressing problem of consolidating their newly won freedom, setting their houses in order and initiating those economic and social changes which alone can give content to their freedom.

The time, however, has come, with the stirring of a new life among the peoples of Asia, to look for their roots in the past, to trace the history of their thought and to discover the mainsprings of their lives, not in the idle hope of reviving, much less to sink back in the obscurity of the past, but to understand the evolution of their own thought and society. Only thus can the present be meaningful, in the light of the past and light up the path to the future, through harmony and concerted action, to a community of feelings and ideas which alone can lay the foundations of a common pattern of living.

So Buddha Jayanti is a celebration for all Asia; it is not for the professed followers of the faith alone—though they embrace the bulk of the population of Ceylon, Burma, Siam, Ladakh, Nepal, Tibet, Central Asia, Mongolia, China, Korea and Japan, besides the handful in East Bengal who though small in numbers are no less zealous in their faith. It is an occasion to stir the imagination of all those in

Asia and the Far East, who, released from the political domination of the West are anxious and eager to help those of their brethren who are still in bondage, and are equally anxious to save themselves from the snare of involvement, political or economic, which may chain them back to the yoke from which they have just freed themselves.

Awakening in the East has come in the wake of revival of interest of all these people in their own past; it has brought forth a surge of feeling and emotion for everything Buddhist in those lands in which the vast majority of people still mould their lives on the teachings of the Buddha. At long last, control over Bodh Gaya, the hallowed place of pilgrimage of Buddhists all over the world, the Bodhi tree under which Gautama sat, meditated and attained enlightenment, the temple that was erected on the sacred spot by his devout followers two thousand three hundred years ago, has been taken away from the Brahmin priests of the local Vishnu temple and handed over to a committee on which Buddhists are also represented, among others. Viharas and chapels are springing up in Bodh Gaya, donated by the faithful from Tibet, Burma and Ceylon. There is a similar proliferation of buildings in other sacred sites, as in Raja Griha, Sarnath, Sanchi and Nalanda. This has not added to the charm and beauty of these holy spots. The Government of India is now mindful of tourist traffic and is not loath to utilise the opportunity to publicise the Plan. So the visitor to Bodh Gaya sees, on both sides of the road leading to the sacred spot, plentiful irrigation, in pleasant contrast to the dry and arid landscape of the rest of South Bihar, normally blighted by drought. The railway line from Gaya is to be extended, so that visitors may travel by train right upto the Bodhi tree. The sanctity, quiet and charm of Bodh Gaya may not gain from steam locomotion, but it will pay to have a railway line, even though regular traffic may not be there throughout the year.

In the last few years, Buddha Jayanti has been observed in this country more widely than ever before, with ever-widening circles of peoples participating in it. Buddhists of other lands too have been taking a greater part in it than was possible in the past, and the celebration is far from being confined

to professed adherents of the faith. One reason for it is that Buddhist countries are now free and Buddhists themselves have now control of their governments, and they are able to participate in a way not to be thought of in the past. Among the pilgrims lately coming from Burma and Ceylon have been some of the Ministers and other men of influence in their own country. They have brought with them gifts and are willing as also able to sponsor or help the founding of viharas, construction of temples or the endowing of institutions of Buddhist learning.

The Government of India has been co-operative in routine matters, but has not taken any initiative in a big way. The restoration of the relics of Sariputta and Moggallana, the two chief disciples of the Buddha, was perhaps the only occasion when Government showed both initiative and imagination. The invitation to Buddhist countries to participate in the function was a thoughtful and welcome gesture. Besides this, the President of India, Babu Rajendra Prasad, has been taking a personal interest in the Nalanda Research Institute which has developed as a nucleus of Buddhist studies. He has even expressed the hope that it may develop into a university at some future date. But the Government of India does not appear to have blessed the proposal yet nor committed itself in any way.

All these places—why Nalanda alone?—are of hallowed memory and have historic associations and many of them have been consecrated by the presence of the Buddha himself. The garden of Lumbini is one such where the Ashoka Pillar stands to this day to mark the spot where the Buddha was born. But Lumbini is somewhat inaccessible being in Nepal Terai, though even here the Jayanti is being celebrated in recent years and pilgrims have come from distant lands. With the change of Government in Nepal and its growing contacts with India, particularly in view of the programme of road-building that is being jointly put through, Lumbini should soon be rendered accessible to all people. And it may by and by develop into as attractive a centre and draw as many people to it as the other and more accessible places of Buddhist pilgrimage.

But that is not it. The occasion calls for a more fitting celebration and not merely the extension of travel facilities, piling up of more

brick and mortar and the drawing of crowds. Where the wheel was first turned and the gospel sent forth to the four corners of the then known world, the threads have to be gathered together and the strands of thought that spread from it, developed and drew fresh sustenance from many lands, collected again. To call back home what has got dispersed all over the world can be the proud privilege of the land which the Tathagatha had blessed with his presence. In this, India has a debt to discharge to the past.

Legend has it that in the year 67 A D Emperor Ming Ti of China dreamt of a golden image of Buddha and sent an emissary across the Hindukush to invite Brahmanas and Sramanas to bring with them the message of the Tathagatha. When such a mission returned with holy books and relics, a later Emperor caused a palace to be built to receive the honoured guests and extend royal patronage to the good work of translating the canons into the Chinese language. The Chinese are good historians and have left pictograms illustrating the event in which one person is seen reading out from a palm leaf in Sanskrit or Pali, a second paraphrasing the text, a third translating it word for word into Chinese and a fourth polishing and editing the Chinese text. In order to promote this good work, the Emperor himself acted as the Patradharaka, passing on the palm leaf from one to the other. Thus did Indian thought travel to the land of the Hans, and the good work started in the first century after Christ went on, though not without interruption, right up to the 12th century, and many were the scholars and sramanas who went to China to carry the gospel and with it, the treasures of Indian thought and philosophy, many were the pilgrims from China who visited this holy land. The results of their labours are preserved in the Chinese Tripitakas, the extant editions of which run into 2000 volumes or more. This is only the canonical literature; there are innumerable other books, besides, on Indian thought and life, iconography, Sanskrit grammar, rhetoric and Ayurveda preserved in Chinese translation.

Strangely enough, we in India were so superior and indifferent that our ancestors did not take the slightest notice of the development of Indian thought abroad, of the transformation it underwent and the enrichment that it received at the

hands of others.

To understand the heart of Asia and resume these threads that have snapped, scholars have been patiently researching for several decades. Because many of the original Sanskrit texts that have disappeared from the land of their origin and been lost to us have been preserved so faithfully in translations, not only in Chinese, but in Tibetan, Mongolian and even in Central Asian languages and dialects that retranslation has been very helpful in reconstructing some periods of history which had otherwise remained dark, in tracing developments of thought where no links could be found before.

During the last two to three decades, this has been a very fruitful source for Sanskrit and Buddhist studies. In respect of texts discovered in Central Asia and more distant lands, even some of the originals had been preserved, not to speak of the many faithful translations, and today we know that the Sanskrit canons are in every way as pure and as faithful a record of the teaching of the master as are the Pali canons, which alone was regarded as authentic some years ago.

The deer park where Buddha first turned the wheel is undoubtedly the site for a Buddhist University, where every branch of Buddhist thought and of the culture of every country of the world where it penetrated can find its real home. Because India has not taken the lead nor shown any interest in the proposal, Burma has gone ahead and declared its intention of handing over the building constructed for the meeting of the Buddha Sashana Council that is now going on in Rangoon, for founding such a Buddhist University. The proposition has been blessed by many and has already won the support of the Ford Foundation. But Buddhists elsewhere, and others whose interest is purely secular cannot be so sure that in view of the predominance of the Theravada school in Burma, the culture, philosophy and thought of the other great Buddhist sects, particularly Mahayana will receive the same attention or even be viewed with tolerance in the proposed university at Rangoon. India having no denominational interest in any particular sect or school, can afford to offer a home to all and encourage the study of every sect and every faith, in the interest of pure knowledge and for the pursuit of truth, and to seek enlightenment in the very spot from which enlightenment came to the world.

While Nehru is Away...

Wednesday, Evening.

DELHI has been looking towards, practically throughout the week, Bandung. Though the officials of the Ministry of External Affairs are trying to put on a brave face, the general feeling is that the pre-conference expectations have not been fulfilled. Our Prime Minister, of course, has no personal ambition—never had—to become the leader of Asia; but it was generally expected in official circles that he would be acclaimed as such and that the boys of the Asian Chancellories would raise him aloft with a cry of three cheers for Uncle Nehru of Asia. News is seeping in, that in his heart of hearts, the Pandit himself is not a trifle disappointed, that he feels—as can be judged from the final *communiqué*—that the Conference has been as useful (or useless) as a Commonwealth Prime Ministers' Conference and so on. It is clear that the 'bloc' representatives—Comrade Chou on the one hand and the Middle and Far East agents of the colonial powers on the other—played, each in its own way, a masterly game and the neutral powers in fact quite lost their way in the middle. Our Prime Minister played at best the role of an honest mediator or moderator, with Krishna Menon fiddling by his side to attract customers to the beautiful rhythm of neutrality. But it did not quite work. Comrade Chou behaved as though he did not quite need our services. He made direct advances to Ceylon and Thailand, Laos and Cambodia and appealed the Indonesians on the Chinese nationality issue. In fact he blew right at the conference itself by proposing direct talks with the USA. It was strange indeed, if not paradoxical, and all the more significant because of that, that an Asian Conference should have been the forum for direct negotiations between Communist China and Uncle Sam. Perhaps neutrality is acquiring a new political value; but sceptics may reflect on the fact that the mediator in this case was the Prime Minister of Pakistan and the proposal has been communicated to the State Department, via the Pakistan Embassy in Washington. Western powers, therefore, need not feel that their agents in the Middle East have lost their utility and influence.

WHOSE CROWNING HOUR?

Against this background, the drum beating that is now going on seems to be overdone. And drums being beaten louder to give us a feeling of triumph. In this context, Shri Rajagopalachari's hyperbole that the Asian-African conference is a shining light and landmark in the history of civilization has a touch almost of irony, particularly when he concludes that it marks the "crowning hour of Prime Minister Nehru's brave life". Why crowning? Surely he does not mean that the Prime Minister should retire and give place to him in the interests of *real-politik*? The best use that can be made of Rajaji's talents is to post him at Washington. He can then see to it that the USA sinks its stockpile of atomic bombs on a 50-50 basis in the Atlantic and the Pacific. This will bring the world nearer to Nehru's heart's desire.

AFTER BANDUNG—BAGUIO

In the din and noise of the Asian-African conference, it has been overlooked that immediately on the conclusion of this conference on April 24, just on the following day Asian-Western conference commenced at Baguio, and as many as 75 military experts of the eight SEATO powers met to consider

- The establishment of a mobile SEATO striking force,
- Contributions to this force,
- The setting up of a *liaison* training group,
- An intelligence centre,
- Construction of air fields, and
- The working out of a new strategy for the containment of air Communism in Asia.

We are being encircled. We laughed at Pakistan and it came into being. We sniffed at Manila and it is developing teeth. The Prime Minister arrives here tomorrow and he will have enough food for thought. He is scheduled to address the Congress Working Committee. In all probability, he will address the Parliament first, as it is in session and the Speaker has kept the adjournment motion on Goa "open" until the return of the Prime Minister.

TTK NOW DEFENDER OF AVADI

Parliament has been unusually active, despite the absence of the Prime Minister, as also of the Finance Minister, who has been indisposed. Surprisingly, it was TTK, who fought Deshmukh's battle on the floor of the House, when it began to wag its tail strongly during the third reading of the Finance Bill. It appears, there has been a shift in the political groupings within the Cabinet and TTK is now in the Deshmukh camp. He claimed, exactly as Shri Deshmukh had done before, that the Government was moving step by step towards the objective of the Avadi Resolution. Shri N V Gadgil, who has now become a radical socialist (not in the French sense) said that there was nothing either in the policy of taxation or expenditure to indicate in the smallest measure that the Government was moving towards a socialist pattern of society. What about the nationalization of the Imperial Bank and the establishment of a State Bank? The bitterest critic of Shri Deshmukh's economic policies would have to admit that measures such as these, alongside the Estate Duty Act, are well-designed approaches towards the building up of a socialist state on firm foundations.

WHERE GADGIL GOES OFF

Where Shri Gadgil was certainly right was in his reference to the gravity of the unemployment situation. Where he goes wrong is in his desire to make employment a *legal* obligation of the State. What about the Directive Principles of the Constitution? Among these, there is a clause which the Prime Minister read out when he was introducing the 4th Constitution Amendment Bill, that the State shall secure to every citizen *adequate means of livelihood*. Though neither mandatory nor justiciable, these provisions of the Constitution must, according to its letter, *inform all the institutions of social life*. Why does not Shri Gadgil take up this basic issue instead of suggesting doles for the unemployed? Both the Prime Minister and the Finance Minister are rightly opposed to such a demoralizing measure. Shri Gadgil would

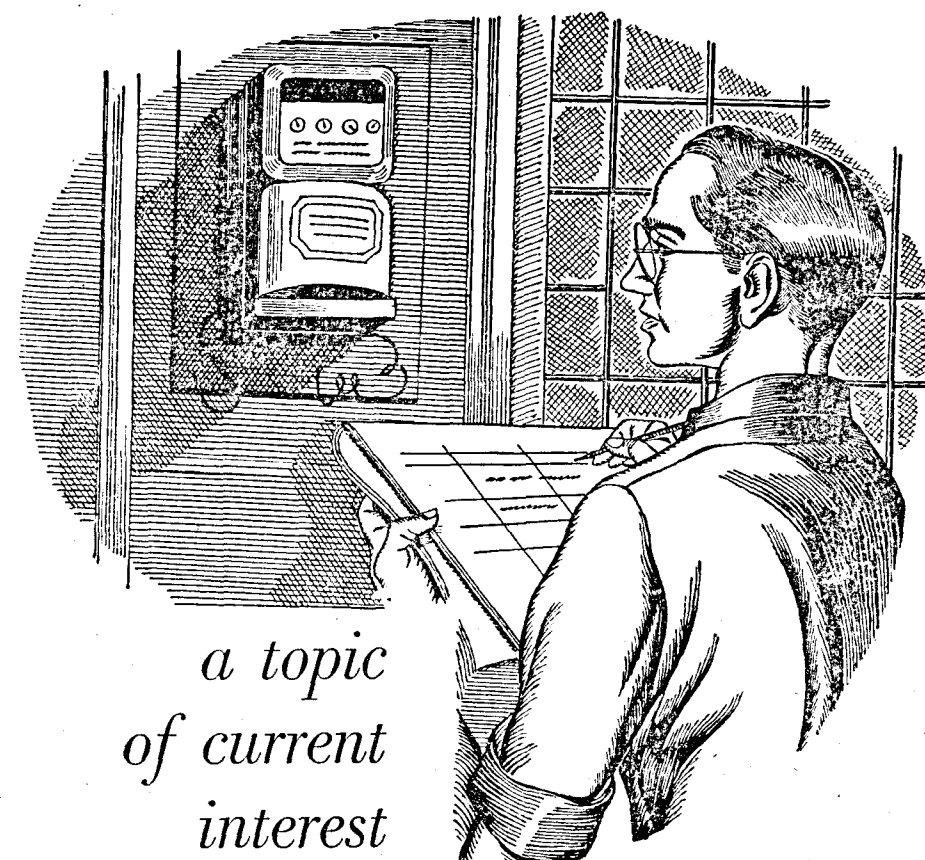
do well to table a resolution that Government should recognise the right to work at a minimum or even at a starvation wage. It will compel Government to assess the measure of distress in the country, which is an essential first step and

then formulate policies in the light of facts rather than act on a hunch or yield to sectional pressure. In economics, there is no escape from pragmatism.

Shri TTK's defence of the revised budget proposals cast a serious

and I must say, unfair, reflection on the officials and advisers of the Ministry of Finance: "If we had stuck to the budget and allowed the taxation measures to go through, *we might have perhaps ruined the industries.*" (italics mine.) This means

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that the budget proposals, as originally framed, would have meant the ruination of industries. Surely no one can accuse the Finance Minister or his advisers of such perversity or ignorance, except the Hon'ble Minister of Commerce and Industry?

Compared to the indignity of TTK's hit against Finance Minister below the belt, the passage at arms between TTK and Shri Gadgil was only a petty personal squabble though this is what hit the headlines while the other passed unnoticed. Gadgil's gibe against the Government that it was "a private enterprise affair and not a public institution functioning in the highest interest of the country" TTK took as a personal hit and unfortunately, it developed into one. As he tried to interrupt Shri Gadgil, the latter asked him not to talk, called him "a private enterprise man" and so on. TTK took the lid off Cabinet secrets and regaled the Parliament with the glory of their antagonism, when they were colleagues in the Cabinet. If TTK was not afraid, then when Gadgil was in the Cabinet, surely he was not afraid now when Gadgil was only an MP and "a bundle of nerves and frustration" at that.

COMPENSATION FAIR OR EXCESSIVE?

Shri Gadgil was again in form when the State Bank Bill came up for consideration before the House. He urged that the compensation to the shareholders of the Imperial Bank was "much too much", unfair to the tax-payer and against the spirit of the Avadi Resolution. It is difficult to understand exactly why he suggested 75 per cent of the market value—why not more or less?—but the point he made that the dividends paid by the Imperial Bank should be taken into consideration, in fixing the quantum of compensation cannot be dismissed so easily. The general feeling in the House was that the compensation was excessive; and the defence of Shri A C Guha that the assets acquired would exceed the compensation paid—that surely was not the basis for fixing it—did not quite satisfy the House; nor his theory that the compensation would go mainly to the middle classes. If pressed further, he might as well have added that widows and orphans would mainly benefit for the theory of the stock exchanges is that these are the real share-own-

ing classes and it is anti-social to disturb them.

EXPANSION OF RURAL CREDIT

The proposal for a State Bank was generally welcomed. Sadhan Gupta's criticism that the Central Board would be a preserve of Big Business—as in the case of the Reserve Bank—was trite in that since it was going to be a State Bank, its direction would naturally be in the hands of the Government of the day. Some valuable suggestions were offered, such as that of Ashok Mehta for development of 'credit for housing'. It was suggested that there should be a branch of the State Bank in every *tehsil* or for every 5000 of the population. Though the House was not very appreciative of Shri Guha's performance in the debate, the impression was confirmed, nevertheless, that Government was serious about implementing the Rural Credit Committee's recommendations.

In pursuance of this policy, Shri Guha, the Minister for Revenue and Expenditure, requested the House yesterday to take into consideration a bill further to amend the Reserve Bank Act. The Bill widens the scope of operation for the Reserve Bank in giving loans to co-operatives. Its main purpose is to authorise the Reserve Bank to set up two funds, the National Agricultural Credit (Long-term Operations) Fund and the National Agricultural Credit (Stabilization) Fund. Government has in fact provided more for the first fund than recommended by the Survey—Rs 10 crores instead of Rs 5 crores, plus a recurring grant from the Reserve Bank of not less than Rs 5 crores. The main purpose of this fund will be for making loans and advances to State Governments for subscribing to the share capital of co-operative societies, for making medium-term loans to State Co-operative Banks and for long-term loans to Central Land Mortgage Banks. The second fund would be exclusively for conversion of short to medium term credit, whenever necessary on account of floods, famines, etc. The funds, when established and operated, should make a significant difference to the life of rural communities.

COMMISSION FOR KHADI

There is further evidence of late of a shift in the policies of Gov-

ernment in favour of the common man, particularly in the rural areas. On Monday last, Government introduced a Bill for the establishment of a Commission for the development of khadi and village industries. It will be invested with executive powers to plan, organise and implement programmes for development. It will arrange for training of personnel, organise marketing and sales, establish co-operatives, promote research in techniques, etc. Government will place at its disposal a Khadi Fund and a Village Industries Fund. Actually, boards for khadi and small-scale industries have already been established and have been functioning for quite some time. On Saturday last, the Small Scale Industries Board, set up under the auspices of the Ministry of Commerce and Industry, held its second meeting. It reviewed the progress of work done so far, considered the establishment of industrial groups and estates, model units, the quantum and manner of Central assistance (100 per cent for capital, 75 per cent for other non-recurring expenditure and 50 per cent for recurring expenditure), the appointment of an additional or joint director for small-scale industries in the State Governments, the training of 200 engineering graduates in the techniques of small industries, their usefulness in the community project areas and the programme for these industries in the Second Five-Year Plan.

CHANGES GALORE AND CULTURE

Obviously we seem to be in for quite a good deal of change, what with the introduction of through rail traffic for the Indo-Pak sub-continent, the intensification of Hindi culture (a Commission is being appointed under Article 344 of the Constitution), the decimal coinage and metric system, boys setting up their own schools, not far from Delhi and probably elsewhere in the country and so on. The real author of this silent revolution is arriving here tomorrow along with Col Nasser. The Prime Minister of Sudan arrives simultaneously. We may, therefore, reasonably expect a quickening of political activity. Cultural life has been fairly active with Rukmani Arundale's Bharat Natyam and Miss Brilliant's exhibition of sculptures of our President, Prime Minister, his daughter, Krishna Menon, S K Patil and others.

From the London End

ONLY the very naive and, of course, the faithful, alone would respond to Mr Butler's appeal that his fourth Budget be analysed "in as an objective a manner as possible". A General Election is now less than six weeks off and in this situation the political demands of the moment are sufficiently overwhelming to deter even the most determined Chancellor of the Exchequer from the pursuit of a truly objective fiscal policy. This is all the more true when the Party seeking advantage has a new and as the *Daily Mail* said "unoriginal" leader*. A reading of the massive Budget speech shows the great pains Mr Butler took to give his statement the stamp of impartiality and indifference to the political situation. The impression is inescapable, however, that he must have been under severe Cabinet pressure to make concessions of a vote catching character and that he did not like having to present a Budget in these circumstances.

The economic calculations in the Budget are all based on two assumptions, the validity of which can be much disputed. Mr Butler assumes that the aggregate internal demand would not rise much during the coming fiscal year and, secondly, that the prospective rise in total output would be "at least as great as it has been in the past, if not greater". Assumptions like these are totally out of keeping with the tradition of cautious and conservative calculations which Mr Butler has for the past four years followed his economic policy. But the assumptions are made and certain important conclusions are reached on the basis of which he has made tax concessions amounting to an aggregate of £134 millions. The most important single conclusion reached is that the unchanged domestic demand will leave a sufficient margin of the potential output for an increased level of exports to take place. In this way, Mr Butler hopes (if he is returned) to bridge the widening gap in the balance of payments.

* The *Daily Mail* was by no means being offensive. It found other attributes in the new Premier sufficient to warrant, in its view, public support for him.

A Political Budget

In what appears to be an after-thought, Mr Butler refers to the "resources of a flexible monetary policy" which he may use to assist him in the achievement of this object.

The complex arithmetic of the Budget can be reduced to the following:

The 1953-54 Budget surplus was estimated at £10 millions. The actual surplus turned out to be £433 millions. Of this sum, £134 millions are being given back in the form of tax concessions. The straight reduction of 6d in the standard rate to a level of 8s 6d in the £ will relieve industry of £40 millions, and the remission of 3d in the lower rates will benefit individuals to the extent of £74 millions.

The remission of 3d in the reduced rates is ingeniously combined with changes in the personal allowances, having the effect of raising the levels at which tax becomes payable. In spite of the increased allowances for married men with children, the higher level at which income becomes taxable makes the tax concessions in general more beneficial to industry than to the individual.

Only one change was introduced in the Budget. The Chancellor has halved the rate of purchase tax on certain cotton piece goods and household textiles from 50 per cent to 25 per cent, in order to assist the Lancashire textile industry. The cost of this concession is estimated to amount to £3 millions in a full year. This concession to the textile industry has been severely criticised as being niggardly and as not meeting the full expectations of the industry; but as Mr Butler pointed out in the Budget debate in the Commons, assistance to Lancashire involves a number of complex problems, most of which have an international bearing. Apparently, some steps are being taken on an international level to provide some assistance to the industry and here one would expect that the Government is considering some changes in tariff policy through consultations with various countries, particularly with those enjoying Imperial Preference and others who are members of GATT.

First, take the assumptions. The three demand sectors—personal consumption, Government expenditure and internal investment—all proved to be unpredictable in 1954-55. Government expenditure was considerably less than was estimated, while investment demand leaped forward at a rate faster than the rise in production. Personal consumption rose by £390 millions and this, too, was unexpectedly high. In total, the level of internal demand proved too much and clear inflationary pressures became visible. In the winter of 1954-55, in a series of quick movements, the Chancellor brought into operation the whole weight of his flexible monetary policy, in which the Bank rate was pushed to the level of 4½ per cent.

The fact that output was not rising fast enough (at its unprecedented peace-time rate of 7 per cent per annum) was serious in itself. What was more serious was the swelling of the import content production, occasioned both by a rising volume of imports and a worsening of the terms of trade.

If the Chancellor's assumption that output in 1955-56 will rise by as much as last year is correct, will it not equally be fair to assume that the import bill will also rise proportionately? And, further, would not this rise nullify any increase in export earnings from the Chancellor's expected margin between output and domestic demand? These questions, which are certainly fundamental to his calculations, were largely ignored. The basic assumptions thus are of uncertain validity. With the cut in the standard rate of income tax (and this would mainly benefit business firms) the recent rise in bank rate is to some extent off-set. Business enterprises, in their current mania for enlarging capacity, will certainly increase their investment demand. More than that, personal consumption is likely to rise in view of the current wave of wage increases.

The estimate that industrial production will go on increasing by at least at last year's rate is founded on the hope that the investment activity of 1954 will now contribute to total output. This hope is unlikely to be realised in full. A number of new plants have been erect-

ed. Many of them, however, are still to be tooled, manned, and brought into operation. Thus the demand for capital goods has still to be met and, more important, labour shortage will have to be solved (even with Lancashire working short-time).

In view of the foregoing, the indications are, as Mr Gaitskell, the Opposition expert, suggested, that the Chancellor was "not going to get his increase in exports". And if this is to be a strong possibility, the balance of payments will

worsen and precipitate a crisis. It was this "rather uncertain background", in the words of the *Economist*, which had led the Chancellor into a fit of optimistic forecasting of events. This optimism, most unlike the Mr Butler of the past four years, has become the focal point of attack for Labour Opposition. They have suggested that he is deceiving the nation in the hope of securing a Conservative victory at the General Election. This charge may not be wholly unjustified.

From the Calcutta End

East Bengal Politics

EAST BENGAL is, like West Bengal, a problem State. Partition has made both the Bengals problem States of the two neighbouring nations. Some common reasons make both the Bengals problem States. West Bengal is an industrialised State. But the present system of allocation of revenues prejudices this State's finances. West Bengal's finances are poor. Its industries are decaying. Land is scarce. So unemployment grows. Its people and the State suspect that New Delhi is biased against it and them.

West Bengal must expand or perish. Its economy must expand. It must also expand as a geographical entity. Both these are controversial issues. Both these problems are being complicated by the continued exodus of Hindus from East Bengal. Goalpara is an ugly reminder of the feeling of bitterness in this State. The mood is bitter, but not combative. This issue of boundary readjustment may assume more alarming proportions. If the Boundary Commission can solve this problem, it would be performing a miracle. And miracles, the non-believers say, do not happen these days.

COMPLEX POLITICS

In East Bengal, the problem of boundary readjustment does not arise. Land and space there are. But there is no industry. There is, perhaps, not much of unemployment among East Bengal Muslims. But the Hindus there are suffering from the consequences of deteriorating economy. Both Muslims and Hindus are united in their opposi-

tion to the "Urduisation" of that State. Its cultural and linguistic implications are stoutly resented. Its economic and administrative associations cause frustration among the educated Muslims as they find that they are not masters in their own home State.

Here the similarity ends, and the dissimilarity between the two Bengals emerges. East Bengal's economic problems can be partially solved by a freer flow of trade between the two Bengals. But its economy suffers because of the measures undertaken at the initiative of Karachi. Economic measures introduced since the suppression of the Huq Ministry have created an artificial rise in raw jute prices in Calcutta. Export and price controls and restrictions have not benefited the East Bengal jute grower much. But these irritating annoyances have revived the demand, in Calcutta's trade and industrial circles, for self-sufficiency in raw jute in this country.

East Bengal's politics are as complex as those of West Bengal. In both the Bengals, the underlying economic circumstances influence the course of politics. But Eastern Pakistan seems to have inherited the former undivided Bengal's feeling of resentment against the Centre. This is the basic explanation of the United Front's overwhelming victory in the last elections. This, again, explains the rift in the United Front on the proposed Constitution Convention for Pakistan. Mr H S Suhrawardy was intimately familiar with undivided Bengal's politics. But he seems to have lost touch with East Bengal's

politics. Eastern Pakistan may yet upset the Pakistani Governor-General's apple-cart.

AWAMI LEAGUE SPLIT

It all started with the Pakistani Governor-General's dissolution of the Constituent Assembly. Many laws and ordinances have since been introduced. Legality of all of these are in question. It was wise of Mr Ghulam Mohammed to refer these issues to the Federal Court. Its verdict is now due. But these are issues which are not directly affecting East Bengal's politics. Formation of the provinces of Western Pakistan, into one unit, and the basis of representation of this unit and of the other unit of Eastern Pakistan to the Constitution Convention are the problems which are agitating Eastern Pakistan.

Mr Suhrawardy is the President of all-Pakistan Awami League. Maulana Bhashani is the President of East Pakistan Awami League. East Pakistan Awami League is split on the issue of parity representation between the two units of Pakistan in the Constitution Convention. Maulana Bhashani, its President, has repeatedly expressed his opinion in Calcutta that he demands proportional representation in the Convention. Some of the members of the East Pakistan Awami League have seceded to the Huq Party. Three of its leaders came to Calcutta to persuade Maulana Bhashani to go to Dacca. He has gone to Dacca with Mr Suhrawardy, but he remains stubborn in his demands.

PARITY PRINCIPLE

Only the East Pakistan Awami League supports parity of representation for the two wings of Pakistan in the Convention. Mr Huq and his party are opposed to this basis of representation. Maulana Bhashani is on record that he opposes the principle of parity in representation. In the Press Conference at Dum Dum airport, he repeatedly intervened to counteract Mr Suhrawardy's arguments in favour of parity representation between Eastern and Western Pakistan. There are reasons why even the East Pakistan Muslim League does not endorse the parity principle. East Pakistan's Congress Assembly Party is opposed to the Convention as well as its basis of representation.

Pakistan's constitutional deadlock can be resolved only with the verdict of the Federal Court. All political parties and leaders in both the units of Pakistan desire re-introduction of democracy. But, with the possible exception of a section of the East Pakistan Awami League, one of the groups of the United Front, all parties and politicians in East Bengal oppose the basis of representation in the Convention. So, the problem is where it was at the time of dissolution of the Constituent Assembly.

Mr Fazlul Huq's capacity to stage political come-backs must have surprised those who do not know Mr Huq. He is ebullient. He talked himself and the United Front Ministry out. Dissension ensued within his Party. Some of his flamboyant statements and actions embarrassed his followers. Everybody predicted political wilderness for him. All political prophets are now eating their words. He is, of course, jubilant at Maulana Bhashani's attitude. Maulana Bhashani counts in East Bengal politics. That is why Mr Suhrawardy is wooing him. But Maulana Bhashani knows Eastern Bengal and its people. So does Mr Huq.

BRITISH STEEL MISSION

A few days ago, the British Steel Mission returned to Calcutta after its tour of inspection of all the possible sites in Eastern India for a new iron and steel plant. While in Calcutta, the Mission had discussions with West Bengal's Chief Minister, with the officials of the State Government, and with the officials of the Government of India stationed in Calcutta. Both the West Bengal Government and the officials of the Union Government supplied additional information to the Mission in respect of a possible site for a new iron and steel plant.

Dr B C Roy has repeatedly stressed the urgent need for industrialising the Durgapur belt. His demand for the Farakka Barrage now seems to be conceded by New Delhi. With or without the steel plant at Durgapur, the West Bengal Government has plans for coke oven and thermal power plants there. But the manner in which Dr B C Roy assured Press correspondents of the State Government's industrial plans for Durgapur was an emphatic reminder of the dispute between Calcutta and New Delhi on this issue.



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The Depressed Areas in Europe

—Curbs to Economic Development

THAT wide regional differences in economic development exist within a developed economy has tended to be overlooked because of the general preoccupation of economists with problems of underdeveloped countries. Regional disparities are, however, of considerable importance in almost all countries, whether advanced or backward as a whole. Raising standards in the depressed areas, apart from its intrinsic importance, may very well be essential in order to ensure steady growth in countries that are already advanced, while in those which are backward, a solution of the problems of these areas might very well hold the key to the attainment of a rapid pace of development of the whole country. The Economic Commission of Europe, therefore, rendered a distinct service by taking up "Problems of Regional Development and Industrial Location in Europe" in its last annual survey of Europe which was reviewed in the issue of April 2.

Taking the deviation of the per capita income of a particular region average per capita income of the whole population as the criterion of underdevelopment, the *Survey* finds that "the poor regions" are generally those situated at the periphery of Europe. "Thus, in all countries of Europe, the levels of economic development tend to be lowest in the regions furthest removed from the relatively small area which developed as the main European centre of activity, embracing England and the valley and outlet of the Rhine." In fact, location of economic activity in Europe, it appears, is "still predominantly determined by historical patterns which emerged in times of economic liberalism and—what is more important—in times when proximity to coalfields and navigable rivers were virtually indispensable to a more developed pattern of activity." Subsequent development of other sources of power have changed the relative locational advantages of different regions, but other factors, notably investment in transport, have prevented any general shift in the location of industry.

REGIONAL DISPARITIES

As a result of this attraction of the European industrial centre at the

Rhine, "national frontiers separate the relatively poorer regions of the richer of two countries from the relatively richer regions in the poorer countries." Regional disparities, again, are much wider in the poor countries than in the rich ones. This is because the poorest regions in the rich countries are generally very sparsely populated, while large parts of the poor regions in southern and eastern Europe are very densely populated. No great accuracy can be claimed for this analysis, because data about regional incomes are so inadequate, but the broad identification of the location and the magnitude of the problem are not affected by the imperfection of data.

WHY LOW PRODUCTIVITY

The explanation for low productivity in a particular region may either be that either all or nearly all the industries in the region have a lower productivity per head than in other parts of the country, or that the region contains a disproportionate share of activities which are generally of low productivity throughout the country, *eg* agriculture. In Europe, in nearly all low-income regions, a particularly large proportion of the population is engaged in agriculture. The level of productivity in these regions, both in agriculture and industry, however, is lower than in the same branches of activity elsewhere.

In the poor countries, the regional disparities are partly due to the fact that they have islands of progress—usually capital city or other large cities—in the midst of a sea of relative backwardness. There is "a general tendency for economic development to concentrate where it has already reached the highest levels." Backward countries have a strong tendency to concentrate the bulk of their limited investments on those areas which are most favoured in terms of known resources and social capital, and which are therefore likely to yield quicker returns.

DISTRIBUTION OF POPULATION

The distribution of population in the relatively underdeveloped or backward areas does not show a uniform pattern. In Thrace and in the Black Sea region of Turkey, population density is greatest on low

quality soil, though specialisation in intensive farming of tobacco and fruit mitigates the effects of excessive density to a limited extent. In Southern Italy, too, rapid increase in population, makes the situation more difficult, when the scope of emigration to richer districts is restricted by the prevalence of unemployment in such districts there, in France, on the other hand, emigration to the richer districts has caused considerable depopulation of the poorer regions, while stagnant population characterises the situation of the country as a whole. In Sweden and Norway, emigration has occurred from the valleys to the regional centres and the region as such has not become depopulated at all.

Differences as between different countries are, of course, many. Certain common characteristics do, however, emerge. Thus the share of population in agriculture is higher and the share in industry lower in poor than in rich regions inside the same country, except in the UK and Belgium. The pattern of trade between regions generally corresponds to that between countries: "the poorer regions do, as a rule export food, forest products and raw materials derived from agriculture to the richer regions and import manufactures and services." Very few regions can be developed through improvements in agriculture alone, though some improvements in local agriculture will of course be essential. Even concentration on agriculture may succeed in areas where conditions are exceptionally favourable, provided a market can be found, within or without the country, for the disposal of the increased agricultural output. In any case, investments in transport facilities and in manufacturing industry, particularly food processing, will still be necessary. Where hitherto unknown mineral resources are discovered in a poor region, assistance from Government will be required in the form of improvements in transport and social capital. It is now widely recognised that "lack of public services, in particular power and means of transport, is a very important hindrance to the development of backward regions". This is so obvious that it can hardly be emphasised enough. There are areas in Eastern Europe where

simultaneous development of extractive and processing industries with the expansion of social capital will yield the best results.

LOCATION OF INDUSTRIES

When the region possesses no natural resources of its own, the alternative to depopulation is the establishment of such manufacturing industries as need not be located near their raw materials. Even where agriculture offers scope for development, a simultaneous programme for establishing industries is necessary. It is, however, of crucial importance to determine first "what types of manufacturing industry can most advantageously be promoted in poor regions." For this purpose, it is necessary to examine the present pattern of distribution of industries in different regions. A study of this pattern reveals "a very characteristic difference between the industrial structure of rich and poor regions which is accounted for by wide differences in a few important branches of industry: in underdeveloped regions, textile, metal, metal-using and chemical industries hardly exist, while they are the predominant branches in all the rich regions." Since none of these industries are particularly dependent on nearness to their customers, witness their large exports, "the pronounced tendency to locate in already highly industrialised regions or in the case of engineering, in the biggest towns, is no doubt much more due to the attraction of a big labour market." Specialisation in skills, accumulated over generations is an important factor, though the importance of this is often exaggerated.

INSTITUTIONAL FACTORS

One institutional factor working to perpetuate the existing pattern of industrial location is the reduction in regional wage differences brought about by the growing strength of trade unions and the introduction of social considerations into national wage policies. Differences in local taxation also have had perverse effects on location in certain countries. Imperfections in the credit market have similar unfavourable effects on those areas which are backward. In fact, the report finds that "branch banks in the underdeveloped regions often serve as a collecting instrument of local funds for investment in the centres, thus depriving the poor regions of the productive use of their own savings," a conclusion which was

found to be true of India also by the Committee of Direction of the All-India Rural Credit Survey.

Transport and freight policy also plays a very important role. The traditional policy of telescopic railway rates for long distance and lower charges for raw materials than for manufactures "tends to free location of manufacturing industry from being tried to raw material sources." In this way, it operates as a centralising influence by reducing the advantages of processing agricultural raw materials on the spot. The development of road transport has reduced the advantages of decentralised manufacturing industries producing for local markets. The tendency for large-scale industries to sell their products at a single price throughout the whole country also encourages centralisation in large consuming centres, for local consumers must subsidise the more distant ones, and the larger the number of local customers the better. This puts local industries which have no local sources of raw materials into a particularly difficult situation.

HANDICAPS FOR POOR REGIONS

While the development of electricity as a source of power instead of coal has apparently favoured decentralisation, the system of power rates in operation in most countries has in fact worked in the opposite direction. All these impediments to the development of poor regions, interacting on one another, reinforce the cumulative process of growth in the concentration areas and make these barriers extremely powerful in preventing the spread of industry to the poor regions. The *Survey* concludes that "these obstacles are of much greater weight in explaining the backwardness of many poor regions than any natural handicaps from which they might suffer." The remedy, to that extent, lies in adjustment of these social factors.

The problem of determining what types of manufacturing industry can most advantageously be promoted in poor regions must be examined in the light of all these considerations. As natural resources do not form the main impediment, the availability of local raw materials cannot be the only criterion for the choice of industries to be promoted in poor regions. If so, the best alternative would appear to be the processing of raw materials, imported from other regions or countries, for local consumption, as this would reduce de-

pendence on imports of manufactures from the richer regions. While this may be desirable for underdeveloped countries "the much closer ties between regions within a country than between countries set narrow limits to the possibilities of developing 'import-saving' industries in backward regions." Thus establishment in these regions of textile industries, for instance, meets with considerable opposition from the traditional textile regions, "whereas the setting up of the more dynamic branches of industry, like engineering and chemicals, is likely to encounter much less resistance."

In fact, even if textile industries may appear to be suitable because they are labour-intensive and import-replacing, they are really unsuitable since they are in a structural decline. There are strong arguments in favour of concentrating development on those lines of industry which show the greatest tendency to expansion, even if they may be of the large-scale type for which the local market alone is not sufficient. The structural problems of the rich regions themselves support such a policy. In most European countries it is quite clear that "it would be desirable to stop the further growth of a very large number of European cities." On this assumption and to prevent further immigration into these cities, it would be "in the interest of the local population to avoid the introduction of new industries of the type which can be expected to expand rapidly in the coming decades." An examination of the industrial structure of the large towns shows that particularly fast expansion of the engineering industries has been one of the main reasons for the rapid growth of these cities. Therefore, new units of these industries and new industries, like nylon, plastics, television, electronics, etc, should be induced to install themselves in the poor regions in the interests of the rich regions themselves.

Long-term considerations for the poor regions also point in the same direction. In these regions, basic improvements in transport, public utilities and housing are urgently needed. These being highly labour intensive, availability of the physical factor poses no important problems. If finance can be obtained, secondary activity in the shape of local services, handicrafts and small-scale industry will be generated so long as these investments in social capital are being made.

April 30, 1955

Two further possibilities exist. If the region is poor in unutilised natural resources, "activity and income may, once the investments are completed, fall back to a level not very much higher than the original one." Some of the new activities set up during the earlier period may actually have to be closed down in that case. Even if this does not happen, because conditions are somewhat more favourable, difficulties may arise at a later stage. Since technical progress will continue in the richer regions, part of the consumption in the regions lagging behind will shift to goods imported from other regions. "Unless demand in the richer regions increases for the products of the poorer, the position of the latter will have deteriorated permanently." But such an increase in demand is unlikely, given the pattern of production in the poor region, unless, eg there is emigration from the poor region. After all, the most rapidly expanding element in the consumption of rich regions is services, which are produced primarily within these regions.

POLICIES FOR REGIONAL DEVELOPMENT

To preserve inter-regional balance, therefore, it would be necessary "to give the poorer regions more than their proportionate share of the most dynamic industries." In other words, to prevent a gap in development at some stage, some leadership in technology is needed. Since the main advantage of such industries lies in their potentialities for future expansion, the amount of employment they provide per unit of capital invested is of little importance.

Two types of policies for regional development are being implemented in different countries of Europe. "One is mainly concerned with influencing the localization of manufacturing industry, while the other aims at co-ordinated development of social capital and extractive industries, in some cases combined with measures to promote the processing of raw materials". The Survey stresses, after examining both in detail, that "far from being alternatives, the two broad types of intervention—the provision of basic investments and the implantation of industries—are complementary." Co-ordination, however, is obviously necessary. Even such rigorous measures as a general control over investments throughout the country

is not an effective means of decentralising industry, if simultaneous measures are not taken to equalize conditions and costs for industry in the different regions. Deliberate establishment of a few industrial centres in some middle-sized towns in the backward regions would help much more than mere negative controls over the starting of new industries in established centres. The establishment of one or more large-scale plants in such a centre may also help considerably by creating an organised labour market and providing the initial stimulus for the starting of subsidiary services like retail shops, restaurants, hotels, lawyers, doctors, etc.

The views of the Economic Commission for Europe on the problems of regional underdevelopment has been presented here in some detail

because they throw light on many problems which face underdeveloped countries also. While there are differences between underdeveloped countries and underdeveloped regions of advanced countries, there is much in common. Besides, even underdeveloped countries have regions which are backward in relation to others; in fact, lack of integration is itself a characteristic feature of their backwardness. Therefore, for such countries also, an increase in the general rate of economic development may very well be dependent upon the adoption of appropriate regional policies. Unfortunately, little attention to such problems has been paid in India, though there is a vague realisation that they are of importance. The present study should stimulate interest in the study of a hitherto neglected problem.

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Company Meeting

The Dunlop Rubber Co. (India) Ltd.

Mr Cecil Stack's Review

THE 29th Annual General Meeting of The Dunlop Rubber Co (India) Ltd was held on the 25th April in Calcutta, Mr Cecil Stack, Managing Director, said:

Gentlemen,

The Directors' Report and Accounts for the year 1954 have been in your hands for some time, and with your permission I will take them as read.

I should like to preface my remarks this year by referring to a change in our Board of Directors. Sir Satyendra Nath Roy, who has been a Director since 1948, resigned his seat on the Board for reasons of ill health. His wide knowledge, experience and astute judgment have been of great help to us and I would like to express our sincere appreciation of the valuable service he has rendered to the Company, also the hope that it will not be long before he will be well again.

The Year's Trading

The year under review has generally been a satisfactory one. The volume of sales of all our products was higher compared with the previous year. In terms of production and using our principal raw material, crude rubber, as the basis, we exceeded 1953 by 18 per cent. On the other hand, total sales in value increased only 9 per cent. This difference is largely explained by the reduction made last year in our selling prices of tyres for passenger cars, trucks and buses, motor cycles, cycles and animal drawn vehicles.

Our consumption of crude rubber in 1954 was the highest since our factory commenced production in 1936 and this is indicative of the progress made by the Rubber Manufacturing Industry as a whole, which in my opinion can be regarded as evidence of the sound manner in which the Industry has been allowed to develop. The increasing expansion of India's economy, the implementation of the Five-Year Plan and the emphasis to be placed on Industry in the second Five-Year Plan all help to accentuate the growing importance of our own particular Industry. The development of mechanisation in agriculture as well as the expansion of

Industry as a whole will make demands which rubber manufacturers will only be able to meet by expanding their output and by producing a wider range of articles.

With the exception of Cycle, there was no overall shortage of tyre stocks throughout the year under review but difficulties associated with the distribution of our products continued to be experienced as the result of transport bottlenecks and inadequate availability of Railway wagons.

The net profit for the year was Rs 96,37,915 compared with Rs 92,88,299 for 1953 but because of the selling price reductions already referred to, the ratio to turnover has declined in 1954 from 7.4 per cent to 7 per cent before taxation and from 4.6 per cent to 4.3 per cent after taxation.

Products

Our Technical staff work in close contact with the worldwide Group research establishments of the Dunlop Rubber Co Ltd, the benefits of which are fully available to your Company. In this way we are able to keep abreast of all new developments such as the tubeless car tyre, the introduction of which during the year was an outstanding achievement. This tyre is the most important development since the advent of balloon tyres in 1922. It provides added protection against punctures and bursts. It also retains the air much better than the conventional tyre, thus maintaining a more constant air pressure and so reducing tyre wear. With all its advantages it costs no more than a conventional cover and tube of the same size.

In the truck and bus range our Trakmaster tyre, introduced only the year before, became so popular that it proved impossible to meet the demand. More equipment is now in use which will help to remedy the situation.

Our sales of pneumatic tyre equipment for animal drawn vehicles were well in excess of any previous year; likewise our sales of tractor and aero tyres. In addition, the continued rapid expansion of India's bicycle manufacturing industry helped us to break the record

set the year before in our production and sales of cycle tyres and rims.

In line with tyres, sales of all our other products advanced substantially. The intensity of our sales efforts, supported by sustained publicity, has popularised Dunlopillo Latex Foam Cushioning throughout the country.

The remarkable progress made in our Industrial Transmission Belting business in the previous year continued throughout 1954, and our Conveyor Belting, the manufacture of which only commenced in 1953, is already being used on the major hydro-electric projects as well as in mines, power stations, steel works and numerous factories where the inexpensive handling of large quantities of materials is vitally necessary. Our Industrial Vee Belts and Fan Belts also continue to sell in increasing quantities and as the result, we were able to reduce our selling prices.

During the year we commenced the manufacture of pneumatic tool, welding and high pressure Braided Hoses by the lead press moulded process. This type of hose in long lengths had not formerly been made in India and I am glad to say that our hoses are already proving popular wherever there is a demand for them.

This overall expansion of our manufacturing activities contributed in no small measure to the fact that in 1954 rubber manufacturers consumed approximately 4,000 tons of rubber more than India produced. That the deficit this year is expected to be over 5,000 tons should encourage the Rubber Planting Industry in South India to make serious efforts to increase their production.

Raw Materials

The raw materials supply position was satisfactory throughout 1954, but delays in the clearance of shipments through the Calcutta Port due to labour troubles caused anxiety at certain times. There were no significant changes in prices except of crude rubber of which we were allowed to import part of our requirements because indigenous supplies were insufficient. Prices

ranged between Rs 84 and Rs 150 per 100 lbs as compared with the controlled price for local rubber of Rs 138.

Profit & Loss Account

As I have indicated earlier, the net profit for the year was Rs 96,37,915, and after deducting the charge for taxation the balance of profit available for disposal is Rs 69,45,891 compared with Rs 62,39,833 for 1953. The Directors are recommending the same rate of Ordinary Dividend as for 1953, that is 15 per cent, which will absorb Rs 24 lakhs. The Directors also recommend the transfer of Rs 30 lakhs to General Reserve as against Rs 24 lakhs last year. This will increase General Reserve to Rs 1 crore 68 lakhs as shown in the Balance Sheet. The total amount transferred to Reserves during the last 10 years was Rs 2 crores 45½ lakhs. These appropriations represent shareholders' profits retained and fully employed in the business. I would like to stress here the great need for such conservation of the financial resources of the Company. In addition to the funds required for development and expansion schemes the Company is continually striving to improve the standard of living conditions for its factory employees by providing

more residential, hospital, educational and other welfare facilities. During the last ten years the Company has spent over Rs 80 lakhs on buildings for this purpose and very considerable additional expenditure, depending on the continuing prospects of the Company, is planned for the next three years. The Company's housing estate at present accommodates just over 3,700 persons representing employees and their families, and this number will continue to rise over the next 3 or 4 years if, as we hope, the resources are available to complete our plans.

Balance Sheet

The additions to Fixed Assets during the year amounted to Rs 30 lakhs, consisting mostly of plant for expansion and rehabilitation. The amount of depreciation written off in 1954 was Rs 30,20,000 as against Rs 27,78,000 in 1953.

Stock Inventories at Rs 395,81,000 are Rs 33,22,000 higher than at the close of the previous year. This was due mainly to increased production, raw material prices having remained fairly stable throughout the year. Sundry Debtors are up by Rs 41,40,000 as a result of the greater sales turnover. Bank and Current Balances are also higher than last year, making the

total increase in Current Assets Rs 80,15,000. The net working capital increased by approximately Rs 68 lakhs during the year, which is partially reflected in the closing bank overdraft of Rs 128 lakhs compared with Rs 88 lakhs at the end of 1953.

Employee Relations

During the past year we have striven further to extend and improve our social amenities for employees. The 64 new staff flats constructed in 1953 were all allocated and occupied in 1954, the building of new quarters for the Watch and Ward staff was commenced, as well as additions to the existing facilities for sport, and the survey work was put in hand for the construction of a further 100 married operatives' quarters. Thus we endeavour to maintain our high reputation for working conditions and general labour relations, which have remained consistently good throughout the year. Staff and operatives have continued to exert their best endeavours and have contributed greatly towards the successful outcome of the year's activities. I am sure you will wish to join with the Directors in expressing warm thanks for their loyal and faithful service.

Not Enough Schools!

Reba Chaudhuri

(Continued from previous issue)

GENERALLY, salary scales of primary school teachers are very low. Some countries have, however, raised the status of teachers to that of civil servants with identical scales of pay, while in Afghanistan, Indonesia and New Zealand, the teacher's salary is actually slightly higher than in comparable civil service posts. The UNESCO Commission has recommended that the Government should introduce a single salary scale for all teachers. Women ought to receive the same pay as men for equal work. A considerable wastage of resources takes place because many women teachers cannot devote their full time to teaching and consequently have to give up the profession. This problem can be solved if a system of part-time employment on half pay is introduced.

THE CURRICULUM

The traditional curriculum of the western type still reigns supreme in most countries in this region, and through examinations, certificates and diplomas it prepares students for Government jobs. Yet the heritage of South Asia and Pacific is quite distinct from that of the west. Here emerged a succession of civilisations more varied and more rich than those of the western world. Two difficulties, therefore, arise that have to be dealt with simultaneously. (1) They have to reshape a curriculum which hitherto served the needs of a minority of the population so that it become suitable for all children of school age. (2) They have to find through the schools a cultural equivalent of the political emancipation which most of them have recently achieved and of the social progress which is their aim.

The whole question of making the schemes of compulsory education a success is essentially linked with the problem of improving the content and quality of the curriculum. Unless sociologically and psychologically this curriculum is suitable from the point of view of child and society, compulsory education will not succeed. The present day education has become too bookish. There is not only new matter to add, but there is a lot

of dead matter to be taken away. In this connection, the report gives an account of basic education as conceived by Gandhiji which has been accepted in principle by the Central and many of the State Governments for their primary and secondary schools. The report recommends that serious effort must be made in every country to divest the curriculum of the inert matter which deadens school for child and teacher alike and (1) simplification of the curriculum; (2) co-ordination of the various subjects and contents as well as (3) the introduction of a certain amount of elasticity which would give freedom to the teachers to adapt the curriculum to local needs, group needs and sometimes to individual needs.

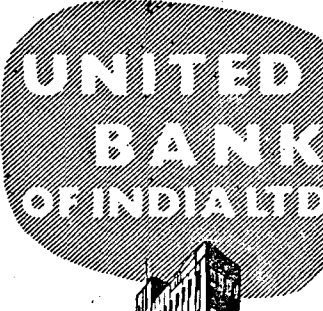
EXAMINATION AND CURRICULUM

Learning by rote is still dominant. The emphasis on examinations in the primary school meant that the aptitudes which examinations can measure are stressed at the expense of other important things in school life. "In Asia we are all examination ridden." Whatever syllabus of study is framed, teachers tend to forget everything and concentrate on examinations only. The UNESCO Commission recommended that external examinations in the primary schools, if not abolished entirely, should at least be put on an optional basis.

In western countries a period of 8 years extending from the age of 6 to 14 has been accepted as usual for compulsory education but for most of the underdeveloped countries this period is too long and costly. Countries in South Asia and the Pacific have adopted a schooling of four, five and six years as a means of ensuring that the child will not revert to illiteracy after leaving school. Some authorities have advocated what is known as "fundamental literacy" and consider that seven years is the shortest possible course in educating a useful citizen.

A related difficulty is that of the gradual diminution of pupils from grade to grade. Scientific studies of this phenomenon and its causes are rare. It is partly economic, due to children going to work as they

grow older. Another reason may be retardation, where children fail to be promoted regularly from year to year. This may indicate an overcrowded curriculum or poor methods of instruction or a faulty educational outlook in which standards of attainment become paramount in the minds of the teachers. As a matter of fact a very large proportion of the children leave school before even completing three grades and therefore revert to illiteracy. This is a tremendous waste of effort and money. To prevent it, either the system of examinations should be given up or some other test of fitness adopted which reduces the present large number of failures in class examinations. Promotion for all is one of the means for modifying the present pyramidal structure in which so few who begin at the lowest class reach up to the top.



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Uncertain Trend

Wednesday, Evening.

Retention Prices

Developments, however, are not discouraging. Clive Street is thick with rumours that, pending the Tariff Commission's findings, the Government has already fixed the retention price for Tatas. Provisional retention prices fixed for Tatas are reported to be Rs 34 per ton higher than the present level. There are reports that the provisional retention prices for IISCO may be fixed before the end of this week. It is a reasonable assumption that, like Tatas, IISCO also will get the benefit of an increase in retention prices. Despite this possibility, neither Tata Steel nor Indian Iron are firming-up because of apprehensions that the Government may discourage frittering away of the resultant increase in profits in higher dividend disbursements.

Jute Shares Idle

Jute shares remain depressed for obvious reasons. Realisation is growing that the industry cannot make satisfactory profits by buying raw jute and selling the finished product at the respective current prices. Jute goods remain rather steady as raw jute prices continue to be firm. It is clear that foreign buyers are not interested in jute goods at current prices. Expected Argentine orders have yet to materialise. This state of affairs has continued for some months now. It is now realised that raw jute prices cannot decline as long as the Pakistani Government does not change its restrictionist policy. This is reviving the demand for self-sufficiency in raw jute in this country.

Jute shares are no longer popular. For about a year now, Tea shares have had a sustaining influence on the Calcutta Stock Exchange. Recent developments in Tea shares are, however, discouraging. Even if the worst fears do not materialise, it seems that tea prices and Tea shares will not be as buoyant in the near future as in the recent past. It is widely believed that firmness in Tea shares may no longer impart psychological strength to the market as a whole. This is a depressing possibility.

New Group Leaders

There are, however, some other groups which may replace Jute and

pending before the Controller of Capital Issues, would be promptly sanctioned. It would be recalled that the decision on these requests were being delayed pending the publication of the Taxation Enquiry Commission's report.

A few days ago, in reply to a question in Lok Sabha about the undue delay in dealing with the pending applications for capitalisation of reserves, the Finance Minister indicated that the delay was due to the fact that the Government had not yet reached any decision on the problem of taxation of bonus shares. From the Finance Minister's statement, it would seem that, despite the Taxation Enquiry Commission's recommendation, the question of taxation of bonus shares is still under active consideration of the Government.

Drop in Tea Shares

This is one of the reasons for the continued drop in Tea shares in the last few days. There are other reasons why Tea shares are falling. Tea shares were being "talked down" for the last few weeks. Recent auction prices were not encouraging. Experts had been confidently predicting a buyer's market in the coming season. Fears had been expressed that plantation labour wages would move up in the near future. It is widely apprehended that the State governments concerned would implement the Taxation Enquiry Commission's suggestion for raising the agricultural income-tax on tea plantations. Under the combined pull of all these factors, Tea shares have developed a sagging tendency.

Drop in Tea shares coincided with the decline in Indian Iron. Despite the simultaneous decline in Tea shares and in Indian Iron, there is no causal relation between these price fluctuations. Indian Iron dropped a few days ago as tired "bulls" began unloading their holdings. Dealings in Indian Iron are mainly professional. As professional speculative operators found that Indian Iron were not moving up because of absence of investment support, they decided to get out of the market. Indian Iron wilted under the pressure. Indian Iron remain quietly steady at the lower level. But even the recent set-back does not seem to have attracted investment support.

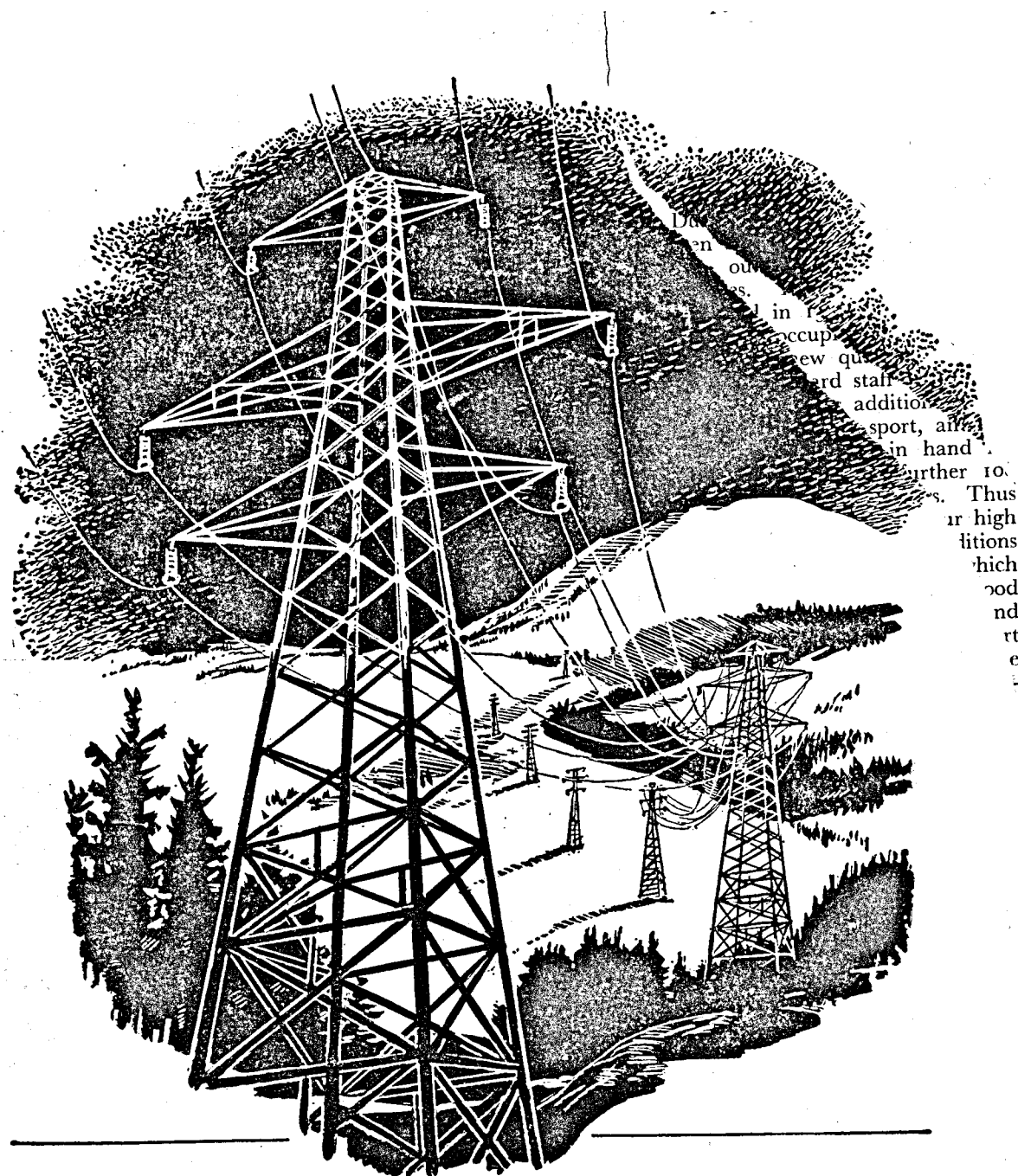
It would be hasty to jump to the conclusion that irresponsible speculative activity in Indian Iron is mainly responsible for the loss of morale on the Calcutta Stock Exchange. Recent behaviour of equities visibly reflects lack of confidence in investors. But investors' apathy is not directly or mainly due to the falling trend in Indian Iron. Drop in Tea shares seems to have deepened the gloom. But Clive Street's disappointing behaviour is due largely to wider economic issues. Avadi may be a long way off. But investors are still uncertain about the shape of things to come.

New Delhi has been blowing hot and cold in the same breath. Though the Finance Minister has lowered or abolished some of the excise duties originally proposed in the budget, the Government's plans for development of heavy industries within the public sector have yet to be fully disclosed. Concessions relating to excise duties may be aimed at stimulating consumption. But there are many who wonder whether the demand for manufactured goods can expand unless money incomes improve.

As the broad outlines of the second Five-Year Plan emerge out of the recent discussions in New Delhi, doubts arise about the future behaviour of demand. Last December, the Finance Minister stressed the need for creating full employment conditions to ensure demand. Recent developments suggest that the problem of unemployment is not receiving as much attention as formerly. These wider economic issues will not be clarified before the second Plan's targets are finally fixed. Meanwhile, doubts about the probable behaviour of demand for goods are having depressing effects on stock markets.

Bonus Issue

There is another factor which is retarding activity on the Calcutta Stock Exchange. As the Taxation Enquiry Commission did not recommend any tax on bonus issues, it was presumed that the Government would abandon its contemplated move to tax bonus shares. Some Tea, Engineering and Miscellaneous shares moved up after the budget on the assumption that the applications for issues of bonus shares,



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Tea shares as market leaders on the Calcutta Stock Exchange. Two years ago, Engineering shares came into popularity. There have since been many upswings and set-backs in Engineering shares. But, broadly speaking, this group has since received investment support. For sometime, there was interested buying of Engineering shares. Some of the engineering companies listed

on the Calcutta Stock Exchange have changed hands.

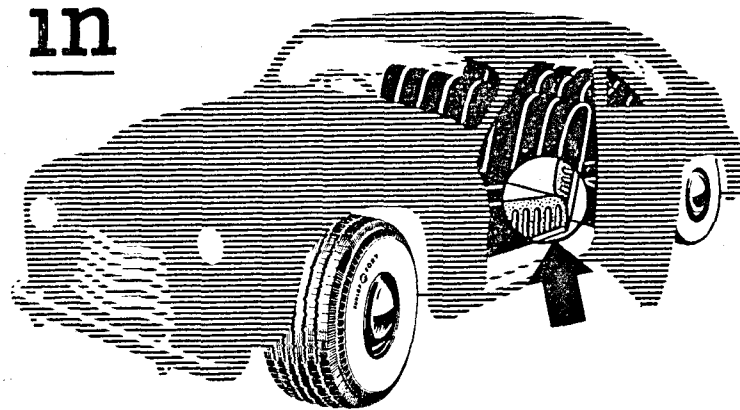
Engineering Shares Steady

Cornering attempts are no longer so active. But price movements indicate that the Engineering shares which moved up a few months ago because of purchases by cornerers remain steady to firm. At all set-backs, these shares receive support.

There is selective support for Miscellaneous shares also. There is a theory that those who have acquired controlling interests in some of the engineering and miscellaneous companies are interested in maintaining the prices of the shares concerned. Even so, it is apparent that investors are interested in selected Miscellaneous and Engineering shares at all set-backs.

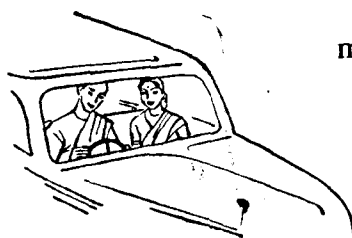
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Bombay State Transport Finances

THOUGH the Bombay Legislative Assembly recently discussed the Administration Report for the Bombay State Road Transport Corporation for 1953-54, it is only now that copies of the report have been made available to the public. A satisfactory feature of this report is that it contains the audited financial results for 1952-53 and also the unaudited accounts for 1953-54. This gives a better indication of the progress made by the Corporation, besides bringing the accounts up to date.

Total receipts of the Corporation increased from nearly Rs 6 crores in 1952-53 to Rs 7½ crores in 1953-54. Net revenue, after providing for depreciation, rose to Rs 64 lakhs at the end of 1953-54, from Rs 44 lakhs in the previous year, but what is more important, depreciation provision is now adequately provided at Rs 95 lakhs as against only Rs 40 lakhs in the earlier year. This has enabled the Corporation in 1953-54 to provide for debenture Sinking Fund of Rs 9.73 lakhs and to show a nominal profit of Rs 1 lakh after making other adjustments and after providing interest on capital of State and Union Government at the rate of 4½ per cent.

The Corporation's share capital as on March 31, 1954 amounted to Rs 10.13 crores. Taking debenture capital, borrowing from State Government and Canadian Aid Loan into account, the total capital of the Corporation exceeds Rs 15 crores. Besides land and buildings valued at around Rs 3 crores, the principal assets of the Corporation are in vehicles of the value of Rs 9 crores. Against these assets, a total depreciation of Rs 2.63 crores has been provided. Stock on hand amounts to Rs 2.90 crores and besides sundry assets, the Corporation has nearly Rs 3 crores in cash and Government securities.

The vehicles owned by the Corporation exceeds 2,000 in number. The total strength of the staff has been steadily increasing and at the end of March 1954, it exceeded 12,800 as against 10,000 two years back. The number of routes covered in March 1954 was 1,482, compared to only 800 two years ago and route mileage has risen during this period from 25,000 to 40,000. The total effective mileage during 1953-54 was 5.34 crores as against 4.51 crores in the previous year.

The Corporation's activity now

covers two-thirds of the motorable roads in the Bombay State, as a result of the gradual expansion of passenger service and parcel services. 1953-54 saw the commencement of Goods transport was begun in 1953-54 with the Canadian Aid Trucks received under the Colombo Plan. The original scheme provided for goods operations on a monopoly basis in a limited area of the State but owing to certain difficul-

ties, it was decided to operate the freight service side by side with private operators in all parts of the State. More effort was directed during the year for achieving economy by means of improved maintenance, better utilisation and reduction in the cost of administration. As the mechanical personnel gain experience, the quality of maintenance shows an improvement and the full effect of the measures taken in this direction will be apparent from year to year.



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NOTICE

The 22nd Ordinary General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company at Dalmianagar on Wednesday, the 18th May 1955 at 3 P.M. to receive and adopt the Directors' Report and Audited Accounts for the year ended 31st October 1954, to declare dividends @ Rs. 9/- per Preference, Rs. 4/4/- per "B" Preference and Rs. 1/8/- per Ordinary Share (15% on Ordinary Shares) free of Income Tax, to elect Directors and to appoint Auditors.

Share Transfer books of the Company will remain closed from 11th May to 18th May 1955 both days inclusive.

By Order of the Board,
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Calcutta,
18th April 1955.

Pakistan's American Aid Budget

BEING in the grip of a constitutional crisis that threatens its survival as an orderly state, Pakistan may not be in a mood to pay adequate attention to the budget proposals, which, in keeping with the extraordinary situation of the Government, was presented over the radio. But the budget papers now available throw searching light on some of the factors which brought about the present denouement. In a section entitled "The Perspective", with which the Economic Survey for the year opens, developments are traced back to the partition. Though the key to the present situation is not put there in so many words, it is not difficult to find it. The explanation of much of the subsequent travails that made the situation so desperate that the Government saw no other solution except to seek American aid, can be traced to the unfortunate decision not to keep in step when other sterling countries, and particularly India, with which the Pakistan economy is so greatly complementary, devalued their currencies. True, at the moment, Pakistan's export position was strong. To make the high exchange rate of the rupee a matter of national prestige, however, when, in reality, the maintenance of the high exchange rate was at best a fortuitous circumstance, was an unfortunate decision; the consequences of which are being reaped today.

Non-devaluation led to an immediate rift in trade relations with India that has never been repaired since. For a time, the Korean boom enabled Pakistan to maintain a show of strength but the strength was more apparent than real. The nemesis came when that boom collapsed, and ever since, the Pakistan economy has been wallowing in stagnation. Though political commitments are dragging Pakistan down an inclined plane, there are welcome signs, of late, of a better appreciation and a more objective assessment of economic realities. Financial papers in Pakistan are now prepared to discuss a revision of the exchange rate; even a year ago, to be willing to do so would have been for any responsible organ of the press to commit political Harakiri, so greatly had feelings been worked up over what is, after all, a purely technical, economic question.

The outbreak of the Korean War in June 1950, served to accelerate

the recovery in exports; it led to an unprecedented boom in Pakistan's commodity markets, further reinforced by the short-fall in the American cotton crop. Demand for stock-pile purchases led to a sharp rise in the prices of both cotton and jute. The average export price of cotton rose from Rs 475.8 per bale in the second quarter of 1950 to a peak of Rs 935.5 in the corresponding quarter of 1951 while jute rose from Rs 151.8 per bale to Rs 238 per bale. A surplus of Rs 51.98 crores was recorded in the balance of payments in 1951. The Central budget recorded a revenue surplus of Rs 28.96 crores in the revised estimates for 1950-51, while the estimates for 1951-52 provided for a surplus of Rs 20.74 crores.

The boom conditions created by the Korean War, however, did not prove an unmixed blessing for the country. Despite a sharp increase in export duties and the 'funding' of the revenue surpluses, inflation,

already present, was aggravated. To counteract growing inflation, import policy was greatly liberalised and as a result, Pakistan was led into something of an "import spree". Moreover, though the financial resources for development were augmented, capital goods from abroad were difficult to obtain.

Toward the end of the year 1951, while the imports continued to increase the situation underwent a radical transformation in the export sector. Commodity markets in general and textile fibres in particular began to weaken perceptibly. Cotton and jute prices started declining and by the end of 1952, cotton fell from its peak level of Rs 1,150 per bale to Rs 503.6 per bale; similarly jute slumped from Rs 210 per bale to Rs 110. While total foreign exchange earnings declined by Rs 96 crores in 1952 to Rs 191.6 crores, payments continued to rise and reached a peak of Rs 276.6 crores, resulting in a heavy deficit in the

balance of payments. Pakistan foreign exchange reserves were reduced in consequence from a peak of Rs 151.3 crores in the middle of 1951 to Rs 60.6 crores by the end of 1952. The balance of payments came under additional pressure as a result of the serious food shortage in that year. Over eight lakh tons of wheat had to be imported in 1952-53 the bulk of which was received as a gift from the USA and Canada. The Open General Licence was curtailed in August, 1952 and was suspended in November of the same year. With a view to restricting imports, credit facilities for imports were also curtailed and the import duty on cotton cloth was enhanced.

The changes brought by foreign aid (which is mainly American aid) on Pakistan's Budget for 1955-56 is, of course, no less important than the relief it affords to that country's balance of payments. As may be seen from the table alongside, capital expenditure in 1955-56 (B.E.) is about Rs 36 crores more than in 1954-55 (R.E.); since a fall of Rs 7 crores is envisaged in defence capital outlay, other expenditure on capital account (mainly developmental) goes up by Rs 43 crores. This the Government is able to finance without an unduly large draft on cash balances or a big increase in floating debt, because an additional credit of nearly Rs 50 crores is taken under foreign aid. Had this not been in sight, the shape of the Pakistan budget for the current year would have been very different. It would have disclosed either a cut in development expenditure from 1954-55 (R.E.) levels, or a very substantial increase in taxation, or a large budget deficit—assuming, all the time, that defence outlay would be left unchanged. One can have one's choice and argue that American aid has enabled Pakistan to enlarge her development outlay or sustain her defence expenditure, according to one's predictions. (For the third alternative of deficit-financing for development is, under the disturbed political conditions, not much of a practical possibility). That is a distinction which politicians might like to stick to, but not economists.

All this is in terms of outlays envisaged for 1955-56. What is in fact likely to happen in the next eleven months or so is a different matter. For, as in India, the revised estimates of development outlay on capital account in 1954-55 are nearly Rs 20 crores less than in the

budget estimates. Could this be an evidence of the Government's inability to spend on account of administrative reasons? If that is so, mere availability of foreign aid will not help directly the development programme. But it might make things easier for the Government, inasmuch as it would enable further tax concessions or relaxation of restrictions on private imports.

Taxation proposals for 1955-56 are (i) increase in the rate of excise duty on cigarettes, (ii) to levy a duty of excise on rayon or artificial silk cloth at the rate of 6½ per cent *ad valorem*, and (iii) reimposition of duty on tea at 0-3-0 per lb. Reliefs offered are as follows: (i) 50 per cent reduction in the duty of excise on coarse cotton cloth, (ii) exemption from export duty for rice, raw hides and skins, and jute rope, (iii) component parts of radios can be

imported free of duty, (iv) date of tax concessions on income from newly constructed houses has been extended up to March 31, 1957, and (v) tax concession on five per cent of the capital of new industrial undertakings has been extended for a further period of 3 years, (vi) double the normal rates of depreciation allowed on plant and machinery installed upto March 31, 1955, has been extended upto March 31, 1957, (vii) initial depreciation allowed at present (15 per cent) will continue upto March 31, 1957, (viii) initial depreciation on plant and machinery which is admissible at 20 per cent has been raised to 25 per cent, and (ix) moneys brought into Pakistan from abroad, which have been exempted from tax since partition, will continue to enjoy this concession for another year, *ie* until March 31, 1956.

Pakistan Budget			
Revenue Budget			
(In lakhs of Pak Rupees)			
Revenue Receipts	Budget Estimate 1954-55	Revised Estimate 1954-55	Budget Estimate 1955-56
Customs	36.81	39.40	35.50
Central Excise Duties	14.30	12.36	13.25
Income Tax and Corporation Tax ..	15.63	18.36	19.15
Sales Tax	9.45	9.86	11.70
Railways—Net Receipts	6.18	6.18	9.10
Posts and Telegraphs—Net Receipts	93	78	1.00
Currency and Mint	3.00	3.32	3.04
Defence Receipts	4.00	4.00	3.74
Interest Receipts	9.30	8.77	10.12
Refugee Tax	1.76	1.80	1.85
Other Items	10.11	10.61	10.57
Total Revenue Receipts	1,11.47	1,15.44	1,19.02
Revenue Expenditure			
Direct Demands on Revenue (Revenue Collecting Departments) ..	2.95	2.87	3.38
Civil Administration	25.78	25.45	27.22
Defence Services	64.05	64.05	71.15
Currency and Mint	35	32	37
Civil Works and Central Road Fund	2.25	3.10	1.97
Pensions, Printing and Stationery ..	75	83	83
Contribution to Special Fund for Rehabilitation of Refugees	1.76	1.80	1.85
Servicing of Debt	8.96	8.68	9.50
Grants to Provincial Governments ..	1.25	5.75	1.25
Other Heads	3.27	5.10	2.87
Total Revenue Expenditure	1,11.37	1,17.95	1,20.39
Surplus (+)/Deficit (—)	+10	—2.51	—1.37

(In lakhs of Pak Rupees)			
	Budget Estimate 1954-55	Revised Estimate 1954-55	Budget Estimate 1955-56
Capital Expenditure			
(A) Direct Outlay of the Central Government			
Railways	14.00	11.50	14.50
Posts and Telegraphs	3.25	3.23	3.74
Civil Aviation	79	38	83
Industrial Development	18.67	10.29	16.29
Fuel and Power Projects	—	2.57	4.10
Agricultural Improvement	45	5	2.02
Civil Works and Outlay on Federal Capital	5.22	4.05	7.41
Other Development Expenditure ..	2.10	1.46	3.08
Defence	15.95	15.95	8.85
Other Capital Heads	9	16	11
(B) Development Loans to Provinces, Local Bodies, etc			
Other Loans	36.01	29.01	49.50
Other Loans	19	1.55	59
(C) Expenditure from Reserve Funds			
	10.63	7.92	13.37
Total—Capital Expenditure	1,07.35	88.12	1,24.39
Financed by			
1. Permanent Debt Internal—Increase in	15.00	15.63	15.00
2. Permanent Debt External—Increase in	7.10	4.78	5.44
3. Floating Debt (Net)	16.25	15.29	20.12
4. Unfunded Debt (Net)	7.50	6.18	7.90
5. Foreign Aid	15.78	13.75	63.23
6. Accretions to Reserve Funds ..	8.27	10.88	9.16
7. Receipts and Recoveries on Capital Account	4.00	1.27	4.00
8. Schemes of State Trading	16.31	5.18	—2.24
9. Recoveries of Loans and Advances	4.65	7.02	4.33
10. Other Deposits and Remittance Heads (Net)	11.12	8.69	—2.24
11. Drawal on Cash Balance	1.27	1.96	1.06
12. Revenue Surplus (+)/Deficit (—)	+10	—2.51	—1.37
	1,07.35	88.12	1,24.39

CURRENT STATISTICS

BANKING RETURNS

(Rs Crores)

	Latest Week†	A Week ago	A Month ago	A Year ago
Reserve Bank				
1. Note circulation	1316.14	1325.33	1277.09	1220.68
2. Rupee Coin	105.84	105.33	102.20	97.94
3. Deposits				
a) Central Government's	53.11	55.39	59.45	60.27
b) Bank's	48.31	50.49	47.72	44.21
c) Other Government's	30.42	24.32	60.27	28.67
d) Others†	22.70	21.40	21.53	45.59
4. Foreign Securities	661.98	661.98	646.85	678.15
5. Balances held abroad	58.26	63.35	83.15	73.71
6. Rupee Securities	533.75	533.75	503.95	421.34
7. Investments	43.63	46.12	49.38	63.65
8. Loans and advances to Governments	0.17	0.31	0.45	1.65
Scheduled Banks				
1. Demand liabilities (net)	581.62	584.38	565.16	533.82
2. Time Liabilities	380.98	378.90	375.60	328.06
3. Cash on hand	35.96	34.77	32.41	33.0
4. Borrowings from Reserve Bank	24.91	21.33	35.43	28.39
of which against Usance Bills	23.28	16.85	24.42	15.06
5. Advances and Bills discounted	585.09	631.11	584.26	517.50
of which Imperial Bank's	125.86	127.75	127.85	127.81
6. Investments	342.56	342.37	345.89	312.38
of which Imperial Bank's	92.57	92.73	93.91	75.77
Cheque Clearance	140.86	133.02	137.51	136.19

† For Reserve Bank and Cheque Clearance week ended 22-4-55. Scheduled Banks week ended 15-4-55.

Bombay Money Rates	22-4-55	15-4-55	25-3-55	23-4-54
Inter-Bank Call Rate	2 7/8	3	2 7/8	2 7/8
3 months deposits	2 7/8	3	3	3
6 months deposits	2 7/8	3	3	2 7/8

Bombay Bullion	28-4-55	A Week Ago	A Month Ago	A Year Ago
Gold Spot (per fine tola)	95-11	96-7	93-10	94-4
„ Forward „	95-11	96-7	92-9	93-10
Silver Spot (per 100 tolas)	166-12	166-14	166-15	171-11
„ Forward „	162-12	163-6	166-1	171-5

FOREIGN INVESTMENT IN PAKISTAN

(Rs in Million)

	1948	1949	1950	1951	1952	1953	1954
Dollar Area	0.7	0.2	—	0.4	0.2	—	0.1
Sterling Area	1.0	8.0	1.7	6.7	12.7	11.3	32.2
Other countries	—	0.6	0.1	0.7	0.8	0.5	2.0
Total	1.7	8.8	1.8	7.8	13.7	11.8	34.3

Source: State Bank of Pakistan

PROGRESS OF EXPENDITURE UNDER THE FIRST FIVE-YEAR PLAN

—CENTRE & STATES

(Rs crores)

Head of Development	Progress of Expenditure		
	1951-54 Actuals	1954-55 Revised	1951-56 Plan
1. Agriculture	76.9	46.5	197.4
2. Animal Husbandry (including Dairying)	7.7	4.6	21.7
3. Forests	3.1	2.7	11.2
4. Co-operation	2.2	1.1	6.4
5. Fisheries	1.2	0.8	4.8
6. Community Projects	7.3	16.4	90.0
Total	98.4	72.3	331.5
7. Multipurpose Projects	132.9	71.9	263.9
8. Irrigation Projects (including Flood Control)	88.5	51.0	227.6
9. Power Projects (including Small Town and Rural Electrification Programme)	74.5	34.2	165.4
Total	295.9	157.1	646.9
10. Roads	59.2	34.8	132.3
11. Railways	105.2	65.0	250.2
12. Large-scale Industries	26.1	29.7	142.1
13. Small-scale Industries	5.0	5.3	29.9
14. Education	67.9	42.3	164.8
15. Health (including National Water Supply & Drainage Programme)	41.2	29.2	124.4
16. Welfare of Backward Classes	12.7	9.3	30.9
17. Rehabilitation	60.8	21.1	129.7

Source: Planning Commission

EXPENDITURE ON THE PLAN AS PER PROGRESS REPORT 1953-54

(Rs crores)

	1951-52 (Accounts)	1952-53 (Accounts)	1953-54 (Revised Estimate)	Total	1954-55 (Budget)
Centre	130.5	126.1	188.3	444.9	356.2
States	126.8	139.8	167.4	434.0	215.5
Total	257.3	265.9	355.7	878.9	571.7

EXPENDITURE FOR 1953-54 (Preliminary Accounts) and 1954-55 (Revised Estimate) on the basis of Expenditure in the first 6 months

(Rs crores)

	1951-52 (Accounts)	1952-53 (Accounts)	1953-54 (Preliminary Accounts)	Total	1954-55 (Revised Estimates)
Centre	129.8	126.9	180.9	437.6	339.8
States	126.9	139.8	156.8	423.5	201.4
Total	256.7	266.7	337.7	856.1	541.2

INDEX NUMBERS OF WHOLESALE PRICES FOREIGN SEA AND AIR-BORNE TRADE OF INDIA

(Base: Year ended August 1939 = 100)

(Rs crores)

Group and Sub-group	Week ended 9-4-55	A Week Ago	A Month Ago	A Year Ago	1950-51	Exports*	Imports	Balance of Trade
I. Food Articles	286.4	295.3	297.3	389.0	1951-52	606.81	581.17	25.64
Cereals	334	338	339	432	1952-53	751.56	862.84	-147.28
Pulses	219	227	231	381	1953-54	556.78	632.95	-76.17
Others	232	247*	250	324		515.39	541.87	-26.48
II. Industrial Raw Materials	399.1	403.4	418.7	472.2	1954-55†			
Fibres	440	444	459	461	April	30.43	46.33	-15.90
Oilseeds	323	327	342	523	May	38.07	49.53	-11.46
Minerals	402	408	424	454	June	42.31	43.87	-1.56
Others	473	474	483	390	July	46.21	53.22	-6.01
III. Semi-Manufactures	326.9	329.5†	334.3†	359.9	August	44.94	44.27	-0.67
Leather	393	390	390	380	September	49.35	46.66	2.69
Mineral Oils	221	221	221	221	October	46.75	51.91	-5.16
Vegetable Oils	324	337	357	494	November	65.11	57.76	7.35
Cotton Yarn	432	434	442†	456	December	59.65	46.74	12.91
Metals	244	243	242	240	Jan	54.04	51.03	3.01
Oilcakes	285	286†	285	418	Feb	49.85	46.46	3.39
Others	328	330	334	306	March	46.69	52.79	-6.10
IV. Manufactures	376.1	376.1†	377.0†	380.6	Total	526.71	537.78	-11.07
Textiles	419	419†	421†	426	* Includes re-exports † Provisional			
Jute	459	459	479	432				
Cotton	407*	407*	407*†	416				
Rayon & Silk	484*	484*†	488*	547*				
Woollen	310	310	310	313				
Metal Products	340	340	340	340				
Others	287	287	287	289				
V. Miscellaneous	543.0	546.7	556.5	706.3				
All Commodities	346.1	350.6†	355.1†	404.4				

* Estimated † Revised

FINAL ALL-INDIA ESTIMATE OF KHARIF PULSES

	1954-55	1953-54 (Partially Revised)	% Change
Area ('000 acres)	14,935	15,192	-1.7
Production ('000 tons)	1,497	1,543	-3.0

ALL-INDIA PRODUCTION OF CEREALS AND GRAM

(Thousand tons)

	1946/47	1947/48	1948/49	1949/50	1950/51	1951/52	1952/53	1953/54*
CEREALS								
Kharrif								
Rice	1,669	21,247	22,597	23,170	20,251	20,964	22,537	27,079
Jowar	5,295	5,971	5,022	5,777	5,408	5,981	7,233	7,691
Bajra	2,716	2,813	2,171	2,790	2,554	2,309	3,142	4,246
Maize	2,349	2,431	2,072	2,014	1,702	2,043	2,825	2,854
Ragi	1,480	1,455	1,465	1,500	1,407	1,291	1,316	1,564
Small Millets	1,614	1,614	2,131	2,242	1,722	1,885	1,895	2,183
Total Kharrif	35,123	35,531	35,458	37,513	33,044	34,473	38,958	45,617
Rabi								
Wheat	4,971	5,570	5,650	6,290	6,360	6,035	7,382	7,792
Barley	2,450	2,640	2,206	2,215	2,340	2,330	2,882	2,721
Total Rabi	7,421	8,210	7,856	8,505	8,700	8,415	10,264	10,513
Total Cereals	42,544	43,741	43,314	46,018	41,744	43,888	49,222	56,130
GRAM	3,599	4,503	4,535	3,667	3,593	3,334	4,142	4,551
Total Cereals and Gram	46,143	48,244	47,849	49,685	45,337	46,222	53,364	60,681

* Provisional

Figures of production in respect of states affected by merger not strictly comparable.

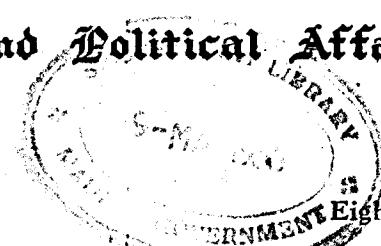
The Economic Weekly

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Samgacchadhvam Sangvadaddham

There are many who have felt all along uneasy about the danger lurking in the not so distant future, of Hindi coming to replace English as the common medium in the Universities, in the deliberations of the Parliament and in the business of the Central Government. Those provisions for it are incorporated in the Constitution. True, Hindi is not going to replace English here and now. It has to be a graduated process, and to be brought about by well defined stages. For the first fifteen years, English will continue to hold the same place, as it did before; five years after the Constitution comes into force, a Commission is to be appointed to recommend the steps to be taken for the progressive use of Hindi for the official purposes of the Union, restrictions on the use of English for all or some of these purposes, the language to be used in the proceedings of the Supreme Court and High Courts, in the legislatures and for the issue of all orders, rules, regulations and by-laws made by Parliament or State Legislatures. After another ten years, another Commission is to be appointed in furtherance of the same objective.

So to those to whom the eventual adoption of Hindi as the official language is a matter of serious concern, the danger was never very distant. They have now been made to sit up and take notice. A statement was made by the Home Minister in the Lok Sabha that in pursuance of the resolution on the subject passed by the Congress Working Committee a year ago, the first step would now be taken towards progressively replacing English as the language of examinations for the all India services. The Home Minister also announced that a scheme will be prepared for this purpose, "if necessary after consulting the Hindi Commission which is to be appointed shortly" (*italics ours*). The wording of the announcement should be carefully noted. For the changes to be made in the rules of examinations for recruitment to the all India services, the Hindi Commission, the appointment of which under the chairmanship of Shri B G Kher has been announced, subsequently, will be consulted "if necessary"; that is to say, the Home Ministry reserves the right to go ahead in the matter, without waiting for the recommendations of the Commission or consulting the Commission. There has been unfortunate tendency on the part of Government—this comes into evidence whenever politics gets the better of it and the Cabinet finds it difficult to resist pressures—to flout the findings of expert bodies ceremoniously set up to give advice or even to prejudice the issue. This attitude is exhibited in its worst form when the appointment of the Hindi Commission is preceded by a declaration of policy which is deliberately made independent of the findings of this Commission which is being set up so ostentatiously and for which the Government has been able to secure the services of a balanced, sober and liberal minded Chairman who will command the respect of every section of opinion in the country

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CENTRAL & WESTERN RAILWAYS

And how scant is the respect for constitutional propriety? The Constitution provides not only that a Commission should first carefully consider the question, but after the Commission has reported, its recommendations should be examined by a Parliamentary Committee consisting of 30 members, 20 from the Lok Sabha and 10 from the Rajya Sabha. So that this Committee may faithfully reflect the cross section of public opinion, election of its members, it has further been provided, should be "inaccordance with the system of proportional representation by means of single transferable vote." If the Home Minister is in no mood to brook delay, why not at least remove these hurdles by another amendment of the Constitution, in order to lend an air of constitutionality to his actions?

For the Government to proceed in so important a matter as the choice of language to be used in the examinations for the all India services without waiting for the Commission to tender its advice, conveys a mood of impatience which has given rise to serious misgivings in the minds of many who desire the unity of India, as much as the most ardent advocates of Hindi and who are not against the development, as stated in Constitution, of the composite culture of India, but who do not feel that the time has come yet for Hindi to replace English.

Among the latter, the most powerful voice that has been raised is that of Shri Rajagopalachari. No one can question Rajaji's patriotism; it is an irony of fate that the same Rajaji who had gone to absurd lengths to popularise Hindi in the South at one time, has now taken up cudgels against it. How come, then, that this ardent advocate of Hindi has raised his voice to stop this headlong rush? Because he sees in it a danger which, in fact, strikes at the very root of the unity of the Indian people. Rajaji has only counselled patience; he pleads for greater understanding and warns against the danger of forcing the pace and imposing Hindi on non-Hindi speaking people. He does not raise the question whether or not Hindi can fulfil the requirements of a national language. On the contrary, he thinks that it may, given time, patience, understanding and

steady application in raising the standard of the language itself. But before others are asked to qualify in Hindi for all India services, Rajaji first asks Hindi to qualify itself for being chosen as the all-India medium.

Can any one language ever become the national language of India? This is the basic question, the fundamental issue, in this language controversy. An examination of this issue may appear to be academic and too speculative to merit serious consideration in a matter in which the Constitution has made specific provisions. Such an attitude betrays as complete as ignorance of the role of language in the life of a people as of the facts of history. It was not closed when the Constitution was passed. In human affairs no decision is ever irrevocable. Provisions of the Constitution which have been found to be unworkable in practice or against the best interests of the country have been altered, not once, but on as many as four different occasions during the last five years that the Constitution has been in force.

Welcoming Rajaji's courageous and timely stand in the matter, Professor Shrinivas of Baroda University, in a letter to the *Hindu*, has condemned silence on this very vital matter on the part of people who see the danger but do not act. If not arrested in time, the present attempt

South of the 17th Parallel

AT Geneva, Ho Chi Minh made substantial concessions in signing the Agreement. Vietnam abandoned its direct claims to Laos and Cambodia. It accepted, a demarcation line, which temporarily divided Viet Nam in two, for cease-fire in Viet Nam. Military and semi-military terms and conditions of the Geneva Agreement have been implemented according to schedule. Cease-fire conditions have been established in all the three Indo-Chinese States. Vietnam has honoured the obligations undertaken at Geneva. It is admitted by the Indo-China Armistice Commission that the problems relating to cease-fire evacuation of forces and release of war prisoners and civilian internees have been "satisfactorily solved" in all the three States.

But the military terms of the Geneva Agreement had political counterparts. In none of the three Indo-China States have the parties and powers concerned, other than

to force the pace will cause an irreparable breach in the fundamental unity of India and disrupt what has taken generations of struggle to build up. Silence, he thinks, will be to acquiesce. Those who care for sanity and aspire to march together, in accord and in unison of spirit, should protest and protest vigorously. Non-Hindi speaking people should hold meetings for postponement of the constitutional deadline and for going slow with the use of Hindi. MPs should be lobbied, individuals could help by writing letters to the President and the Prime Minister or else the advocates of Hindi, the new *herrenvolk* will ride roughshod over those—and they are the majority of the Indian people—who have, due to no fault of theirs, the misfortune of having some other language as their mother tongue.

But is silence on this issue really as bad as all that? True, one should not be dogmatic about such a matter. History provides many examples of human folly in the matter of language as others. Nevertheless, faith in reason and sanity abides; it is not shaken so easily. People of this country cannot be put into strait jackets in the matter of language. Languages do not develop by dictation; the life and inspiration of a language is the spoken word. Expression is man's prime urge. It will not be stilled or stifled by a diktat from any body.

Vietminh, faithfully implemented the political conditions of the Geneva Agreement. America was not a signatory to the Geneva Agreement, though she promised to abide by the terms of the Agreement. Immediately after the Geneva Agreement, America established SEATO. Laos and Cambodia were specifically mentioned as areas which would be defended and protected in the pursuit of SEATO Powers' policy to contain Communism in South-East Asia. This was an open violation of the spirit and letter of the Geneva Agreement. This is one of the reasons why the Manila Treaty is condemned as a menace to peace in Indo-China and in South-East Asia.

Future developments in Laos and Cambodia may yet worsen the situation in Asia and the Far East. In the meanwhile, events in South Viet Nam are immediate threats to the smooth implementation of the Geneva Agreement. At Geneva, the interests concerned agreed to create

conditions in South Viet Nam under which free and fair elections could be held to decide the future status of Indo-China. France and America assumed the responsibility for establishing a stable and democratic government in South Viet Nam so that elections could be held next year. Developments in South Viet Nam are disturbing reminders of the failure of France and America to discharge the responsibilities undertaken by them. In both its military and political aspects, the situation in South Viet Nam is a direct sequel to the French colonial rule. America's ulterior interests and motives have introduced additional complications to the disquieting situation in South Viet Nam.

To assess the significance of developments in South Viet Nam, it is necessary to appreciate the nature and complexion of the forces in conflict with each other. In South Viet Nam, life, society, politics and the army are dominated by the three sects with their powerful private armies. Of the three sects, Cao Dai is the most powerful. Hoa Hao is the next in importance. Binh Xuyen, the group which has been fighting a losing battle in the Saigon-Cholon sector against the Diem regime's forces, is the least influential. Cao Dai and Hoa Hao are spiritual sects which were encouraged to become politico-military organisations by the French during the colonial war in Indo-China. Both Cao Dai and Hoa Hao were initially sympathisers of Ho Chi Minh. Later, these two sects deserted Ho Chi Minh and entered into an alliance to fight Vietnam. Reasons for this dissension are obscure. But France exploited this dissension to equip the armies of Cao Dai and Hoa Hao with modern weapons to fight her battle against Ho Chi Minh. Binh Xuyen became prominent only recently when it seized control of the Viet Nam police forces through the connivance of Bao Dai.

At the time of last year's Army crisis, Premier Diem succeeded in remaining in power by offering cabinet posts to leaders of Cao Dai and Hoa Hao sects. In March last, all the three sects formed a United Front to demand increased association with the Diem Government. As Premier Diem discerned considerable disunity in the United Front, he started his manoeuvre of playing one sect against another. In this struggle for power between the sects and among the sects and the Diem Government, France and

America are not disinterested observers. Bao Dai has never approved Diem and his government. Bao Dai was a French creation. France still seems to stick to their puppet. This aspect of the alignment has pre-Geneva implications. But it is difficult to appreciate France's support to Binh Xuyen, a sect whom the other two sects are reluctant to recognise because of its association with vice and police. It is possible that Premier Diem, with active American support, has succeeded in upsetting the calculations of the French authorities on the spot. France's antipathy to Diem was, perhaps, influenced by the assumption that the private armies of the three sects would combine to oust Diem. Binh Xuyen and Hoa Hao are opposed to Diem. But he seems to have entered into an alliance with Cao Dai. Latest reports indicate that this formidable alliance between Diem and Cao Dai has convinced America of the policy of

lending full support to Diem. France is opposed to any such policy. Thus the conflicting machinations of France and America intensify political chaos and instability in South Viet Nam.

Diem has played his cards cleverly. In his defiance of Bao Dai, he had the tacit support of America. In his decision to fight the private armies of the sects, he knew that he would have to fight only against the Binh Xuyen army. Developments since last year's Army crisis would seem to suggest that he was always sure of support of the Cao Dai sect. France's alleged support to the Binh Xuyen army is difficult to appreciate unless it be that France expects Hoa Hao to join Binh Xuyen in continuing the civil war in the countryside. Though the situation remains obscure, movements of Ba Cut's army indicate that France may not be wrong in her anticipations. Ba Cut, the head of one of the Hoa Hao groups, is a fanatic military leader who is violently anti-Communist and is vehemently opposed to the Geneva Agreement. It is clear what General Ely was relying on. He was depending on Binh Xuyen's control over the Saigon-Cholon police. He was relying on Ba Cut to fight Diem's forces. Some such assumptions made America hesitate before lending her open support to Diem.

One intriguing aspect of Ruritanian conditions in South Viet Nam needs emphasis. Diem seems to be in control of the Saigon-Cholon sector. But he could not have gained control without the support of Generals Phung and Thinh, two prominent Cao Dai military leaders. Saigon is under the control of a military junta led by these two Cao Dai Generals. It was these two Generals who proclaimed the dismissal of Bao Dai as Head of the State, dismissed the Diem Government and ordered Diem to lead a republican government. These two Generals may have found it expedient to accept the civil authority of Diem. But it is clear that Saigon is now ruled by a military junta led by the two Cao Dai Generals. Diem accepted the offer of these two Generals to head a republican government only after consultations with Mr Kidder, the American Charge d'Affaires in Saigon. It is evident that America is aware of the military complexion of the reorganised Diem Government. America may find it diplomatic to support such a regime. More relevant are the implications of such a military regime in Saigon on the promised elections next year.

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Weekly Notes

New Building for Income-tax

NATIONAL income experts may differ whether our income has really gone up from what it was before the war—the use of the plural number is really honorific, for there is only one who claims to know what it was before and what it is after the war, and he says there has been no change. But whether national income has gone up or not, collection of income-tax has enormously increased. In the inter-war period, it fluctuated between Rs 16 and Rs 20 crores, after the record collection of Rs 25 crores in 1921-22. The big rise came with World War II and collections jumped from Rs 27.27 crores in 1940-41 to Rs 143.72 crores in 1943-44 and Rs 210.72 in 1944-45; this is still the highest figure on record. After declining to Rs 164.38 crores in 1953-54, collections slightly improved in the following year, and judging from all indications, an upward trend is not only likely to be maintained, but progressively accentuated.

So whether incomes are going up or not, income-tax has been and will continue to be skyrocketing, from which some draw the dismal inference that inequalities of income are also growing at an alarming rate. This may or may not follow, but it does follow that larger collection require a larger staff, and as the department goes on expanding, it needs more accommodation. Bombay had only one Commissioner of Income-tax before the war; it has now four and the strength of the department in Bombay City alone has increased from 229 in 1922 to 1369 today. The Bombay City and suburban district division is the largest commissioner's charge in the country, accounting for a collection of about Rs 44 crores a year out of a total of about Rs 165 crores. With more than a seven-fold rise in collection, a seventy-storey building to accommodate the Department is in keeping with the pace of development. Long overdue, the Department has now been provided with new building of its own on Queen's Road which was opened by the Chief Minister of Bombay last week.

In keeping with the spirit of the times, the new premises have been provided with an enquiry counter, public telephones, spacious rooms for visitors in each of the seven floors with an extra room on the 1st and 6th floor, a separate foreign section

to deal with income-tax clearance certificates for persons going abroad and a Public Relations Office. The latter is a novel feature; it is still something of a novelty, but in course of time, the income-tax officer will share with the family doctor and the solicitor the privileges of being a friend, philosopher and guide, to advise and help out people from some of the ills that flesh is heir to. He will have to emulate the bed-side manners of the fashionable doctor and apply the methods of painless extraction, perfected by the dentist. The appurtenances for performing his new role have been provided in this new income-tax building, in the shape of a consulting chamber for every officer, in which he would be able to exchange confidences, in a proper setting, and without any fear of interruption, with his assessee, and to prepare him, so to say, in the best approved manner for the eventual extraction, and make it as painless as possible.

Better public relations, of course, have to be established by everyone working in the Department. The job, it is to be hoped, will not be left to be shouldered by the Public Relations Officer alone, though the appointment of a special officer for improving the relationship between the tax-payers and the tax-gatherers and for rendering special assistance in other ways, eg, redressing legitimate grievances, helping assesses to obtain tax clearance certificates and encouraging direct contacts with the department, etc, is to be welcomed, if only for the promise it holds out that the tone of administration and the general atmosphere of the income-tax office will progressively improve. There is reason to believe that evasion and malpractices are on the wane; both are going down, day by day. Here is—wishing for the best.

Pakistan Convention Receding

THE last date for filing of the nominations for Pakistan Constitution Convention has come and gone. The date for the inauguration of the Convention has since been changed twice and now kept in abeyance, pending the Federal Court's final decision. Taking stock of developments from the time it was summoned, it does not appear that even if the Convention finally meets, it will be able to frame a constitution. Opposition from East Bengal was partially overcome by the decision of

the Awami League to file its nominations, but only partially. The other political parties, namely, the Krishak Shramic Party, East Bengal Muslim League, and Congress, following the lead from Fazlul Huq, refrained from submitting nomination papers. Since of the 40 seats allotted to East Bengal, Fazlul Huq now commands 29 against Suhrawardy's 11, what chance has the latter to forge ahead?

The developments in West Pakistan show similar dissensions. The Muslim League which is still supposed to be the leading party has serious conflicts within its own group. While Sind sent its nominations without any hitch, 65 out of the 80 League Assembly members of North-West Frontier Province have decided to keep out until the Federal Court decides on the legal issue. True, the Punjab Legislative Assembly gave a blank cheque to the Central Government to nominate its representatives but in doing this, it transpired later that Daulatana had pulled a fast one on Chief Minister Ferozkhan Noon. The breach between these two groups has been further widened by the resignation of three of the ministers of Noon's Cabinet, and the efforts of Mahommed Ali and Iskander Mirza, who visited Lahore recently, failed to patch up the quarrel, even temporarily.

Even if the Federal Court decides in its favour, the membership of the Convention would be too heterogeneous to allow a Constitution to be pushed through. Moreover, in West Pakistan, all the 30 elected members may be from the Muslim League but with party discipline what it is, it is doubtful if the members can work as a team. The ten nominated members, alone, will follow the line of the ruling block, but which would be that block?

With uncertainty all around, the future of the Prime Minister of Pakistan, Mr Mohammed Ali who, incidentally, also happens to be the President of the League, alone appears to be certain. With only one Leaguer to be elected from the East Bengal Muslim League, he cannot very well expect to get the nomination from his home province. And since the formation of the Convention is on the basis of parity, West Pakistan also cannot nominate him. It looks almost certain that Mohammed Ali will be the first victim of the doctrine of parity that he has himself done so much to establish. So he has

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to leave the game to some one else who can play it better. Will it be H S Suhrawardy?

How Socialistic?

AVADI may have speeded up Government action on the Gorwalla Committee report; within five months, its recommendations have been implemented and the State Bank Bill was put on the legislative anvil. But how socialistic is the Bill nationalising the Imperial Bank and other banks in which the State has a stake?

Many countries have nationalised some of their banks; Italy has painfully retraced its steps but France so far has not had any reason to look back. Compared to the hue and cry raised in France when 4 out of 6 big deposit banks were nationalised in 1945, opposition in India has been very lukewarm. Is it a compliment to Congress that it has been able to create such an atmosphere that opposition does not dare to be vocal, or was it the past history of the Imperial Bank that prepared the way for the smooth passage of the Bill?

The State Bank is expected to be run as a commercial bank while the main purpose of nationalisation is to make it the principal channel for supplying agricultural credit. The Deputy Finance Minister took pains to explain the profit making intention and capacity of the State Bank. Apprehension has been expressed about possible loss of deposits and decline in the efficiency of service to be rendered by the State Bank. On the other hand, commercial banks are not so sure that it will not take away their deposits. Only the future can tell, but the experience in other countries where nationalised banks compete with non-nationalised banks, do not warrant any such fears. What may justifiably raise doubts however is the mixed character of its functions. The State Bank is to lend short term except for agricultural credit where it may lend up to 15 months. To saddle it with "underwriting of the issues of any stocks, shares, debentures or other securities in which it is authorised to invest its funds" (Section 33 (xi), or to allow it under Section 35 (xvii) to advance to a company or co-operative society "for the purpose of averting the winding up of the company or society", make its functions heterogeneous.

The above criticisms are met in principle by the power given to the Central Board to make regulations. Well developed practical conventions,

which nationalised banks in other countries have evolved, would be the final answer.

Sui Gas Comes to Karachi

WITH the laying of the 350 miles of pipe line connecting Sui gas fields with Karachi scheduled for completion this week, Pakistan can claim to have gone a long way towards relieving her desperate fuel position which she had to face ever since the inauguration of the State. How desperate the fuel position has been, can be gathered from the fact that despite a vast increase in output from the low grade coal mines in West Pakistan—the only source of domestic coal supply, so far—from 241,000 tons in 1948 to 554,000 tons in 1954, Pakistan has still to import a minimum of 1,400,000 tons of coal annually. Coal has been sought to be economised by replacing steam locomotives on railways by diesel engines and diesel electric engines. Simultaneously the production of oil of the Attock fields—also in West Pakistan—has also been progressively increased from 27.6 million gallons in 1948 to 129 million gallons in 1954. The search for new sources of power has been pursued assiduously and deposits of lignite, estimated at more than 100 million tons, have been located in East Bengal, but utilisation of these deposits is still a long way off which, incidentally, shows that apart from the overall shortage for Pakistan taken as a whole, the eastern wing of the State can hardly look for much relief even in the near distant future. The situation of East Bengal in this respect remains virtually unaffected, even when account is taken of possible hydro-electric developments. For the western zone, considerable progress, it is reported, has also been made in this direction, mostly in Punjab, and North-West Frontier Province. But even if these are developed, there is still a huge gap left in Sind, the industrial potentialities of which, and more particularly, the development of Karachi, have been held up so long by inadequacy of fuel resources. Sui gas will go a long way in meeting just this crippling deficiency.

From Sui fields in Baluchistan, bordering Sind and Punjab, to Karachi, the 350 miles 16" pipeline will have capacity of carrying 70 million cubic feet of gas per day, working on natural gas pressure. The capacity can, in future, be raised to 110 million cubic feet by installing com-

pressor pumps. Sui gas is very rich in heat value, having 900 BTU per cubic feet as compared to 450 BTU of the gas supplied by Bombay and Calcutta Gas Companies. Daily production of 70 or 110 million cubic ft Sui gas will therefore be equivalent in terms of thermal value to about 1.0 or 1.5 million tons of good quality coal per year.

Natural gas can be used directly in some industries while in others it can be used for production of steam, both for power generation or process work. It has also been extensively used in USA and elsewhere for production of heavy chemicals, particularly fertilizers, plastics and explosives. Utilization of the Sui gas will provide immediate relief to the industrial areas around Karachi, by making a readily consumable fuel available to the industries, and by augmenting electric power generation. It will also help in modernising the ginning of cotton in the Sind cotton belt through which the pipe line passes. The canal, road and rail transport developments currently in progress in Katri-Karachi area offer high potentiality in industrial development. The pipe line also passes through the deposits of lime stone where Dalmias and ACC have cement factories and replacement of coal by natural gas will increase the production of these factories as well as open up prospects for setting up others.

The cost to industrial users of Sui gas per 1,000 cu ft works out at about Rs 2.8 in Indian currency compared to Rs 5.4 in Bombay and Calcutta. Taking into consideration the heat value of Sui gas which is nearly double, the cost to industries in Karachi will be 25 to 30 per cent of the cost in Bombay or Calcutta. As a fuel for running steam turbines, however, Sui gas will cost approximately 44.5 as per million BTU which is considerably higher than the cost of approximately 26 as estimated for the waste gas from the refineries that Tatas will buy for their Trombay thermal station. This is understandable. For Trombay, the cost of gas has to be in line with cost of fuel oil. The price difference does not, however, provide a fair comparison. Waste gas from the refineries is only a bye-product and its supply is incidental to the location of the station. Pakistan will be fully justified in working on a higher estimated cost, in view of the national saving Sui gas will effect and the prospect of self-sufficiency in fuel resources that it holds out.

Our Delhi Letter

The Middle West is Here

Thursday, Evening

DELHI has been full of Bandung. The principal actors in the drama, as they arrived at or passed through Delhi, did not fail to emphasise their achievements at the historic gathering of the Asian people. Our Prime Minister did not lag behind in the dramatisation of the Bandung conference. But his is a dual personality, a unique combination of a statesman and a philosopher. Those who read him and his speeches see only the political aspect of his personality, but those who saw him arrive felt that he looked not a little pensive. It appeared as though he was tying up the loose threads of his thought, which must have got a little tangled in that mixed gathering at Bandung. I am somehow inclined to discount the political aspect of his personality and have a suspicion that in the great mind of the political philosopher, a big plan is in the process of gestation. As he has come back from Bandung, there is a renewed awareness that in having him at the helm of affairs, the country has been undeservedly favoured with an unusual bit of luck.

NEHRU ON BANDUNG

For the first time—as far as I can recall, he read out a prepared statement on foreign capital in 1948—he did not deliver an extempore speech on foreign policy, and the speech was, therefore, the less enjoyable for it. The Nehru flourishes were missing. There were no flights to the empyrean heights of social philosophy. In the statement that he read out to the Lok Sabha on the 30th, he traced the history of the conference, and referred to its geographical as against an ideological or racial basis. He was full of fulsome praise for Dr Soekarno and quoted him at some length.

As the political achievements of the Bandung conference yet remain amorphous, the Prime Minister elaborated at some length the economic and cultural issues and saw wisdom in the conference having avoided the setting up of any separate machinery for international co-operation. In his opinion, the Bandung decisions represent a break from the general belief and practice that for technical and other aid, Asia must rely exclusively on the non-Asian world. The detailed recommendations proclaimed the reaching out of the Asian countries to one another and their determination to profit by one

another's experience on the basis of mutual co-operation. The Prime Minister referred to the "alleged conditions in some countries" analogous to colonialism. He emphasised their sovereign status, their independence in terms of international law and practice, their diplomatic relations with ourselves and other countries, including the Big Powers. In his opinion, they can in no way be called colonies; nor could their alleged problems come under the category of colonialism. He really felt sorry that this controversy—a by-product of the cold war confusions—should have been projected into the arena of the Asian African conference. Summing up, he characterised the Bandung conference as a historic event, as a proclamation of the political emergence in the world affairs of over half the world's population. He praised the capacity of the new nations of Asia and Africa for practical idealism.

KRISHNA MENON, FOREIGN MINISTER?

Against the background of the great and epochmaking achievements of the Bandung conference, the Prime Minister expects that we shall take another step in the fulfilment of our historic destiny. While this sort of language is bound to appeal to our hearts, it is really difficult to assess the practical achievements of the Asian African conference. Those, who have come back from Bandung are full of praise for the performance of their individual heroes. All of them are agreed on the unique diplomatic talents of Krishna Menon. It is said that his sincerity, the power and resilience of his mind, his art of draftsmanship, his contacts at all levels saved the conference at many critical points. He is going out to China and might well come back as the Foreign Minister of India, for the Prime Minister is needed to co-ordinate, harmonise and lead on the domestic front. Today, the Prime Minister is too much of a Foreign Minister and too little of a Prime Minister, except when it comes to broad matters of social philosophy.

IN THE THICK OF IT

While we have talked about Bandung, there is evidence enough that we have shifted right into the centre of the tricky politics of the Middle West, that used to be called

the Middle East. The week began with the arrival in the city of Sayed Ismail-el-Azhari, the Prime Minister of Sudan. In fact as Pandit Nehru came back from Bandung, he waited at the aerodrome to receive him. With the look of a Europeanised African. Azhari has a very pleasant way of dealing with persons. He was taken round several places including Kasturba Niketan. He met Pandit Nehru a number of times in private sessions. But the first and perhaps the most conspicuous thing that he did was to join the mass Friday prayers at the Juma Masjid. Whatever we might do or the Big Powers may do, Islamic camaraderie is a factor that we shall have to reckon with. Afghanistan and Pakistan might quarrel. In fact during the week, they threatened to close down each other's consulates with possible severance of diplomatic relations in the offing. Our friend, Col Nasser of Egypt, expressed his preparedness to reconcile them.

As this is being written, we have in our midst another distinguished visitor, His Royal Highness Amir Faizal, the Prime and Foreign Minister of Saudi Arabia. Pandit Nehru well described him as a comrade in the common task of Asian resurgence. The Amir returned the compliment in fulsome terms: "... this great gentleman, the gentleman sitting across the table, His Excellency Mr Nehru ...". Amir Faizal, like Azhari of Sudan, has also gone round, visited the Qutab Minar with its Arabic inscriptions, the Humayun Tomb, the shrine of Hazrat Nizam-ud-Din and the like. What passed in his mind at the sight of these ruins of Islamic glory can only be imagined. Like the Foreign Minister and Deputy Prime Minister of Afghanistan, Amir Faizal also referred to the historic ties between Arabia and India!

I think we better stop here, for if we probe into history, it might prove distressing. We are concerned with the present, and at present, in Delhi, it looks as though the Middle West is divided into two big blocks, one consisting of Turkey, Iraq and Pakistan, backed by the Anglo-American powers, there is the second block, consisting of Egypt, Syria, Saudi Arabia and Afghanistan. Iran is really in the first block, but is afraid of any such formal avowal, lest the Soviet Union swoops down

on it. Israel is sandwiched between the two blocks; if the two were to join, it will be squeezed out. As against the big powers supporting the first block, we are unreservedly supporting the second. India thus enters into the political arena of the Middle West.

PANDITJI AT MAY DAY RALLY

On the domestic fronts, Pandit Nehru achieved his most outstanding triumph in mass contact by addressing on Sunday, the May Day rally at Ramlila grounds which was organized by the Indian National Trade Union Congress. That he was at the rally is more important than what he said. He invited Indian workers to participate fully in the unique experiment of revitalising the country's social and economic life without sacrificing human liberty and democratic institutions. Though he admitted the existence of class struggle, he refused to accept the conclusion of the Marxian hypothesis and warned against the methods and ways of violence. Incidentally, he also warned the country against depending on external aid for reconstructing the country's economic life. As usual, Panditji was full of many things—full particularly of Bandung, "this unique gathering of diverged cultures and nations". Winding up his speech with the hope that the remaining vested interests obstructing the path of the people's progress would be removed, it looked as though Pandit Nehru had in him the capacity to emerge as leader of the working classes alone, instead of leading all the progressive sections of the community that he is doing today.

SPATE OF SOCIAL LEGISLATION

The Parliament has not been dull this week. In fact apart from economic legislation, it has been discussing social legislation of far-reaching importance. The Parliament went rapidly through the three readings on the Untouchability Bill, which seeks to give practical shape to Articles 12 and 17 of the Constitution abolishing untouchability. Pandit Pant's speech really deserved more publicity than it received. One very much wishes that the great Home Minister would direct his wrath against some real social evils instead of flogging the dead horse of untouchability. Of greater importance is the matter of Hindu Marriage which is being discussed in Parliament. Our women parliamentarians (and also that married sanyasi, Acharya Kripalani) were at their very best in discussing the pros and cons of the right of divorce.

MANAGING AGENCY UNDER NOTICE

On Monday last, the Joint Select Committee on the Company's Bill, presented its report to the Lok Sabha. It is a document of extreme importance to the economic life of the community. The Committee has suggested that all existing managing agencies except those renewed with the consent of Government should come to an end on August 15, 1960 and that no managing agency should be heritable or divisible by will. Government will have the power to discontinue managing agencies in certain industries, notifying them from time to time. Where managing agencies are allowed to continue, Government's consent will be given only in the public interest and only in cases where the record of the managing

agents is satisfactory. The remunerations of the managing agents, managing directors and managers of the companies has been fixed at 11 per cent of the net profits as the limit. When there are no profits, it should not exceed Rs 50,000 per annum. The reform of the managing agency system has been long overdue. It now appears to be in sight.

Against this background of economic change, it appears a little trivial to refer to the rather serious trouble at Kanpur, at Tuensang in the north eastern frontier and in Goa, about which the Prime Minister made a statement today in Parliament. One cannot have fair weather all the time but on the whole we seem to be sailing fairly smoothly.

From the London End

Election Manifestoes

THE election manifestoes of the two major political parties have now been issued—that of the Liberal Party is still to be made public. Both documents are ponderous and only the very conscientious will take the trouble to struggle through them. With the advent of the radio and television as the most effective media of electioneering, pamphlets have had their day. And in this situation as the *Times* dared to comment, "election manifestoes are no longer the things they were". But so far as these documents still fulfil their original function, the stage is now set. This is not to say that the issues on which the election will be fought will be any clearer. It is the way of general election campaigns to develop a character of their own, and in the current one, in spite of what each Party professes as such, it seems likely that the hydrogen bomb will loom large over the ballot-box.

The Conservative Party manifesto is wordy and woolly. Its thirty-two pages are liberally peppered with platitudes and high-sounding phrases—it provides, as one responsible journal puts it, "a maximum of rhetoric and a minimum of programme." This is understandable. The Government party always stands on its past records, no matter how unfortunate it has been, and less they commit themselves on matters of future policy, the greater is the flexibility and freedom of manoeuvre they will have when returned. Their programme in these circumstances could not be more aptly entitled than "United for Peace and Progress". The slogans in the programme all attempt to give the impression that Conservatism is really dynamic in content and some commentators have appropriately dubbed the Tories as the "New Conservatives". The disaster which overtook the Conservative Party in 1945 had to be repaired and the 1951-55 era of Tory rule has afforded the opportunity for presenting Conservatism's new look to the nation. As Robert Boothby, one of the intellectually inclined of the Tories, had put it,

"What we have to do is to convince the public that our programme amounts to something more than the dole, the quinquennial vote and the recurrent world war."

The four years of Tory Government

have been good years for the British people—some, particularly the Labour Party, have attributed these good years to pure luck, others to good management at the centre. There is no doubt that the favourable movement in the terms of trade has assisted the Tories but to attribute everything to luck is to take too prejudiced a view.

The Tory programme propounds the need for manufacturing the H-bomb and for the unification of Western Europe while declaring at the same time that the Conservative Government "will continue to strive for world disarmament". It is to be noted that the Labour manifesto "Forward with Labour" subscribes to the very same view except that it qualifies the use of the hydrogen bomb, by the proviso that it "could not be used in the event of minor disturbances". The Tory manifesto speaks of the two-year term of compulsory national service as not being fixed, though it makes no bones about it that "national service is an instrument of our foreign and imperial policy". With regard to the "Empire and Commonwealth", the Tories are to work for greater "cohesion and influence", and to see that "Commonwealth partnership continues to enable us to stave off economic crises". On the Colonies, they say what Gladstone had once said about the Indian Empire, "it is unrealistic to lay down a cut-and-dried time table for the evolution of political maturity". All this is typically Tory and it is difficult to see whether the New Conservatism is so new after all, at least in foreign and imperial relations.

On home economic policy, the aim of the Tories is to double the standard of living in 25 years. To achieve this, there is Mr Butler's slogan "invest in success". As the last Budget showed, greater opportunities will be placed before the owners of wealth to invest in economic expansion—since they are the real savers, their co-operation in the "invest in success" campaign is essential. It is, therefore, necessary to lighten the burden of taxation on them. The disproportionate reduction in the standard rate of income tax compared to the lower rates in the last Budget is justified on these grounds. On foreign trade, "expansion" is forecasted in words which have been heard more than once and which are now beginning to

wear a little thin. The programme is, however, clear on "cotton policy"—

"It will be our constant aim to safeguard the special interests of the cotton textile industry in the important interchanges taking place with other governments particularly concerned."

The Labour programme "Forward with Labour", though less woolly than the Tory manifesto, is largely a rehash of its 1953 "Let's Face the Future" policy statement. Labour can afford to be more specific and even reckless in its commitments. It is specific on its nationalisation policy (chemicals, machine tools, and steel, of course, will be under State control) and while it does not predict a collapse of the Butler boom, it outlines its own practical proposals for expanding production and "ensuring that the increased national wealth is fairly shared". The Labour Party pledges itself to restore guaranteed prices to farmers, reorganise marketing and re-introduce bulk purchase ("where necessary") and price controls of essential foodstuffs.

It is on the enlargement of the Welfare State that Labour programme is most explicit and probably the most far-reaching. The fundamental difference between the policies of the two major parties is about the means of financing Welfare facilities. The Labour programme speaks of the need to mould a fiscal policy which meets the requirements of the Welfare State. The Tories, on the other hand, will finance whatever social security measures are in existence by means of direct contributions from the mass of the people.

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Rehabilitation Plans

FROM Sealdah, Pakistan-bound trains start with few passengers. To Sealdah, the trains from India-Pakistan borders come packed to overflowing. Exodus of East Bengal Hindus continues. Karachi has assured that it does not want migration of Hindus from East Bengal. This assurance seems to have assured the Union Minister for Rehabilitation. But East Bengal Hindus do not seem to be assured by Karachi's promises. They are still migrating. And the inflow of East Bengal Hindus into Calcutta remains as heavy as in recent months.

Karachi promised measures to ensure conditions which would end the exodus. These measures have not yet been introduced. Goods traffic has been resumed between the two Bengals. Many Sikhs have visited the Gurudwaras in Western Pakistan, and have come back to Punjab (India). Press reports suggest that the passport and visa system has been liberalised. One has noticed that the queue at the western end of Writers' Building is no longer as long as formerly. But, one gathers, the visa is still a delaying process. May be, liberalisation arrangements have not yet been finalised at the Calcutta end.

Passport and visa delays are not causing inconvenience to many. Only a few want to go to Eastern Pakistan. These delays may be irritating when, if ever, the reverse flow begins. Pakistan not only wants to stop migration. Karachi desires that those who have migrated should return to their homes in Eastern Pakistan. New Delhi seems to share Karachi's hopes. But the people and the Government of West Bengal do not share such hopes. It is doubtful whether even the continued exodus can be stopped. Much more unlikely is that the reverse flow will gather momentum in the near future.

TOP-LEVEL TALKS

By the time these lines appear in print, top-level talks on refugee rehabilitation will have started in Calcutta. For too long, New Delhi has been under the delusion that the problem of East Bengal refugees will vanish as suddenly as it emerged. It is more than time for New Delhi to abandon any such hopes. A couple of months ago, Pandit Nehru made a statement in Parliament on this problem. He was realistic in his

assessment. New Delhi has been more active and energetic in its attitude to East Bengal refugees for about a year now. Shri Meher Chand Khanna has created a favourable impression in Calcutta.

But it becomes increasingly obvious that much more will have to be done by New Delhi. It is unrealistic to hope that the exodus will stop, or that those who have migrated from East Bengal will go back. Once this is fully appreciated, the magnitude of the problem becomes evident. There is a tendency in New Delhi to ignore facts and figures about East Bengal refugees. Since partition about four million East Bengal Hindus have migrated to this country. Many more are coming, and will come.

It is clear that West Bengal cannot absorb, even at the most liberal estimate, more than two million of these refugees. Plans have been prepared for starting some new industries to absorb the displaced persons. Dr B C Roy's Government has sought New Delhi's permission and approval for starting some new industries. There are proposals for establishing three fine-count spinning mills, for expansion of some of the existing cotton mills, for establishment of a calcium carbonate factory and for expansion of a forged steel factory.

Both New Delhi and the West Bengal Government have plans to encourage and to help industrialists to start new industries or to expand existing ones in order to absorb refugees in gainful employment. It would be uncharitable to suggest that no attempt is being made to rehabilitate East Bengal refugees. In the last year, rehabilitation efforts have been speeded-up. Admittedly, the resumed inflow of refugees since October last has aggravated the problem. Even so, it is clear that rehabilitation efforts now being made are inadequate to rehabilitate the displaced persons.

Certain facts are beyond dispute. It is clear that the West Bengal Government's efforts to place the displaced persons have reached the saturation point. Its resources are too limited to deal with the problem. It is equally clear that West Bengal's capacity to provide temporary relief has almost been reached. Two compelling conclusions follow from these facts. This is where New Delhi must step in.

Even on the most conservative estimate, there is already the problem of rehabilitating some two million East Bengal refugees outside West Bengal. It is doubtful whether West Bengal has the space or the Government has the resources to maintain and to rehabilitate even two million refugees. It would, perhaps, be more realistic for New Delhi to assume responsibility to rehabilitate 2½ million East Bengal refugees outside West Bengal.

Experience of refugee colonies outside West Bengal is not encouraging. East Bengal refugee centres outside West Bengal are mostly in Orissa, Bihar and Assam. This aspect of the problem has some relation to the possible recommendation of the Boundary Commission. But it is evident that, even in the event of acceptance of West Bengal's claims for re-adjustment of boundaries, there will be need for establishing refugee towns outside West Bengal. New Delhi, and not the States concerned, must assume full and complete responsibility for creating and maintaining such refugee towns.

REFUGEE TOWNS

Creation of such refugee towns under the direct control and supervision of the Union Government is a necessary first step. But the problem cannot be solved merely by establishing such towns. It is evident that these towns should be planned as satellite industrial centres. Once the Central Government assumes full responsibility for rehabilitating the 2½ million refugees, whom West Bengal cannot possibly absorb, it logically follows that such refugee towns should be built in and around the large-scale industries started, or under contemplation, by the Union Government.

For the people, the Government and Big Business in Calcutta, it is good news that the British steel mission is impressed with Durgapur's claim as the best location for the third steel plant. If Durgapur is ultimately selected as the site for the third steel plant, it should offer opportunities to absorb some of the displaced persons. Jamshedpur shows how Durgapur, with a steel plant, can emerge as a thriving industrial town. As in Jamshedpur, many ancillary industries are likely to be started in and around Durgapur, once it is selected as the site for the third steel plant.

The Why—and Where—of Exports

IN a neatly got up booklet with this catchy title, the Crawford International Service, London, presents a factual study of the changing trends of world export in the last ten years, with particular emphasis on the varying fortunes of the UK export trade.

The lesson is brought home, with the help of very effective charts and diagrams and nicely displayed statistics that "if we would live well, we must sell well abroad". How subtle and persuasive a proper selection of typography can be in selling an idea! Now, a safe export for Britain is capital goods; the export possibilities of consumer goods are not so certain! Nevertheless, "safety first" is all right upto a point, but it is in pushing consumer goods that selling skills and services of publicity experts, incidentally, are called for in the highest degree. Crawford's who are responsible for this publication, are a name to conjure with in this specialised field, but though emphasis is duly placed on rising standards of living providing more room for Britain's highly finished luxury goods—textiles, leather, silver, cutlery and chinaware, for example—the uncertain factor in the situation is not glossed over by any means. "The imponderable here is how far customer countries will go in raising tariffs to protect their own nascent industries". Against tariff walls, selling skills will not avail. Barring this, there is a wide field open to enterprise. Here is a persuasive and factually authenticated exhortation to British export houses to focus their attention on it.

The post-war period has witnessed a marked expansion in the volume of world trade as also a change in its pattern, manufactures now taking a larger share of world trade than primary products, as compared to pre-war. Thus, the value of total world exports rose from \$20.6 billion in 1938 to \$75.3 billion in 1951, though there was a slight decline to \$73.8 billion in 1953. Of the total exports in 1953, the Dollar Area accounted for \$23.8 billion (32 per cent), the Sterling Area for \$17.4 billion (23.5 per cent) and the EPU Area for \$21.8 billion (29 per cent). Trade has expanded, despite marked rise in prices; what is, however, more important is the change in relative prices: compared to pre-war, the price of primary products has risen three fold while that of manufactures has doubled. And this has affected the terms of trade, especially of countries such as the UK which depend on export

of manufactures for imports of food and raw materials.

WEST EUROPEAN TRADE

The second world war brought about a collapse of the system of multilateral trade and payments and the world got divided into rigidly defined monetary areas, such as the Dollar and Sterling Areas, though in recent years considerable progress has been made in lowering these barriers to trade.

Although the dollar problem was there even before, it was the break down of the machinery of payments that created the dollar gap! An important consequence of war was the increased dependence of Europe on the dollar area. Dollar sources of supply became more important during the war, and non-dollar sources lost ground: thus North American production of bread grains, vegetable oils, fats and cotton increased and exports of these from non-dollar sources declined. The main supplies of petroleum and non-ferrous metals also shifted towards dollar sources. In

metals, technical change favoured Canadian aluminium rather than tin and lead from the Sterling Area. Exports of meat, dairy products and hides from Australia and Argentina, too, fell.

The strength of the dollar area was reinforced by political, social and population changes hastened by the war. Political division reduced the trade between Western and Eastern Europe; population increases along with industrialisation in so-called 'empty' countries reduced export surpluses of primary products, and countries with developing economies became less dependent on imports of light consumer goods and began to need capital goods. It was with a view to face a situation of this nature that OEEC (1948) and the EPU (1950) were set up. Considerable progress has been made since and private import trade of the EPU countries has been considerably liberalised. All the EPU countries, except France, have by now freed 75 per cent of their private import trade from restrictions.

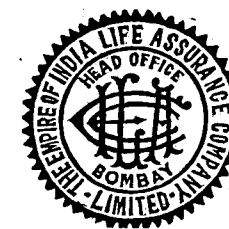
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West European exports to Eastern Europe have sharply fallen to about a quarter of the pre-war volume; thus the value of exports to Eastern Europe including USSR declined from \$1.7 billion in pre-war to \$527 million (current prices) in 1953. And whatever trade there is between Western and Eastern Europe, is now fundamentally bilateral in character.

THE STERLING AREA

The Sterling Area is neither self-sufficient nor self-contained as it is a net importer of important commodities, eg wheat, cotton, etc. Nevertheless the production patterns of the UK and the other Sterling Area countries fit together well; in the period 1948-52, about half of UK's exports went to the sterling countries and about a third of the latter's exports went to the UK, and these two flows of trade made up about a tenth of world exports.

Primary products such as rubber, wool, jute, tea etc are the main exports of the Sterling Area to dollar countries. Of the exports to the dollar area, Gold Coast tops with 30 per cent of her total exports, India comes next with 23 per cent followed by Malaya (20 per cent). Between 1948-52, 85 per cent of the exports of the Sterling Area (except UK) went to the US; 12 per cent to Canada and 3 per cent to other countries. The UK's dollar export trade is less concentrated on the US. Within the Sterling Area as a whole, the UK

provided about 50 per cent of total dollar exports in 1953, but only one-third of the area's exports to the US.

UK EXPORT TRADE

Not only exports, but earnings from services and investments abroad play a vital part in the British foreign trade. It is through earnings from invisible trade that the UK was able not only to cover her trade deficit but also obtain a payments surplus. Even today, the tourist trade is Britain's top dollar earner—whisky is only next best!

Manufactures form the major part of British exports: nearly one half of UK's exports go to other Sterling Area countries which, together with Canada, are increasing in importance among British overseas markets. The UK's share of world trade in manufactures was greater in 1950 than it was before the war but currently, it had fallen below the pre-war level. The revival of German and to some extent, Japanese competition is likely to accentuate this fall further. The three main export markets for Britain are Australia, the US and South Africa. Out of the total British exports in 1954 of £2.7 billion, the Sterling Area accounted for £1.3 billion, the dollar area £375 million, the EPU area £778 million and others £275 million.

During 1948-52, 15 per cent of British exports went to the dollar area, of which the US took 43 per cent, Canada 40 per cent and others

17 per cent. Britain's principal dollar exports include vehicles, machinery and whisky, while her dollar imports consist of items such as cereals, non-ferrous ores and metals, and other raw materials unobtainable elsewhere at competitive prices.

With the emergence of a buyers' market and the appearance of Germany and Japan as exporters, in recent years, British export trade is faced with severe competition, resulting in a reduction of her exports of manufactures. German exports have met with success in her former markets eg South America, Turkey, Belgium, and some Middle Eastern countries. Thus in 1952, 14 per cent of Egypt's imports came from the UK and only 6 per cent from Germany; in 1953, however, these proportions changed to 10 per cent and 11 per cent respectively. Though the recovery of Japanese industry is not of the same order as that of Germany, she has emerged as a world exporter, especially to South-East Asia. Countries that are developing require capital goods and these provide a safe market for the UK with only the US and Germany as competitors. Britain's most obvious advantage is that she has more capital equipment per head than any other country barring the US, thus having a lead over others in products that need a high degree of engineering capacity and advanced engineering skill. Britain has a further advantage, even over the US, being comparatively a 'low wage' country.

Changing Attitudes in a Chinese Village in Malaya

W H Newell

DURING the last nine months, your correspondent has been living in a Teochiu village of vegetable farmers in North Malaya. Up to the present time, very little research work has been done on the Chinese in this country and the people who have written about the Chinese here are exactly like those in their homeland. This is incorrect. To give an illustration of the difference in custom, the woman responsible for the marriage ceremony among Hokkien and Hakka families must always wear a sarong. The adoption of the sarong must clearly come from the Malays, since in China there is no such dress. Yet this is regarded as Chinese custom here. On the other hand, the method by which certain of the gods are worshipped is by the burning of incense and the presentation of pork and chicken; customs derived from China and not adopted from the Indian or Malay residents in this country.

In China, villagers belong to many associations. Every family in Teochiuland has certain ties with those of the same surname as itself, with those of the same village, with those who are neighbours, with traders to whom they regularly sell their products, with the landlord who owns their land and with various other societies, both legal and illegal, which assist them, in their everyday affairs. When he migrates to this country, these ties remain very strong, especially as many of the people who emigrate with him at the same time also respect them. The villagers with whom I stayed in North Malaya still had a real interest in those people whom they had left behind in China, and regularly wrote letters to them. The fact that both the Malayan Government and the Peoples' Government of China had regulations forbidding the sending of mail other than through the Post Office did not seem to affect the courier service in any way. For M\$1, an uncensored letter could be sent to China and a reply received within a fortnight. In the course of my residence in this village, I read many dozens of these letters and it was interesting that every single one I read consisted almost entirely of personal news about the people whom the villagers knew, and requests for remittances of money.

In my opinion, the Teochius in

this village, during the first generation at least, have such strong ties with the friends and relatives in their Chinese village that they can, for all practical purposes, be regarded as members of this village in China, arbitrarily separated by distance and different governments. It is only in the second generation that the standards and values of the villagers may begin to show signs of change. This was demonstrated very clearly in this village by the large number of quarrels between fathers and sons. In old China, the responsibility of a son for his old father was very clear and a dutiful son was in the nature of a life insurance. In this village in North Malaya, there are numerous old men of over sixty years of age who have sons living but receive no money from them. In one instance, there was a son who used to smoke opium twice a day and was continually quarrelling with his father who reprimanded him for wasting his money in this fashion. Eventually, the son forced the father to leave the home to support himself although the old man was over eighty. The old man's wife, however, took her son's part and now lives in her son's house separated from her husband. There is no doubt that one of the main reasons why children no longer feel compelled to support their parents is not so much poverty, as the villagers are certainly not poor, but the changing attitude of the society in which there is little moral or social pressure put on those who infringe the traditional code.

So, on the one hand, we have an attempt by the old people to follow along the customary and moral paths which they have always known. In contrast the younger generation try to escape from obligations forced on them by their elders, the purpose of which they can no longer see. To a certain extent, practical considerations also determine this change. In a house, near me, a young lad of 22 had been married as a child to a girl of another village who had been bought at birth. This girl addressed the father of the family in which she was residing as Dwa Kung, grandfather, thus showing that she regarded him as a father-in-law. The son, at 17 years of age, had left his village and gone into the wide world to earn his fortune. When he returned, he felt he did not wish to have this illiterate country girl as his wife any more. The family took the girl's

part and argued that it was unfilial of the son not to follow his parents' advice. The girl herself wishes the marriage to continue. It seems to me that the net result of this situation will be to drive the son from the house. I enquired of many other people why it was that there were no other cases of this type of child marriage but all replied that it was stupid to marry in this fashion, because, although a certain amount of money might be saved in the marriage expenses, if the son was not prepared to carry out obligations accepted by his father, then the difficulties which would subsequently arise in the family would be insurmountable.

It is not only in exceptional instance like this, however, that there are difficulties between the China-born residents. Within the family, a very great deal of authority rested with the elder son. This authority seemed to derive in part from the fact that if he did not like to stay in his family and work at growing vegetables, there was nothing to prevent his just leaving his family and finding work elsewhere. Instead of the tie between father and son being based upon authority, and on the right to inherit property, it was much more based on love and affection. Where there was no love or affection, then the social ties in themselves were insufficient to hold the family together.

A further instance of the close ties between the first generation of villagers and the villagers in China is shown by the sudden change in the standard of living that occurs between villagers with close relatives in China and others who have no close relatives there. A villager who leaves China and goes abroad, does so for a variety of reasons, the principal one of which appears to be boredom with those people with whom he has been brought up and inability to make a reasonable living. On an analysis of the place in the Chinese family of emigrants to this village, it appears that both elder and younger brothers are represented and that the majority have some land in China; but, even so, once they have reached Malaya and have started to settle down, they find that even as workmen, their standard of living is much higher than it would have been in China. They then remit money home to their fathers, mothers, sons, daughters, wife, and occasionally to their brothers, but very rarely to anyone else. In order to help them

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to do this, they peg their standard of living and instead of spending more money on clothes, or on food or wine, they try to save their money. Once a certain amount of money is saved up, they then return to China and flaunt their wealth before the faces of their admiring friends.

In Teochiuland, the returned citizen of the Nan Yang is looked upon as a profligate and a person who wastes his substance. Of course, sooner or later, his money runs out and he is forced to return overseas once again to repair his broken fortune. For these first-generation Chinese overseas, the people whose respect they want and whom they want to emulate are not the Malays or the foreign Europeans, or even those Chinese in the Nan Yang who come from another district, but their own Chinese villages; with the Malaya-born second generation Chinese, however, all is changed. Hearing their fathers and mothers and their family continually talking about their relatives and the glories of China, they are naturally extremely keen to return to see their own country but once back in China, they find that they have little contact with their father's generation and after spending a certain amount of time in travelling, they are glad to return to their village in Malaya. They are not anxious any more to send money orders to relatives with whom they no longer feel very close. Gradually they start to spend money instead of saving it or remitting it, and at this period in the life of the family, there is a prodigal purchasing of watches, bicycles, and wine to drink with their meals. It is, in my opinion, very significant that in this village, gambling on horse-racing is extremely popular. I am informed by the villagers that formerly very little money was spent on it. I have asked many villagers how much they estimate is spent on horse-betting each week. No-one gave me a lower estimate than \$200 a week and many of them estimated it as high as \$800 per week. For a population of 487, this amount is enormous; this is due to the fact that the younger generation no longer know how to spend their money or have no definite ideas how they want to use it. For Chinese-born Chinese, everything is quite clear—the wish to work up in their society, get the respect of their fellows in China, and show how different they were from the poor humble youngsters who left for the Nan Yang so many years ago. But for the Malaya-born second generation Chinese, this aim is no longer sufficient, and they like spending on other things. This peculiarity, of course, is not confined merely to the

Chinese; it is the same with the nouveaux riches everywhere.

The Teochius are not the largest Chinese language group in the Federation but they are extremely interesting, because the districts from which they come have been excluded in many ways from the more luscious Chinese government plums. There are very few Teochius who are really famous in Chinese history. In the Federation, the majority of Teochius are vegetable farmers, but in their districts in China many of them were rice farmers. The districts of Canton Province which speak Teochiu are nearly all along the big river valley which runs inland from Amoy. According to the Teochius themselves, their appearance partly stems from the geographical features of their homeland. They point out that whereas the Hakkas are wild men living on the top of mountains with no proper culture, the Teochius live in the plains and are essentially village people. It must be admitted that, very roughly speaking, in north Malaya, this appears to be so, because, referring only to rural districts, Hakkas do live much more closely to the central mountain backbone than Teochius and Teochius are found nearly always near the sea or

on flat vegetable growing land. They themselves complain that if Teochius work in the mountains, the joints of their legs swell up. There is no alternative for them but to come down to the plains. They also say that when Hakkas come to live near the sea, their skin peels off their hands and bodies; so they move to the mountains. Of course, whether this is true or not is impossible to say, but the existence of such a belief shows the extent to which customary attitudes towards land and towards work persist, impelling people to take up the same occupations and live in the same sort of country as they are used to.

In this particular village, the Teochiu farmers come from three main sub-districts in Po Ling and Chao Yang districts in Canton, but in spite of their coming from the same villages, they did not come over together as a body, as appeared to have occurred very infrequently in the settlement of Malaya. Nearly every family spent three or four years trying to make a living in other parts of north Malaya before coming to this village. To settle down in this village they had to obtain a contact. To obtain this contact—common village residence or a common name

or a common relative, or more infrequently a common friend—was sufficient to give them an opening. Once this was done, then if they found the company of their fellow villagers congenial, they would settle down. Once settled down, it by no means followed that they would remain friendly with the person by whom they were introduced. The point about this is that common kinship or village in China is only the first step in people co-operating together in certain ways. If people want to be friendly, they themselves will soon find an excuse to justify their friendship. In a hostile world these ties are only the reason for finding the first introduction. Lack of fear of the world outside will loosen the ties.

Among these villagers this friendliness takes the form of renovating wells and carrying pigs to the road, repairing houses, repairing public roads, repairing the school building, and carrying sugar cane. All this is unpaid work except the last, for which a small amount of money is paid. You only help those for whom you have friendly feelings. These friendly feelings derive in part from the fact that the villagers trust one another and have a certain amount of affection for the place in which they live.

For a short while, I lived in an adjacent village consisting of Cantonese, Shinling, Kongsai, Hakkas and Hokkien where this friendly feeling was altogether absent and cash had to be paid for all the services mentioned above. Having no common feelings of origin or interest in the village itself, each man was out for himself and none of this type of co-operation could result. It is very interesting to compare these friendly feelings (which are termed "ganching" in Mandarin) with the *birton* system mentioned in the earlier Indian Village Series.* Whereas *birton* was essentially a reciprocal relation which in some respects could be added up like a balance sheet, ganching among these Chinese may be one-sided and the return given may not be equal. In some ways, it may perhaps be more closely compared to the *jajmani* found in the Uttar Pradesh in which it is necessary to pay a Brahman a regular annual amount of grain, whether you use his services or not. The difference between the *jajmani* system and the Teochiu system of ganching is that the sanctions employed to enforce the former were village sanctions whereas in this Teochiu village, the sanctions are

essentially personal, a fear that if one does not help, subsequently the person concerned may do you harm; and conversely a desire to continue contacts with a friend who asks for your help.

Much to my surprise, in this village I found religion to be a very strong force in contrast to my earlier field work in another part of China. What is so surprising about the Teochiu religion is that it is an extremely practical religion. The gods are thought of as providing special services which are paid for cash down. In the larger temples, there is no need to take off one's shoes on entering. One smokes not only cigarettes but even extremely strong cigars in the holiest part of the temple just in front of the altar if one feels like it; there is no reason why one should not shout, dance and scream anywhere inside the temple. In short, there is no sign of a feeling of respect for the gods or reverence for the temple, but one should not be deceived by this apparent lack of feeling, for the villagers genuinely like their gods, some more than others. When I use the word "god" here, I am referring, on the one hand, to *shen* and on the other to *gwei*. *Shen* are more or less official dignitaries. They have definite duties and obligations and they have their own supporters who give them orders how they are to go about their official duties. *Gwei*, on the other hand, have no definite jurisdiction and are very open to appeals from their supporters, provided that they are good *gwei* and not bad *gwei* (such as suicides). During the last four or five years in this village the soil has been becoming gradually exhausted and there is a plague of vegetable-eating insects which have proved impervious to DDT. In an attempt to keep up his income, nearly every villager now raises pigs and chickens but the raising of pigs is a very risky proposition. Pigs seem to have even more psychological problems than their owners and often die for no apparent reason. The supernatural responsibility for raising pigs lies with a certain *gwei* called Good Big Brother. In the event of any small illness developing in the pig, Good Big Brother's advice is immediately sought and the proper remedy given to the pig. When the pig is sold, a small feast is also given to Good Big Brother. Good Big Brother also takes an interest in the rearing of children and in every personal enterprise in which a successful conclusion is not certain. On the other hand, natural disasters such as flood, drought or

blight are thought to be under the control of Grandfather Sky. Grandfather Sky is a very superior god, above all the others and normally he pays no particular attention to the doings of the world below, but when repeatedly presented with vegetarian food, he may give orders to his subordinates to help the poor farmers. Two years ago, there was no shrine to Grandfather Sky in this village although his annual festival was regularly celebrated in the home. As the plague of insects got worse and worse, three villagers took the initiative and raised money to build him a small shrine. Although the reason the villagers gave for the building of this shrine was that Grandfather Sky had no home in this village, the immediate cause for this action was the plague of insects which, incidentally, still remained as bad as ever. This *shen* and this *gwei* are of course by no means the only gods present in the village. They have a god of the soil called Na to kung,* who is an Arab dressed in long white flowing clothes, and who, like all Muslim Malays, will not eat pork under any circumstances. He was called a Malay god.† In addition to the Na to kung, there is an interesting god called the god of the back door. A Chinese person is fully aware that the Nan Yang (the South Seas) have been built up by the sweat and tears of thousands of Chinese who have died without graves and without their relatives being present. Twice a month, many Teochius burn incense before the god of the back door who represents the thousands of Chinese who have died in order to make it possible for the living Chinese to remain in the Nan Yang. There are other gods, too numerous to mention, but all have this in common that once the method of approach is known and sufficient money or other goods are given to them, the results of their efforts will be certain. This principle is even taken into horse-racing, and no gambler, however stupid, would dream of choosing a lucky number for horse-racing without paying \$10 to the medium of a god for information as to which number is likely to win. Failure to obtain the winning horse through

* Malay *Datok*—tutelary spirit of a *Keramat* or wonder working spirit, Wilkinson.

† It is interesting to note that the neighbouring Cantonese community also living on Malayan soil, do not have a Na to kung but have a Chinese god of the soil who does eat pork and every other way behaves like a proper Chinese.



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V. C. SETALVAD
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* "A Himalayan Village," by W H Newell, *Economic Weekly*, Feb 13, 1952.

a medium is, of course, not due to the fact that the whole of this system is a forgery, but that money given was insufficient or that the medium was not competent to interpret the god or some other similar reason.

It is extremely important to realise that this whole system of mediums, gods, and the financial control of temples is by no means a fraud and a delusion to those taking part in it, but is based upon a sincere and honest belief that this is the way gods really do work. The very often unscrupulous managers of temples do not need to invent an excuse for making money because the people themselves so sincerely believe in their temple's efficacy that no deceit is necessary. Where deceit is practised, it naturally reflects on the manager's character and not that of the god.

Of course the system of gods and spirits so briefly described above varies from believer to believer. One family laughed heartily at the idea that any of these gods had any influence on the way events actually moved but I discovered that the previous night the head of this family had invited a medium to his house to whom he paid over \$50 for information about the next day's

racers. This was done secretly in order that others would not know which was the lucky horse.

Among the younger Malaya-born generation, there is less change perhaps in matters of religion in this village than in economic organisation and family relationships. This is perhaps not surprising in view of the fact that the villagers still feel themselves very much on the defensive in a hostile world. The memory of the Japanese occupation, when the power of the government was handed over to the Malays who extorted money from the residents by beating them up, is still fresh. Moreover the administration in this district is carried on entirely in English and, due to lack of education and little mixing with the governing class outside, the world of government still appears to them a mystery symbolised by the occasional appearance of a policeman. Although there are one or two families who have been here for three generations, the Chinese school has not yet been established twenty years and no pupil has ever gone to any Middle School. They have just been left to their own devices and accordingly know little about the world outside. Every Chinese peasant is discouraged from going to

school by having to pay up to \$3½ a month for fees while Malays are encouraged to know that Malaya is their country by getting their education free.

My main thesis in this village is that the Teochius here are an extension of the villages in China from which they come and that during the first generation, the sort of things that they want is derived from the values of their homeland and not from those of their Malay and other Chinese neighbours in this country. Since they are treated as aliens from the beginning and little deliberate attempt is made to understand them, they react as one would expect. But their children born in the British colony of Wellesley Province, after returning to China, find that, although they are Chinese in outlook, their interests and friends are in Malaya. As they acquire more authority in their home, displacing their parents from control, the way they organise their affairs and spend their money change considerably. But their beliefs change much more slowly and in this village in north Malaya, their change of attitude towards the organisation of the family and the sort of things they want to buy has gone ahead of the changes in their religious beliefs.

Commercial Agencies and Village Development

Evelyn Wood

THE capacity of Extension Services to change the village world is very great. This has been amply demonstrated in India since 1952. But rural development requires more than change. The capacity of Extension to carry all the services which village people in India will require is not yet proven. Most important of all, can the National Extension Services be organised to cater for the free choice of individual villagers as consumers?

If it be good for a farmer to change to using a steel, mouldboard plough, is it not better for him to choose just what make of that plough he will use? Are village women to buy whatever soap they can get, or should they not have the stimulus of an added interest in the domestic affairs which is afforded by a free choice of the brand?

EXTENSION SERVICES ARE NOT ENOUGH

Up to ten years ago, not every educated person would have heard of Extension. In Great Britain, the word would have called up visions of night-classes, mostly attended by earnest working-class people in the cities. The tree of education first grew its great branches under the name "Extension" in the United States; and so the idea of a teaching and information service for farmers and their families may have been well enough known there as Extension Service.

But Extension as an arm of development for rural people in Asia and Africa is a concept of recent growth. In fact, the service has only been systematically organized on a large scale in India since 1951. At first, Extension in Africa and Asia was a field of work mostly cultivated by missionaries. Where rural hospitals or agricultural colleges were set up as part of the secular work of a Mission, their scientific teaching tended to spread outwards into the countryside.

The YMCA had one of the first Extension services in India, at the south end of the Malabar Coast. The Allahabad Agricultural Institute was famous, by the thirties, as a school which produced distinguished Indian farmers with a scientific bias, and a mission for teaching by Extension all over their own country, and also in Africa.

The Rockefeller Foundation was an early promoter of Extension, par-

ticularly in the fields of Medicine and Public Health. Rockefeller doctors began experiments in rural development in India long before the 1939 war. China of the period between the two wars was a field cultivated by Rockefeller farmers.

It was, however, only after the 1939 war that Extension moved into Africa and Asia in a big way. It arrived at first through the promotion of far sighted individuals like Sir John Boyd Orr, in the international field; and Albert Mayer in India. The United Nations and its Specialized Agencies were the next to take up this technique of rural development, under the general banner of Technical Assistance. FAO treated the technique as Agricultural Extension; UNESCO as Fundamental Education; WHO in its drives against malaria and tuberculosis.

Almost simultaneously, the United States Government entered the field of export Extension, with a generous and visionary programme for Asia in particular. The Ford Foundation was the greatest example of non-official aid in creating Extension Services within Eastern countries. By and large, India came under the American pattern of rural development through Extension. There are now signs that the European countries may contribute more towards future growth.

There is probably a greater variety of Extension schemes in Africa, both within the colonial pattern which lingers on the West coast and in the equatorial centre; but there is also Extension of the newer, national pattern in Egypt. Israel and the Islamic countries of the Levant have also taken up Extension. As regards Asia, from which we must exclude Russia and China for lack of detailed knowledge about what happens in those great countries, there seems to be by far the biggest network of growing Extension Services in India. This is a product of Planning; and it is part of a very broad Government policy which is intended to lead to a socialist Welfare State. It is very encouraging that international specialists who have studied rural development in other countries to which Extension is new all give India the top place for earnestness of endeavour.

Today, probably everyone has a general idea about Extension; but here is a rough definition, which

may clear some of the clouds about the word. Extension is out-of-school education of a special kind. In rural areas, it is directed towards enabling people to improve their lives in every way; to make use of all available knowledge, including modern scientific discoveries; to cultivate better skills; and to re-establish patterns of free choice, instead of living by habit and custom. Extension is mainly, but not entirely, directed towards adults. It works on and for the illiterate as well as for the literate. It forms a two-way channel of communication between rural people and universities or other institutions where exact knowledge is being cultivated. Extension is the new link which has now been forged between the disparate interests and the complementary resources of village people and townspeople.

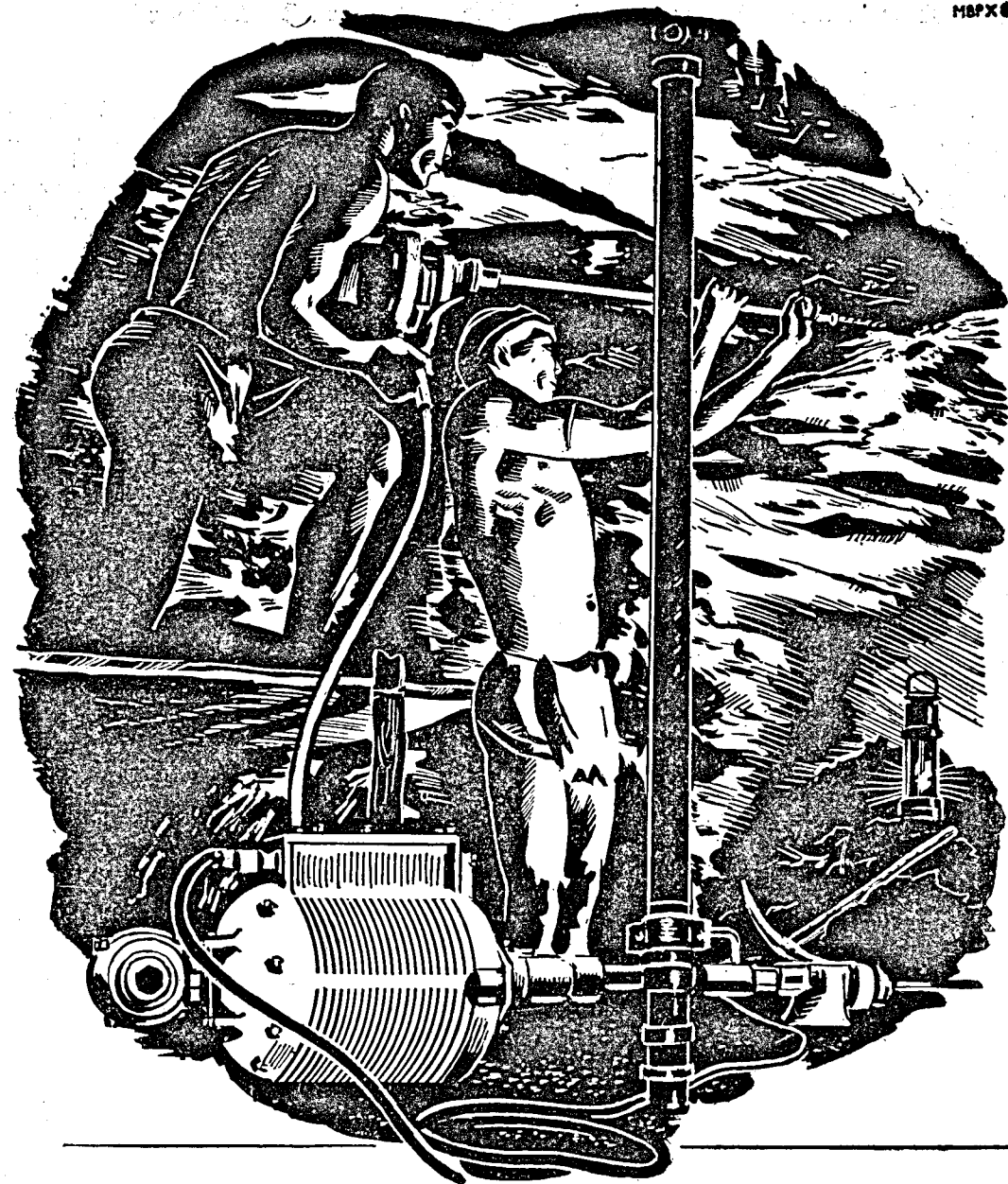
SUPPLIES AND SERVICES FOR RURAL AREAS

There is probably a snag in the rapid stream of expansion of official Extension Service in India. When such service began in 1952, as the Community Development Projects, the officials in charge of the three-hundred village units were reluctant to regard commercial people as constructive parts of an Indian rural community. Trade, industry, and even professional services working on a profit-margin were regarded as undesirable elements in the new pattern of rural development. This attitude has now somewhat relaxed; but the recent political pronouncements of the Indian National Congress about socialism might mean that it will be increasingly Government policy to squeeze out commercial or private professional people from developing rural areas.

This seems to me a critical point. Everyone will view the possibilities of Welfare Statism differently, and therefore any value-judgment must be personal; but it is surely critical whether or not all the supplies and services needed by a developing rural people can be furnished by Government organizations.

As an old and staunch socialist, I consider that such a belief is self-delusion, of the kind that will lead the believer blindly into totalitarianism. I am also aware that totalitarianism has utterly failed to solve rural problems, and that by the official admission of the USSR, which has had the greatest opportunity for





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forming rural development by these means. Apart from any personal revulsion against Stalinism, its aim of rural development exclusively through organs of the State has missed its target. It therefore seems wasteful to repeat the same aim in India.

It seems doubly wasteful to exclude commercial supplies and services from planning rural development in India, since the vision of Gandhiji regarded the village-centred renaissance of this country as a practical possibility partly through the commercial abilities at the disposal of rural people. After all, Gandhiji was himself a member of a commercial caste; he was also educated as a professional, in order to earn his own living from the profit-motive.

The whole situation seems to be summarizable in a very simple formula. There are services which the State can best render, and these include the production, even distribution of some articles. A socialist would allocate more services and more articles for manufacture and distribution to the public sector of economic activity. Most people would agree that postal services are best State-run; only a socialist, perhaps, would agree that it is better to produce and distribute steel through State organizations. Few people who have had practical experience of handling major commodities such as foodgrains can see the State as an efficient organization for collection, grading, warehousing and marketing.

The formula is therefore one with variable terms, but the number and order of the terms must always be the same. The formula will allocate the different fields of activity partly to the private sector, working on a profit-margin, and partly to the public sector, working without risk on funds supplied by the taxpayer. Probably the respective allocations cannot be the same all over a huge, varied country like India, and this is where the variables enter the formula.

I come back, then, to a reassertion of my personal opinion that the single point on which all this excusatory turns is a critical one. Decisions of this kind must be taken, consciously and actively, all the time while rural development continues: which services and supplies are the responsibility of commercial agencies, and which are those of the State? Both commercial and official agencies need time, whether it be to organize or to discontinue a particular activity. Neither form of organization can be switched from its agreed fields of operation at a few

days' notice. There must therefore be constant, harmonious, agreed collaboration between the officials running the State services and supply-lines and their commercial counterparts. Writing off for the time being the pronouncements of major political parties about socialism as something rather Olympian and remote from the immediate world of practical action, it does now appear as if the officials who run Extension services in India are willing to work with commercial people.

COMMERCIAL EXPANSION CAN SERVE EXTENSION

There is no dearth of practical examples of what can be done to serve rural development by people working on a profit-margin. Two contrasting instances in my professional experience will indicate possible lines of commercial expansion.

New Service by Villagers. In the area developed by the Extension Project of the Allahabad Agricultural Institute since 1952, District veterinary service is available from stockmen maintained by the Uttar Pradesh Government. Every year, there is an outbreak of haemorrhagic septicaemia among the cattle of the area, at the onset of the Rains. Extension teaching raised the demand from village cattle-owners for prophylactic inoculation far beyond the capacity of the official veterinary services to satisfy it.

In consequence, the Extension Project, with the agreement of the officials concerned, trained and organized villagers as inoculators against this disease. Government supplied free vaccine; the Extension Project furnished syringes and needles, for which the village servicemen are paying in instalments. A small fee per head of cattle inoculated was agreed by farmers, servicemen, and the panchayats; it varied from village to village. In the first year of this development, 15 villagers trained as servicemen inoculated over 10,000 head of cattle from 400 villages.

New Service from Manufacturers. A medicine which is considered by the medical profession to be safe enough for villagers to take without a doctor's supervision has been promoted throughout North India by the methods of Extension teaching. The difference in such operations is that the Extension workers are not residents of the rural areas, but are recurrent travellers through the same areas where the resident Extension services are established. The commercial, travelling Extension workers also cover rural areas where no Ex-

tension services have yet been established.

The results of this promotion are such that the manufacturers are continuing with it. Evidently there is a market for patient, unsensational promotion of consumer goods in rural India.

The former experience with village-inoculators shows that it would be far simpler if the supplier of the vaccine were a commercial distributor, instead of a Government Department. The latter experience shows that when Extension service-personnel who are all Government officials do agree to collaborate with commercial travellers similarly engaged in educational work, the results from village-consumers are much greater.

By quite offhand listing, the same arguments would apply to the distribution of the following products:

- Fertilizers
- Agricultural Implements
- Veterinary Supplies
- Insecticides and Pesticides
- Certified Seed
- Other Proprietary Medicines (restricted to those which medical men will pass as reasonably safe for self-medication by village people).
- Oil and Other Fuel or Illuminant
- Cement
- Water-Lifting Devices.

In the case of some of these articles, technological service-after-sale would be required of the distributor, in addition to the technical aid which is now available to villagers through the Extension Service. Tractors and their implements of course require more service, which might have to guarantee repairs and maintenance of the machinery until enough villagers of the second generation could come up as trained mechanics, able to earn fees for their services from the farmers. Conversely, soap would require no service after sale to the retailer. In between, degrees of service must be considered according to the region and the capacity of the official Extension Service. Each article for distribution must be considered separately, finally with particular regard to the ability of the villager of that region to make the best use of the article.

The above list is by no means exhaustive, even within the subdivisions possible under its broad headings. Extension is already promoting a demand for all the above articles. It does not look as if Government's

distributing mechanisms can make adequate and timely supplies to satisfy that present demand. This situation presents manufacturers with an opportunity which should last for at least two generations, or say 40 years.

WAYS AND MEANS

Any manufacturer who contemplates this situation will immediately see that a considerable long-term investment is required to operate a rural campaign. The expense may rank as sales-promotion costs; but it will rarely be acceptable for the first year or so as a charge against the normal margin on specific annual

turnover. Depending on the particular article, it would be wise to regard the cost of such a rural campaign as an item of capital investment, much on the same footing as the cost of building or equipping a factory.

It will be necessary to balance the investment required against the eventual profits expected from it, in view of the possibility of further socialization of trading by future Governments in India. In this sense only, there is an element of speculation in such an investment. Fortunately, there is no need to launch an expensive all India campaign from the start. It is now possible to

THE ECONOMIC WEEKLY

experiment with a given article in a restricted sample of rural areas served by official Extension, anywhere in India. Suitable controls of other sample areas can be established to give a measure of the effects of such an experiment. The detailed knowledge which is now available within most Extension blocks is enough to enable a sound socio-economic comparison to be made. This experimental procedure of course depends on the collaboration of official Extension services, which is easy enough to secure if the proposals for the pilot rural campaign are shown to contribute to public good as well as to private profit.

THE ECONOMIC WEEKLY

With timely co-operation between tea planters, traders, exporters, shipping and insurance agents and the Government, some of the heavy losses incurred by Indian traders and exporters could have been avoided. Even then, London tea auction prices would have fallen. There were successive increases in export quotas in the last season. Exports were higher. Production was also higher. Today, the seller's market has ended. As the buyer's market develops next season, tea prices will fall further.

Tea—Prince or Pauper

It is clear that there is not much scope for expansion in the world demand for tea. Last season's heavy world demand was mainly due to replenishment purchases of tea by Britain. This influence will no longer be felt in the coming season. Meanwhile, rising tea prices have stimulated output. If production expands while demand is falling, the inevitable consequence is a fall in prices. It is interesting to note that some prominent tea exporting and broking firms in Calcutta are suggesting that the northern Indian tea planters should adhere more strictly to the scheme for voluntary restriction of output.

Tea shares are slumping. They may fall further. Experience in the last few years suggests that tea is a prince or a pauper industry. That the last year's boom in tea prices would not last, was not unknown. Why, then, was such a cornering craze some months ago? Those cornerers who bought Tea shares to acquire controlling interests must now be repenting. Non-Indian tea planters have managed to sell out or to liquidate their interests at higher prices. Many tea gardens are still on auction. But, today, there are no buyers of tea gardens. This is not the first time that some unimaginative and ill-informed Indian capitalists have been coaxed to purchase interests in some industries at inflated prices.

Jute Industry's Problems

This week's fall in equities on the Calcutta Stock Exchange is due partly to the heavy drop in raw jute and jute goods in the last few days. Many stock exchange operators here deal in raw jute and jute goods in the unorganised futures markets. They have suffered losses because of the sharp set-back in the prices of raw jute and of jute goods in the last few days. This is a technical market factor which cannot be ignored, but whose importance should not be emphasised.

This is the time of the year when raw jute prices are influenced by weather and crop reports. Weather and crop reports continue to be favourable. As the time for the movement of the new crop approaches, speculators find it difficult to dictate terms to the market. Stocks of raw jute with the mills are not inadequate. And mills have not been unsuccessful in outmanoeuvring the manipulations of the speculators in *falka*. With more regular supplies in terminal markets, raw jute prices have now developed a sagging tendency.

To some extent, the falling trend in raw jute is a reflection of the set-back in jute goods. April data of production and mill stocks are not

yet available. But it is expected that both will show increases over the month. As the market found that foreign buyers were not interested in purchasing Indian jute goods at the recent high levels, jute goods started falling. Declining raw jute prices contributed partly to the set-back in jute goods. In the latter half of the week, the falling trend in jute goods seemed to have been halted on rumours that the industry may revert to shorter working hours. Such a policy may suit the industry, but it may provoke labour trouble. Perhaps, the slightly steadier trend in jute goods at the time of this writing is due to reports of some foreign orders. But it is of interest to note that the steadier trend in jute goods has checked the fall in raw jute.

Around Calcutta Markets

Drop in Equities

Thursday, Evening

FLUCTUATIONS in equities on the Calcutta Stock Exchange continue to reflect developments in Indian Iron and in Tea shares. Fall in raw jute and jute goods is aggravating the set-back in equities. Provisions of the Company Law (Amendment) Bill, as it has emerged out of the Select Committee, relating to managing agency system have accentuated the "bearish" trend in stock markets. Though equities are falling, the technical position remains weak as "bears" do not seem to be active. Drop in equities is not due to the activities of "bears".

Equities are falling mainly because of liquidation by weak holders. As investors found that the post-budget spurt in shares lacked confidence, they began to sell. This is only to be expected. But it is intriguing that professional "bears" have taken no active part in initiating or in aggravating the recent set-back in equities. Thus it comes about that, though equities are dropping, the outlook does not seem to be as depressing as the fall in share values would seem to indicate.

This week's fall in shares is not directly due to the Company Law (Amendment) Bill's provisions relating to managing agents. But the Bill's provisions are fresh reminders to investors of the Government's attitude to private initiative. This, indeed, is the basic underlying factor responsible for the investors' retreat from the stock markets. Because investors are not sure about the shape of things to come, they are

liquidating their holdings. That is why equities are falling.

Indian Iron Drops Sharply

Set-back in Indian Iron is due partly to some peculiar factors. It started as a prominent speculator began unloading as his efforts to rig the market up did not succeed. But, despite the sharp drop, there is neither replacement buying nor fresh support by investors. Indian Iron dropped further for two successive days after the publication of the Company Law (Amendment) Bill. Yet, the market opinion is almost unanimous that the sharp set-back in Indian Iron in the last two days has no relation to the Bill's provisions relating to the managing agency system.

Drop in Indian Iron in the last few days is partly due to the delay in the Government announcement about steel retention prices for this company. Pending the recommendation of the Tariff Commission, higher retention prices for Tatas have been declared. It is assumed that the provisional retention prices for Indian Iron would also be higher. But as long as the extent of the increase is not definitely known, replacement buying is not likely to make its influence felt. There has been some "short" selling in Indian Iron in recent days. Some "bear" covering is not unlikely as the retention price is announced.

When equities continue to fall, the operators never lack reasons to explain, if not to justify, the market trend. Delay in the announcement of retention prices should not have caused

any worry to holders of Indian Iron, particularly after the announced increase in retention prices for Tatas. That Indian Iron will also have the benefit of higher retention prices, is not denied. But it is argued that, according to the Government's directive, neither Indian Iron nor Tatas may be allowed to raise dividend payments even though higher retention prices should result in increased earnings and profits.

Tea Shares Slump

For the continued drop in Tea shares, the reasons are not far to seek. Tea shares and the industry will be vitally affected by the managing agency clauses of the Company Bill. This week's fall in Tea shares has been aggravated by this influence. But even as regards Tea shares, the slump is not due as much to the Government's bias against the managing agency system as to wider developments relating to the industry. While Tea shares are falling, it is necessary to discuss certain developing events.

Even as the boom in tea auction prices some months ago was due to the London dock strike, the recent fall in London tea auction prices would seem to be partly a belated sequence to that strike. Because of the dock strike, Mincing Lane was starved of supplies for some weeks. London tea auction prices soared. As the dock strike ended, Indian exporters issued orders to their agents to dispose of accumulating stocks. As supplies increased, and as exporters were eager to auction supplies at any price, London tea auction prices fell.



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CURRENT STATISTICS

BANKING RETURNS (Rs Crores)					COTTON STATISTICS MILL CONSUMPTION (in '000 bales of 400 lbs each)						
	Latest Week†	A Week ago	A Month ago	A Year ago	Description:	Feb '55	Jan '55	Dec '54	Nov '54	Oct '54	Sept 1954 to Feb 1955
Reserve Bank					Indian	322.6	348.7	363.4	349.0	311.3	2022.9
1. Note circulation	1310.77	1316.14	1291.59	1217.19	Foreign	50.1	57.3	59.5	62.1	55.0	344.8
2. Rupee Coin	106.24	105.84	102.09	98.08	of which						
3. Deposits					American*	13.4	14.8	14.8	27.3	19.2	99.9
a) Central Government's	51.02	53.11	65.02	86.77	Egyptian	15.1	17.8	19.2	19.4	16.9	107.8
b) Banks'	48.66	48.31	46.27	40.05	E African	18.4	20.5	22.4	19.0	16.5	114.7
c) Other Government's	34.10	30.42	61.59	28.31	Sudan†	3.2	2.6	3.0	2.3	2.0	15.7
d) Others'	22.80	22.70	21.84	45.06	Pakistan	0.1	0.1	—	2.8	0.1	3.8
4. Foreign Securities	661.98	661.98	626.98	678.15	TOTAL	372.7	406.0	422.9	411.1	366.3	2367.7
5. Balances held abroad	53.19	58.26	97.77	74.05	Consumption in corresponding periods a year ago:						
6. Rupee Securities	533.75	533.75	533.75	421.34	Indian	311.4	348.1	347.4	305.6	326.6	1949.8
7. Investments	41.57	43.63	47.78	66.70	Foreign	56.4	55.6	55.0	50.1	61.2	341.1
8. Loans and advances to Governments	0.89	0.17	—	0.75	TOTAL	367.8	403.7	402.4	355.7	387.8	2290.9
Scheduled Banks					* Includes both United States and Peruvian cotton. † Includes both Sudan Egyptian and Sudan American cotton.						
1. Demand liabilities (net)	581.93	581.62	567.39	538.05	MILL STOCKS OF COTTON (in '000 bales of 400 lbs each)						
2. Time Liabilities	382.14	380.98	376.62	328.71		Feb '55	Jan '55	Dec '54	Nov '54	Oct '54	
3. Cash on hand	34.55	35.96	31.61	33.45	Indian:						
4. Borrowings from Reserve Bank	26.49	24.91	37.07	29.57	1954-55	1161.2	1043.9	942.3	850.2	861.1	
of which against Usance Bills	24.76	23.28	28.25	15.21	1953-54	1032.1	907.3	778.8	701.2	733.8	
5. Advances and Bills discounted	585.40	585.09	589.91	558.13	Foreign:						
of which Imperial Bank's	125.05	125.86	128.99	127.10	1954-55	135.4	135.7	152.3	161.1	173.9	
6. Investments of which Imperial Bank's	342.69	342.56	344.17	313.93	1953-54	146.2	157.3	173.5	195.1	228.9	
Cheque Clearance	—	140.86	161.03	124.11	Source: East India Cotton Association						
† For Reserve Bank and Cheque Clearance week ended 29-4-55. Scheduled Banks week ended 22-4-55.					COTTON IMPORTS (in '000 bales of 392 lbs each)						
Bombay Money Rates	29-4-55	22-4-55	1-4-55	30-4-54		Jan '55	Dec '54	Nov '54	Oct '54	Sept '54	Jan '55
Inter-Bank Call Rate	2 7/8	2 7/8	2 7/8	2 7/8	Source:						
3 months deposits	3 1/16	2 7/8	3 1/16	3	USA	19	6	4	7	46	
6 months deposits	3 1/16	2 7/8	3	2 7/8	East Africa*	9	11	15	27	72	
					Egypt and Sudan	12	19	14	10	63	
					Other countries	2	2	—	—	4	
Bombay Bullion	5-5-55	A Week Ago	A Month Ago	A Year Ago	Total	42	38	33	44	185	
Gold Spot (per fine tola)	96-4	95-11	93-11	90-11	Total imports in corresponding months of the previous year						
" Forward "	95-8	95-11	93-3	89-11		28	17	14	43	166	
Silver Spot (per 100 tolas)	168-12	166-12	165-6	167-5	* Includes Kenya, Tanganyika and Uganda.						
" Forward "	168-4	162-12	164-8	166-13	COTTON EXPORTS (in bales of 392 lbs each)						
						Jan '55	Dec '54	Nov '54	Oct '54	Sept '54 to Jan '55	
					Destination:						
					UK	7	1	2	1	16	
					Netherlands	2	2	2	—	6	
					USA	3	2	2	1	8	
					Other countries	18	14	16	12	64	
					Total	30	19	22	14	94	
					Total exports in corresponding months of the previous year						
						18	21	11	6	127	
					Source: Indian Trade Journal						

INDEX NUMBERS OF WHOLESALE PRICES

INDUSTRIAL DISPUTES

(Base: Year ended August 1939 = 100)

(Resulting in Work-Stoppages involving 10 workers or more)

Group and Sub-group	Week ended 16-4-55	A Week Ago	A Month Ago	A Year Ago	Year/Month	No of disputes Start-ing	In pro-gress	No of workers involved Start-ing	In pro-gress	Total No of man-days lost
I. Food Articles	282.4	286.4	296.5	381.6	1947	—	1,811	—	1,840,784	16,562,666
Cereals	325	334	340	423	1951	—	1,071	—	691,321	3,818,928
Pulses	216	219	229	386	1952	—	963	—	809,242	3,336,961
Others	235	232	248	316	1953	—	772	—	466,607	3,382,608
II. Industrial Raw Materials	396.9	400.4†	406.3	477.3	1954	—	840	—	477,138	3,372,630
Fibres	436	440	446	464						
Oilseeds	317	326†	326	527	1954:					
Minerals	421	402	431	469	Jan	62	84	34,049	51,973	325,514
Others	467	473	481	399	Feb	61	85	26,419	41,351	344,295
III. Semi-Manufactures	327.7	326.9	332.1	365.1	March	70	91	21,496	34,202	331,416
Leather	393	393	391	376	April	78	101	30,062	34,963	207,247
Mineral Oils	221	221	221	221	May	56	80	27,606	40,073	216,062
Vegetable Oils	326	324	347	524*	June	61	82	14,963	21,589	205,078
Cotton Yarn	433	432	440	459	July	106	122	22,547	30,189	277,492
Metals	245	244	242	240	Aug	59	79	36,262	51,090	322,857
Oilcakes	282	285	282	443	Sep	77	97	35,162	50,414	363,878
Others	328	328	331	305	Oct	66	88	30,678	41,724	276,294
IV. Manufactures	375.3	376.1	376.1	381.5	Nov	48	62	16,244	25,115	239,701
Textiles	417	419	419	428	Dec	75	101	44,124	54,455	262,763
Jute	450	459	469	436						
Cotton	407*	407*	407*	416*	1955					
Rayon & Silk	484*	484*	488*	562*	Jan	64	87	37,086	47,694	320,651
Woollen	310	310	310	313						
Metal Products	340	340	340	340						
Others	287	287	287	289						
V. Miscellaneous	539.8	543.0	549.9	713.2						
All Commodities	344.2	345.4†	352.3	404.2						

* Estimated † Revised

Source: Labour Bureau.

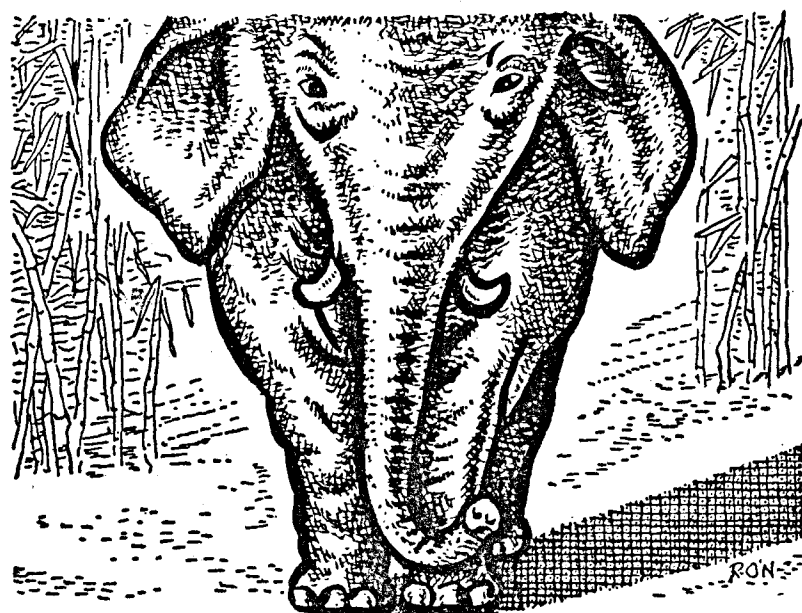
WORKING CLASS COST OF LIVING INDEX

(Monthly average or calendar months)

	Bombay	Calcutta	Madras	Kanpur	Delhi	Jabalpur	Kharagpur	Ludhiana	Cuttack	Jharua
	(Base: August 1939 = 100)					(Base: 1944=100)				
1948	288	339	315	471	344	146	132	168	137	153
1949	292	348	330	478	344	151	137	164	147	159
1950	293	349	332	434	344	153	137	165	163	182
1951	314	370	341	451	370	168	136	167	181	184
1952	321	351	337	441	373	150	133	151	160	175
1953	346	349	358	453	366	151	139	147	157	166
1954	342	327	348	408	360	140	128	148	147	131
1954:										
Jan	346	325	360	442	363	144	127	151	149	143
Feb	331	316	360	432	363	144	125	151	147	143
March	332	319	352	416	360	143	126	150	146	141
April	338	323	348	428	368	144	129	151	146	134
May	338	339	348	415	370	142	133	150	146	132
June	350	332	340	396	352	141	127	149	149	129
July	349	331	346	400	349	141	127	145	147	128
Aug	345	330	343	408	352	140	127	145	146	126
Sep	347	332	342	406	357	137	129	147	149	127
Oct	346	336	345	404	368	134	129	145	149	127
Nov	344	325	344	387	363	135	129	146	147	125
Dec	341	321	344	369	352	131	124	144	143	116
1955:										
Jan	335	324	340	372	344	130	124	141	140	120
Feb	329	310	333	384	334	—	—	—	—	—
March	328	—	—	377	—	—	—	—	—	—

Source: (1) Ministry of Labour
(2) State Authorities

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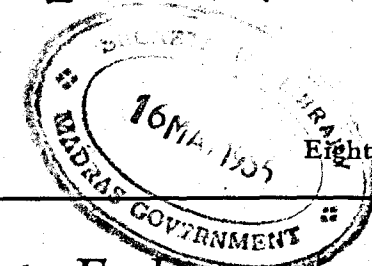
The Economic Weekly

A Journal of Current Economic and Political Affairs

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May 14, 1955

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The Great Endeavour

WAS a new Congress born at the recent Avadi session phoenix-like from the ashes of its old body? It was only five months ago that the organisation met at Avadi and resolved to establish a "socialistic pattern" of society. At Avadi the Congress also drew up a fresh economic policy. The trend of legislation in these few months shows a conscious and deliberate attempt to implement these resolutions. It is not the speed with which the Government, which is charged with the responsibility of carrying out these resolutions, has acted that is so notable as the change in the atmosphere that has been brought about in the past few months. Is it that Pandit Nehru has succeeded in transmitting to this slow-moving, heterogeneous and faction-ridden political organisation his own sense of urgency or is it the other way about? Is it Panditji who has caught the new stir of life which is in the country and which has also penetrated into the Congress and has been acting as leaven within its ranks?

More than the resolution on the economic policy and the adoption of the draft plan frame for the second five-year plan, it is the attempt of this old political organisation to slough off its dead skin and take on a new life that is the most remarkable and significant feature of the latest session of the AICC. For the first time in many years, Acharya Vinoba Bhave attended a session of the AICC. His presence was symbolic of the gathering in of the constructive workers. "The purity and strengthening of the organisation", one of the resolutions passed at the session reads, "are not to be viewed in the light of the interest of the organisation alone, but of preparing the people for shouldering mass scale programmes of village industries, basic education, local works and utilisation of man-power resources to the fullest extent." "Only sustained and continuous efforts in these directions", the resolution concludes, "can enable us to reach the goal of a socialistic pattern of society and to eliminate unemployment within a reasonable time".

The AICC recorded its appreciation of the steps taken by the Government of India for the progressive adoption of measures for establishing a welfare state and a socialistic economy. It put its seal of approval on the fourth amendment of the Constitution, it welcomed the establishment of the State Bank and blessed the social reform legislation that has been passed by Parliament.

The call on constructive workers to join in the great adventure of building up socialism is not to plough a lonely furrow as they have been doing so long, but to enlist their services actively and wholeheartedly in the implementation of the Second Five-Year Plan.

"The AICC trusts that the Pradesh and the subordinate Congress committees will render all assistance possible to the zonal organisers and will themselves, in consultation with the zonal organisers, devise ways and means to create the necessary atmosphere and take steps that would lead to the implementation of the Congress programme of constructive work without any delay whatsoever."

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It is in the context of the economic policy resolution and the adoption of the plan frame, provisional though it be, and the formal association of the constructive programme with both—it can mean nothing else than amalgamation—that the presence of Acharya Vinoba Bhave at this session becomes meaningful. Fuller employment, a progressive rise in the standard of living, equality of opportunity, establishment of heavy industry and development of small scale, village and hand industries on a scale never contemplated before—to take up all these in its stride, the Congress needs the country behind it. But the country means the people, and is it not idle to claim or to expect that not this section or that, but the whole people can be behind this or that plan, or for the matter of that, that they are behind the Congress or Pandit Nehru?

It was difficult to be persuaded even then, though a plausible

enough case could be made out for it, that the Congress resolution for a socialistic pattern of society was just an election dodge to forestall opposition against it in Andhra. Commenting on Avadi, it had been remarked in these columns:

"It would be wrong to assume that no change in policy is contemplated by Congress. . . . There is ample evidence that Congress has, under the compulsion of wider political and economic influences, come to a decision that it is necessary to ensure social control of the major means of production. Speculators and gamblers are free to take comfort from Panditji's sausive diplomacy. But those who are aware of the fundamental politico-economic trends may not be wrong in their assumption that acceptance by Congress of a policy more revolutionary than that of a co-operative Commonwealth is inevitable."

What then appeared faint and inchoate has now become clear and

more defined. Not that there are no shadows. The next election—never far in the mind of the politicians—casts its shadow far ahead. Hence the talk of cleansing the organisation and disciplinary action against group formations within the Congress. There is the ugly spectre of linguistic dissensions. But there is also the wider horizon. India no longer stands alone. With the other countries of Asia and Africa, she faces the same task of carrying out a social transformation and brings into it a wealth of experience derived from her own struggles in the past and her traditional technique, perfected through the ages, of effecting social change through acceptance of differences and by non-violent means. To her rich inheritance has been added the fruits of modern knowledge and science. With reason unclouded by ignoble self-seeking, aims unsullied by mean ends, the people are prepared for this great endeavour.

Four Power Talks

CYNICS will be excused in their suspicion that the Western Powers have reluctantly honoured their post-dated cheque. Since the cold war, Russia had always had the diplomatic initiative in proposing four-Power talks to resolve outstanding world issues. These proposals had been repeatedly rejected by the Western Powers. President Eisenhower had always insisted that the Communists must prove, not by words but by deeds, that they desired peace. In their action in Korea, they showed that they were willing to negotiate. At Geneva, they gave unmistakable evidence of their peaceful intentions. Russia repeated her proposal for talks "at the summit". It was turned down by the Western Powers on the argument that no purpose would be served in having four-Power talks before ratification of the Paris and Bonn Agreements. This rejection was accompanied by a promise that they would be ready to consider the proposal for four-Power talks after ratification of the Agreements. These Agreements have been ratified. Western Germany is now a NATO Power as a sovereign State. Some of America's NATO partners thought it prudent to remind her of their joint promise to Russia. With utmost reluctance, America has agreed to join Britain and France in proposing four-Power talks "at the highest level" to Russia.

On the eve of a general election

in Britain, Sir Anthony Eden and his Foreign Minister took the initiative in proposing talks with Russia "at the summit". France responded promptly to Sir Anthony's gesture. America was hesitant. It was only when Washington realised that America's attitude might unduly strain her relations with her allies that she joined Britain and France in proposing four-Power talks "at the summit" to Russia. Cynics will be excused in drawing the inference that Washington has endorsed the Anglo-French move for four-Power talks not because it has any faith in the outcome of such discussions, but because America's acceptance of such a move might help Sir Anthony and his Conservative Party to return to power in Britain. They will recall that Sir Winston Churchill won the last general elections for him and his Party by his dramatic appeal to the people to give him an opportunity to ensure world peace. He promised the British electorate that if he and his Party were voted to power, he would call for four-Power talks "at the summit" to discuss outstanding world issues. Sir Winston could not honour his electoral pledge mainly because of President Eisenhower's obstinate refusal to participate in discussions among Heads of States. Sir Anthony can now face the electorate with a clean conscience. He has succeeded where his illustrious predecessor had failed.

It would be unwise to over-empha-

sise such considerations of national party politics as motivating influences behind the Western Powers' invitation to Russia to join four-Power talks "at the highest level". Deeper influences have prompted the Western Powers to propose four-Power talks at this stage. Through ratification of the Paris and Bonn Agreements, one of their conditions to join in four-Power talks "at the summit" has been fulfilled. Russia's willingness to sign the Austrian Peace Treaty has left Washington with no excuse to delay four-Power talks "at the highest level". While the Western Powers were busy in implementing the Paris and Bonn Agreements, Moscow had stolen a diplomatic march over them. More than Russia's eagerness to sign the Austrian Peace Treaty, Austria's acceptance of the Russian proposal for neutralisation of Austria has upset the Western Powers' plans for Europe. Through this diplomatic triumph, Russia has almost succeeded in neutralising the Western Powers' policy of political and military integration of Western Germany with Western Europe even before the actual implementation of that policy. In Bonn, there are growing doubts whether the price that Western Germany is paying to regain partial sovereignty and to rebuild the German army is not too high. It was widely expected that Russia would offer Germany the same terms as Moscow had offered

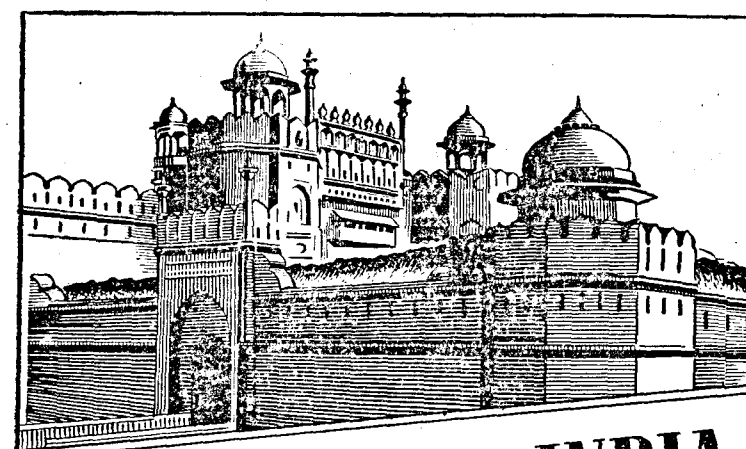
to Vienna for a solution of the German problem. Even the Adenauer Government, and certainly the Germans in Western Germany, would find the anticipated Russian offer of a united, sovereign, neutral Germany too tempting to refuse. Such a possibility made a gesture by the Western Powers inevitable. It is as well that they have taken the initiative to invite Russia to four-Power talks "at the summit". That Germany will be the major European problem under discussion at the proposed four-Power Conference, is a foregone conclusion.

Even those who are suspicious of Russia's peaceful intentions will concede Moscow's diplomatic wisdom in relenting in its attitude to Austria. After the plans for neutralisation of Austria are implemented as a sequel to the conclusion of the Peace Treaty, the occupying Powers, including Russia, will have to withdraw their forces from Austria. It will be admitted that Russia has been eager to sign the Austrian Peace Treaty so that Western Germany will realise what she is losing by joining the Western European alliance. There can be no easing of world tension without an agreement on Germany. There can be no solution of the German problem without unification of the two Germans. Russia's policy to Austria indicates that Moscow may suggest neutralisation of a united, sovereign Germany as a solution to the German problem. Irrespective of the problem of neutralisation, it is evident that there can be no agreed solution of the German problem with Western Germany as a NATO Power. It is clear that Russia will be prepared to make concessions to Germany if only to neutralise NATO and the Paris and Bonn Agreements. Any agreed solution of the German problem will mean evacuation of NATO forces from Western Germany as well as withdrawal of Russian forces from Eastern Germany. To neutralise the effects of the Paris and Bonn Agreements, Russia is prepared to accept these consequences. In the meanwhile, Russia is taking actions to counter NATO. At Warsaw, Russia and the Communist States of Eastern Europe are now assembled to create a counter-NATO in retaliation of Western Germany's military integration with Western Europe.

It is not quite clear whether the Western Powers' invitation to Russia

to participate in four-Power talks "at the highest level" is confined to European problems or to the major issues responsible for the continued tension between the two rival power blocs. With an East-West agreement on Austria, Germany is the only unsolved problem in Europe. Without an agreement on Germany, neither European nor world peace can be secured. But even after an agreed solution of the German problem, there will be many world issues which will remain in dispute. There are many issues in dispute in Asia and the Far East. Both European and Asian issues in dispute will, no doubt, be discussed in detail by the Foreign Ministers or their Deputies

after the Conference of the Heads of States. It is right and proper that this Conference should have no fixed or rigid agenda, and that the talks between the Heads of States should be informal. Once the Western Powers and the Communist States reach an understanding on the principle of peaceful co-existence, it will not be difficult to reach agreements on specific issues and problems. It would be idle to pretend that it will be easy for the Heads of States to agree to disagree. But hope lingers that the devastating consequences of an atomic war will compel the two rival power blocs to accept the wisdom of reaching an agreement on peaceful co-existence.



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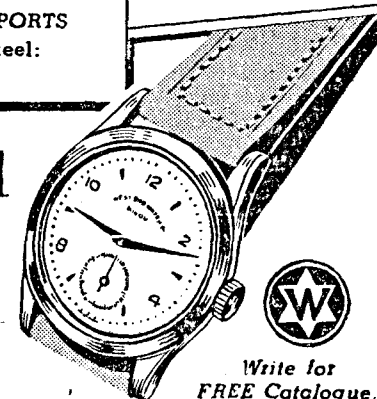
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JS Aid and Pakistan Economy

is why, indeed, the editorial staff of "The Economic Weekly"

of their own accord—and very rightly, too—called my letter: "German Recovery and the German Worker." The points made regarding other aspects were frankly asides; and were meant to be treated as such—though I do not think this absolves me of certain loose designations for which your London correspondent has rightly taken me to task.

I note that he does not now maintain the position in the strict form regarding the alleged deterioration of the German working population that he took before. But to be honest, even his present treatment leaves many things to be desired, especially from the purely statistical point of view. But I shall leave this as it stands, lest both of us start disputing on statistical methods, and thus sail in uncharted seas.

Finally may I repeat that apart from certain subjective opinions which were very strongly put, particularly at the end of his article, I thought—and still think what I have said—that it was an admirable study by your correspondent. I have had it read by several others and this has been the common judgment. I hope, therefore, that he welcomes my criticism in a sporting and scholarly spirit.

Freddie A Mehta

47 Fellows Road
London NW3.
April 26, 1955,

Mandarins and Ministers

WITH reference to his protest in the issue of April 16, against the note on 'Malodorous Indecorum' though the Delhiman deserves credit for the sweet reasonableness with which he stated Dr Keskar's case, it is with deep regret that your correspondent has to record that he is unable to see that spirit of reasonableness in Dr Keskar's speech in question. The undersigned has a well-marked and well-thumbed copy of the PIB hand-out reproducing the full text of the speech which runs to 34 foolscap typed sheets. Almost the whole of it is couched in the same style—14 pages relate to personnel and breathe the same spirit of fury directed against the Director-General of the AIR, whom your correspondent does not have the pleasure of knowing at all. Ten of these pages—not one sentence, as the Delhiman thinks—are about the Director-General; and there are repeated threats held out to him to get out.

On a matter like this where public interest is concerned, it is not proper or honest to mince words.

Only brief extracts from the long passages quoted by your Correspondent from Dr Keskar's speech were published in your note. We would request Delhiman to reflect on the effect on the discipline and efficiency of the staff of the AIR, when the Minister calls the Director-General 'a mandarin'. Since Delhiman has obviously written on behalf of Dr

Keskar, we take it that he reflects his considered judgment about the whole sad affair and we are happy about it.

Delhi Correspondent

April 28, 1955
Delhi.

[The controversy is now closed.—Ed.]

NEW INDIA STORIES FROM LIFE 1

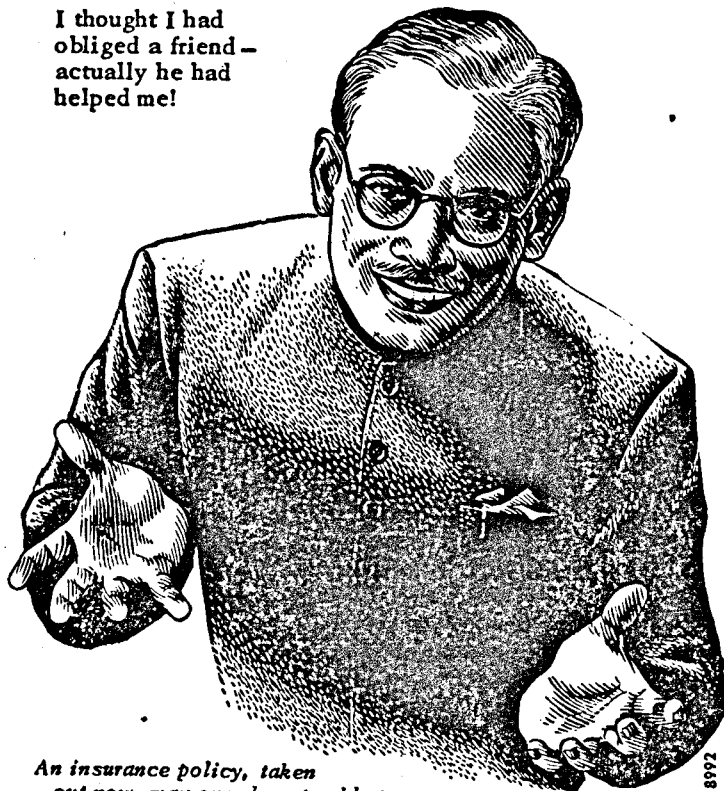
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Our Delhi Letter

THE week in Delhi began rather badly with an impending threat of a Fourth Afghan war. The news of general mobilisation in Afghanistan was received with consternation; for people have never heard of general mobilisation so near as Kabul. It sounded like an echo of the World War, and there were people here, who believed that recent developments in Pak-Afghan relations might well mean the beginning of a third world war, since Pakistan had USA to back her and Afghanistan had declared her readiness to seek Soviet aid, in case Pakistan applied economic sanctions to that land-locked country. There was, however, general relief that the Khyber was no longer the responsibility of the Government of India and *Dawn's* 'Police Action' would have to be paid for by the unfortunate people of Pakistan. Iskandar Mirza's threat of teaching Afghanistan a lesson for life has created a rather bad impression in diplomatic circles here, as elsewhere, for the feeling is that Pakistan has given away what was possibly a good case in international law. Official circles discount the possibility of armed conflict, for it would be sheer madness for Pakistan to attack Afghanistan, when she has antagonised both her powerful neighbours—India and the Soviet Union—through the acceptance of American military aid. It is further believed that the USA itself is exercising a moderating influence on Pakistan, for any further aggravation might throw Afghanistan completely into the arms of the Soviet Union; and the latter would only be too anxious to blow up Pakistan at the very formative stages of the SEATO. But people can be sometimes mad—otherwise wars would never break out. That Pakistan can be mad is evidenced by the Nekowal incident, in which a party of workers at our mechanized farm, cultivated under military guard, was fired upon last Saturday, killing 12 Indians, including Major Badhwar. India has protested, but what is the use of protest?

The *Dawn* has threatened to teach the Royal Family of Afghanistan a lesson in international law, adding that that family never had a reputation for keeping international obligations. Pakistan never bothers

to inquire into her own record during the last eight years of her existence. As it is, our workers and our jawans are every day of their lives exposed to mortal danger; and there is great feeling in the city, as also in the country, over the matter, of which Pakistan ought to be aware. Delhi is neither Kabul nor Peshawar and Pandit Nehru is not a politician in the Middle East. If war breaks out, its origins will lie in the gross miscalculations of the powers that be in Pakistan. Those whom the gods wish to destroy, they first turn mad. It is rather strange but highly reassuring that in spite of all these, there is great sympathy for the exploited and misguided people of Pakistan.

Amidst these alarums and excursions, we had our meeting of the National Development Council in the security-bound precincts of the South Block. Pandit Nehru feels that he can safely rely on Shri Deshmukh for raising the tempo of economic development from a 3 per cent annual rate of increase in the national income in the First Five-Year Plan to 5 per cent in the Second. He referred to employment, but the phrasing was rather awkward and weak—"We have done well but remember that although we have done well in the last few years, the pace has not been fast enough to catch up with this", meaning thereby the rate of increase of unemployment. Deshmukh followed with the assurance of an annual increase of 5 per cent in national income and 10 to 12 million new jobs! Prof Mahalanobis told the Council that it should be possible for the country to attain the targets laid down in his Plan-frame. Prof Gadgil stated the case modestly that considering the rate of development in other countries, a 5 per cent annual increase in national income did not look like an impossible target.

On the whole, however, the politicians appeared braver than the economists. With the exception of Dr B C Roy of Bengal, to whom I shall return presently, all the other Chief Ministers supported the targets of the Plan-frame. Regionally it looked as though the South (Madras, Mysore and Travancore-Cochin) was for the maintenance of the Plan-frame targets; the west

(Bombay) was for a bolder plan; the north (Rajasthan, UP) was doubtful and the east (Bengal) hostile. Shri Subramaniam, the Planning Minister from Madras, argued strongly that the tempo should be maintained. "We cannot go in reverse gear at the present stage and we shall have to find the necessary resources". Shri Hanumanthayya (Mysore) was for widening of employment opportunities. On the whole, the representatives from the South gave an impression of being realistic and progressive, knowing full well the political consequences of low economic development in a crowded area, in large parts of which population has been increasing at the rate of 20 to 30 per cent in a decade! Of course, the people from the South know which side of their bread is buttered and their demands are based on the conviction that the Centre will foot the bill!

Morarji Desai appeared to be the



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to Chance will do few
things ill."

Lord Halifax.

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soul of radicalism. Weather was a material factor. May is stuffy in Bombay but it was soft and cloudy, as Morarji entered the South Block, unheralded and unnoticed. With vehemence, he pleaded for a bolder plan: "... We would have to go much further than under the Five-Year Plan..." he said. Dr B C Roy (like Prof B R Shenoy among the economists) held that the strain of investment envisaged would be beyond the capacity of the economy. It would mean lop-sided development and would seriously injure the prospects of balanced growth. These arguments come strange from the Chief Minister of West Bengal, which has the most unfavourable land-man ratio, the expansion of which arouses fierce hostility from the surrounding states (eg Goalpara in Assam) and the only prospect of whose survival lies in a much larger industrial investment than is envisaged in the Plan-frame. Nobody, however, bothers about West Bengal's problems here and they are believed to be insoluble any way.

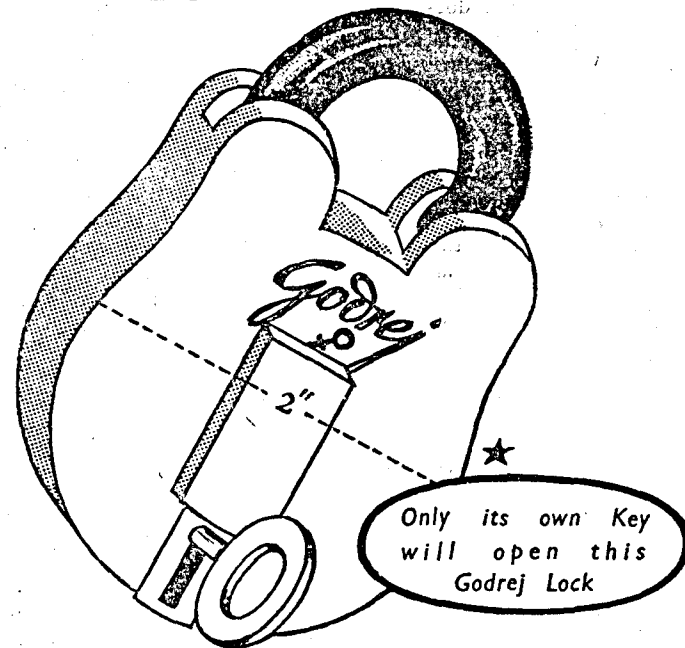
From the Development Council, the scene shifted quickly to the meeting of the AICC at Berhampur. Surprisingly the Congress appears to be re-entering a creative phase. Acharya Vinoba Bhave was present throughout the proceedings and pleaded for *Bhoodan*. Pandit Nehru amidst his old comrades seems to have regained form. In his usual style, he talked of "the high adventure of building up a New India and bringing prosperity to our vast population". The AICC resolved on the establishment of heavy and capital goods industries and a great development of small scale, village and household industries. After all, we have thus arrived at a correct pattern of economic development that broadly corresponds to what Gandhiji advocated in the later phase of his life. The targets, Shri Dhebar suggested to Congressmen, are realistic and are likely to gather mass support for the Congress Party.

In furtherance of the Avadi resolution, he desires the following to be done: (a) Elimination of unemployment within 10 years; (b) Introduction of basic education upto the secondary stage in 10 years; (c) Doubling the *per capita* income within 15 years; and (d) Creating equality of opportunities in all the spheres of the nation's social and economic life. Here, there is no confusion and no camouflage, no mystifying references to capital formation, no dilatoriness.

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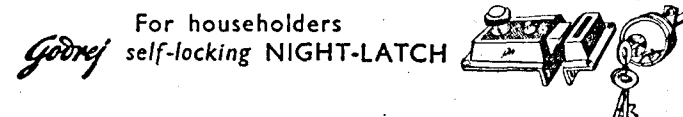
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From the London End

The Last Sitting

THE Parliament of 1951-55 has now passed into history. A quick-look back however does not bring to mind anything in that Parliament which would allow it to occupy a significant place in British constitutional history. Some observers have taken the opportunity to describe the House of 1951-55 as the "Churchill Parliament". This is true but only in one sense. It was in that Parliament that Sir Winston decided to bring to an end his 50-year career as one of the most powerful and controversial of figures in British politics.

In 1951 when Mr Churchill (as he then was) took up the seals of the office of First Lord of the Treasury there were not a few who feared, remembering his "Gestapo" speeches of 1945, his belligerent outpourings on Indian independence and of course his Fulton Speech of 1946, that the greatest of war leaders would fail as a Prime Minister in peace time. He was suspected of being an arch-militarist and thus least equipped to foster international pacification in a dangerously divided world. And yet as the years of peace-time leadership rolled on, it turned out that it was he, and he alone among the leading Western statesmen, who worked for what has since been termed a meeting at the "summit". It was he who proclaimed that "the immense problem of reconciling the security of Russia with the freedom and security of the West is not insoluble". This proclamation is the precursor of the current diplomatic strivings for an early meeting of the Great Powers. This may be another important sense in which the House of 1951-55 was "Churchill's Parliament".

The Parliament now ended is the "Fortieth Parliament of the United Kingdom of Great Britain and Northern Ireland". It has in fact been dissolved though the ancient ceremony customary to the occasion maintains the fiction that Parliament is merely "prorogued". At the final stages of the ceremony, pursued on this occasion with complete decorum, the Lord Chancellor read the Queen's proclamation of prorogation: by virtue of Her Majesty's command under the Great Seal and in Her Majesty's name the prorogation of Parliament "to Tues-

day the 10th day of this instant May." By that date, as everybody knows, Parliament will have been dissolved and the country plunged into the election fray but, of course, "formalities do not heed such mundane things".

Parliament: April 1955

State of Parties in the Commons

Conservatives	...	293
Labour	...	292
National Liberal	...	19
Ulster Union	...	9
Irish Nat.	...	2
Irish Labour	...	1
Liberal	...	6

THE CAMPAIGN OPENS

As the *Economist* described it, "an election... is a singularly invisible operation". This characteristic is certainly not universal, it is British. The press and most of the politicians have been mildly cautious and so far it is only Mr Bevan who has been employing epithets that indicate that the two major parties are really fighting each other. Even here, the whole weight of press comment so far has been to castigate Mr Bevan for his "vermin", "gaderene swine" etc, speeches, though it is to be noted that Mr Butler, the Chancellor of the Exchequer, has replied that he prefers being "a swine in a happy herd" than an "isolated pig".

In the constituencies, however, things have begun to stir but one gets the impression that of the parties contesting, the Conservatives and the Communists are the best organised. The constituency Labour parties, at the best of times, are mere localised election machines. At the worst they exist only in name. But wherever they are alive, they are overwhelmingly Bevanite. The Labour Party has full-time election agents in about half of the 630 constituencies while the Conservatives boast that they have them everywhere. There is thus "greater smoothness of the hum in Conservative offices and a greater sense of flurry and improvisation in the Labour offices".

Officially, campaigning commences only when the writs for the election of new members to the House of Commons are issued. These have been issued simultaneously with the prorogation of Parliament. The Conservatives have commenced with an election broadcast by the Prime Minister to be followed by a nationwide speech-making tour. Mr Attlee follows suit. Emphasis by Labour is being placed on Lancashire and Mr Attlee is spending more time there than anywhere else. The cotton crisis can be exploited by the Labour Opposition but it is difficult to see what they will be able to do about it, if they are returned to power.

In spite of these plans for extensive campaigns, there is a feeling that the issues at state are ones on which both the major parties are in broad agreement. A trend of some significance is emerging in both the parties. In the Conservative Party, the more right-wing and reactionary elements have been effectively suppressed to the point that the Party as a whole believes to a certain extent in the welfare state—the responsibilities of the Government in providing social and economic amenities to the broad masses; and it is noteworthy that the Tories in the past five years have not dismantled the social framework brought into existence by Labour during their post-war years of office. The Labour Party, too, has gone a long way, in the name of unity, towards suppressing their extremist elements—the Bevanites have been steam-rolled into accepting the outlook of the National Executive and again in the name of unity, have officially dissolved themselves. The Labour Party's official policy accepts the Morrison thesis of the "mixed economy"—of a degree of public ownership married with a "virile" private sector. This broad agreement on political strategy between the two main parties has since been described as "Butskellism"—the agreement of both Mr Butler and Mr Gaitskell on basic economic policy. This trend in British politics is likely to be hidden in the day-to-day skirmishes of the campaign and, of course, the less said about it, the greater the air of realism imparted to the fight between the parties.

Damodar Valley — India's Ruhr

ONE recently had occasion to have a look at wolves in sheep's clothing. Bengal's pre-independence revolutionary workers met in a conference at the old office premises of the largest circulating Bengali daily. As one was listening to the President's address, one remembered that the Government of West Bengal had named the State bus in one of the routes recently taken over by it as Bagha Jatin—in memory of Jatin and his associates who fought a gruelling armed battle against the mighty British Raj in the interior of Balasore.

Bengal's pre-independence revolutionary workers had nothing of the wolfish look in them. Unlike the leopard, they have ostensibly changed their spots. They admitted that they no longer had faith in revolution. They, the revolutionaries, initiated the freedom movement. But Congress won freedom for the country. Congress succeeded because of its policy of evolution. Bengal's revolutionaries now believe in progress through evolution.

Of all the political parties in this country, they seem to prefer Congress. But they accept the Congress creed and Congress policies with certain mental reservations. They concede that co-existence, in its national and international projection, is a democratic principle. They endorse Avadi as a correct economic policy. But they have a feeling that the State in India is becoming a *Ma Bap Sarkar*. They are opposed to a paternal State because it conceals the seeds of a totalitarian State. They want more freedom and rights for the individual.

Bengal's individualistic revolutionaries are political refugees. They cannot fit themselves in the altered circumstances. They wear khaddar or handloom dhoties, but not the khaddar cap. They have been wooed by many political parties. They do not seem to like the Communists or PSP or Hindu Mahasabha, though all these parties have some members from among Bengal's pre-independence revolutionary workers. They have been in political wilderness since Mahatma's entry into Indian politics. They have no longer any political organisation of their own. But they have not lost their political individuality. This is surprising indeed, for they have nothing much to preach now.

As a group, Bengal's revolutionaries

are a spent force. But there are many revolutionaries who are highly respected in all the political circles in this State. They are not of Congress, but they still have some influence in the Congress organisation in this State. Most of them are disillusioned. Most of them feel and look frustrated. Some of them have become bitter. But, then, they cannot deny that Bengal and the Bengalis have always acknowledged their heroic and glorious sacrifice and service in the country's freedom movement.

Like Bengal's revolutionaries, West Bengal's politics is feud-ridden. But the people, the State, the politicians and Big Business are united in their geo-political demands. All are agreed that the Damodar Valley Basin should be converted into the Ruhr of India. This claim is made not only in the interest of West Bengal, but in the wider economic interest of the country as a whole. Hopes have revived in West Bengal that the Damodar Valley may yet become the Ruhr of India.

Experts are aware of the industrial potential of the Damodar Valley Basin. But its geological and mineral potentials are not widely known. Ninety per cent of India's coal raisings are from this Basin. Seventy-five per cent of India's known coal deposits are within the Damodar Valley. Nearby, are those groups of hills which contain the world's richest iron ore deposits. It is not only the fuel-metal base of India. Many rare and strategic minerals have been found in this Basin. As the mineral heart of India, this Basin has an over-riding claim to be the industrial nerve-centre of this country.

This is the geological background to the British Steel Mission's reported selection of Durgapur as the location for India's third steel plant. At the time when the Krupp-Demag Combine chose Rourkela in Orissa in preference to Durgapur in West Bengal as the site for the first steel plant, it was argued that New Delhi was unduly emphasising the problem of dispersal of industries. Probably, the reported selection of Bhilai in Madhya Pradesh as the site for the second steel plant by Russian experts has also been influenced by this question. But in arguing the claim for any of the possible locations within the Damodar Valley Basin, the experts are now echoing the remark, credited to Dr Stone, who was brought to India as Industrial Adviser to the

Prime Minister, that geology is not dispersed.

In the Damodar Valley Basin, there are three possible sites for the third steel plant—Sindri, Bermo and Durgapur. It is no longer a secret that the British Steel Mission is impressed with the claims of Durgapur as the site for the third steel plant. On considerations of cost, proximity to raw materials and easy marketability of the finished product, Durgapur's superior claims are accepted by industrial and geological experts.

Once it is conceded that Damodar Valley Basin is the natural location for an iron and steel plant, Durgapur's claims over Sindri and Bermo logically follow. Besides a possible steel plant, the West Bengal Government has projects for industrialising the Durgapur area. For over a year now, Calcutta and New Delhi have been quarrelling over these projects. When the West Bengal Government discovered that it could not go ahead with its Durgapur plans without the previous sanction of New Delhi, it asked the Union Government to investigate the problem on an expert level. There are reports that the Committee of Enquiry, appointed by the Union Government, has blessed the West Bengal Government's schemes for coke oven and thermal power plants at Durgapur.

Plans outlined by West Bengal's Chief Minister in his budget speech may be too ambitious. It is doubtful whether the West Bengal Government's Durgapur projects can solve the unemployment problem in this State. It is doubtful whether this State's unemployment problem will be solved even if Durgapur is finally selected as the site for the third steel plant. But there is equally no doubt that unless Durgapur becomes the Ruhr of India, the problem of unemployment in West Bengal will be nowhere nearer solution.

Durgapur alone cannot solve West Bengal's industrial and unemployment problems. But the rapid exploitation of the geological and industrial potentials of the Damodar Valley Basin is essential not only for the economic recovery of West Bengal or of the western regions of eastern India, but of the whole of India.

Why Only for the Layman?

Studies in Indian Economic Problems By Nabagopal Das. A. Mukherjee & Co Ltd, Calcutta. 1954. Pages 131. Price Rs 3.

Reviewed by P K Basu

IN reviewing this collection of articles by Dr Nabagopal Das, reproduced from various journals and newspapers, it seems to me that time has come when economists should take more than just a lively interest in the economic problems of the country. The divergence between economic theory and its application has always been great. Reasons are obvious. Not only, economists and policy-makers never co-operated, the policy-makers never even thought of getting help and advice from the theoreticians. But the gulf remains wide even to this day when expert opinion on any other subject is respected and recognised. Preoccupied with the theoretical problems of an advanced economy, the switching over to the real problems of an underdeveloped economy appears to be either too simple or outside the scope of a theoretical economist! Thus there is very little analysis in the mass output of economic writings in this country. And those who attempt to present a theoretical explanation fall in the trap, that being the usual habit of treating the problems of an underdeveloped economy as variations on the model of an advanced economy. The present collection, in spite of the valuable information it contains and the wide ground that it covers, for it practically covers all the problems of a closed economy, has little of economics in it. For example, Dr Das never poses the basic problems of a normative study in planning: Why do we need planning? What are the main criteria of economic progress? Production or distribution of wealth? If production be our goal, should we build up industries or agriculture? If industry, heavy or light industries, capital-intensive or labour-intensive methods of production? So on and so forth. True, whether economics can ever be a normative science or not, is a big question which remains to be answered. But unless we assume that welfare economics can at least set up a model of "efficient" allocation of resources, even if not "equitable", we have to abandon any approach to an applied economics, worth its name. In an economy like India, where resources are under-utilised,

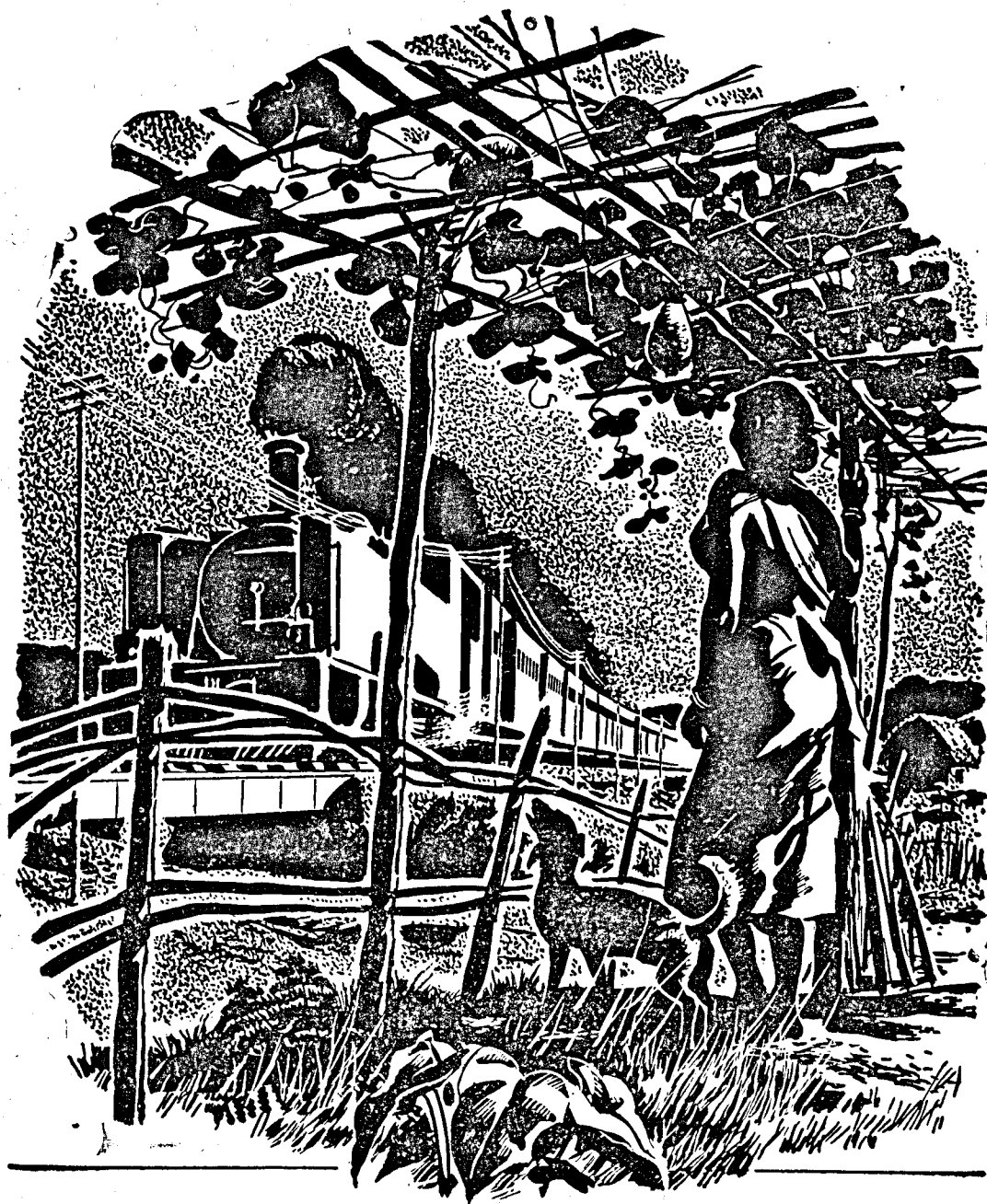
the problem of allocation is of secondary importance. What we need, is utilisation of more and more of unused and under-employed resources. And the answer to economic problems of our country is well-known, that being industrialisation. And this has been adequately emphasised by Dr Das in his third essay 'The Challenge of the Unemployment Problem'.

There is a general criticism, which I think, can be levelled against these collected papers that none of the articles really take up the "demand" side of economic development and visualise the problems from that angle—where a long-term analysis would have been more interesting and useful. While the problems of the availability of mobile labour force, technical know-how, and capital requirements are well-known, we must also remember that given all these, economic development can still be impossible if there are bottlenecks in effective demand owing to maldistribution of income, and defects in the organisation of distributive trading. In a poor country where the bulk of the population live from hand to mouth, one would expect a higher propensity to consume and a larger multiplier effect of an unit of investment. Obviously, there are slips between the cup and the lip. And we can neglect the "demand" side of the picture only at our peril; and the problems of organising markets, localising and planning industries with a view to local or regional demand, where complementarity or tastes as well as processes of production must be viewed with equal importance; and the improved system of transport and communication and the spread of education—must be looked at from the same level of economic priority. It is in this context that we must evaluate our attempts towards the five-year plan *vis-a-vis* other similar plans in South-East Asian countries, specially those belonging to the Colombo Plan.

In particular, while I enjoyed going through the short, snappy and well-written articles and to my surprise, noted a wide field of arguments where we agree, I have how-

ever come across one or two points where a difference between the points of view of an academic economist and a civil servant becomes too obvious. On the question of rationalisation of industries, dilemma of conflicting ends, unemployment due to relative inefficiency and unemployment due to frictions in the process of rationalisation, has been adequately brought out. But one only wishes that perhaps Dr Das could analyse the possibilities of industrial combination in this country in the present structure of Indian industries; no doubt he will have something interesting to write on this subject, perhaps in the near future, with his present experience of a State industries and commerce ministry. Incidentally, his summing up of industrial development in West Bengal makes interesting reading. On the priority of cottage and small-scale industries, I could not agree with him more on the point, that small-scale industries as feeders to the network of heavy industries need an earlier recognition than the cottage industries; also the reason for the survival of small firms, as given in terms of varied type of demand and immobile labour between various pockets spread over the country, seems to be sound. But a policy which aims at giving employment to masses by reviving cottage industries with state aid, merely because they are more labour-intensive, errs on the side of being short-sighted. If a quick pace of industrialisation and a higher rate of growth of national income be the social ends of our economic policy, the development of industries with higher profit-component must get priority. Hence the case for heavy industries, the case for industrial combination and large-scale production. For in the absence of a developed capital market, the importance of undistributed profits, for reinvestment, must be considered in the interests of capital accumulation.

On two other occasions, I felt, that perhaps a further clarification and greater emphasis would have been welcome. Undue emphasis on capital requirements with practically no reference to an even more



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acute problem, lack of entrepreneurial ability in the private sector, needs recognition. Once industrialisation gets a start, capital becomes much less a problem than co-ordinating ability and foresight. For saving is generated in the process of income creation. What's more, there is ample savings in the shape of unemployed and under-employed resources. But there is very little of industrial enterprise, as opposed to commercial and financial enterprise, of which there is no scarcity. There is no denying the fact that we have yet to build up an industrial class, which if it join hands with the already existing financier's class in business, can only make industrial revolution in India *fait accompli*. As Dr Das rightly pointed out, that in the absence of comparable institutions like the underwriting firms, investment, banks and issue houses of note, the Managing Agency System filled a very important gap—providing a bridge between shy capital and scarcity of entrepreneurship. The future of such a system is certainly worth investigating instead of abolishing it only because of the stigma attached to this system, or because it marked the beginning of foreign investment in India.

The chapter on Deficit Financing deserves comments. While the descriptive study of unbalanced budgets in various countries was most instructive, I was not sure whether Dr Das discussed the specific problems of inflation in India, which in the past was caused by the inelasticity of food supply operating adversely on the income-elasticity of demand for food. Perhaps we agree that so long as inflation does not become "speculative", purely "demand" inflation and to some extent "monetary" inflation can be a tonic to an otherwise static economy.

The review of the First Five-Year Plan in retrospect is good; and requires a separate set of comments. Although the comparison of actual results to desired targets has been unfortunate—the targets being so many millions of expenditure and results shown in the statistical figures in the index number of total production in particular industries, *eg*, cement, chemicals and engineering—there is little scope for a comparative estimate. But as Dr Das has rightly pointed out, the big question is not to draw up a balance sheet of our efforts to our targets, as to find out whether there is any fundamental and sound analysis

behind all this planning. Whether, what we have planned for, justly distributes the total expenditure between competing priorities. The author casually remarks: "We should analyse it in terms of social cost-accounting so as to bring out the real achievements of the plan". Perhaps he could have clarified the statement a little!

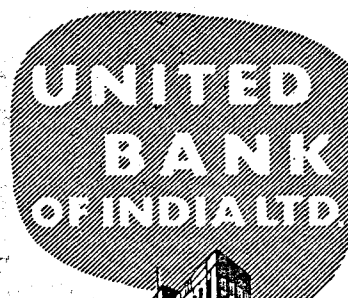
The theoretical framework of the first FYP, as Dr Das has remarked implicitly in his writings, is indeed a very 'rough' canvas on which the super-budget has been imposed. There is no industrial policy as such; private sector has been overlooked all through, although we are supposed to be planning for a 'mixed' economy. But I am tempted to remark that there is very little attempt in these essays to clarify the theoretical issues, responsible for the half-success of the plan and which will provide the basis for the next five-year plan. A detailed analysis in a thin volume of less than 150 pages, however, is perhaps asking for too much. His "panch shila" of economic progress can be summed up thus:

- (i) Physical planning;
- (ii) The second FYP should be conceived as an integral part of a plan of a longer range;
- (iii) To plan investments as to ensure greater employment and productivity as well as better utilisation of unused resources;
- (iv) The role of private enterprise recognised and maintenance of profit motive; and
- (v) Analysis in terms of investment, savings and capital formation.

Unfortunately, this sort of analysis is ineffective, for the layman is puzzled with a long list of platitudes, thrown on the wide level of generality. Our arguments should be specific and mutually exclusive. What we need is a "proper" distribution of investments as between (i) private and public sectors, (ii) heavy and light industries, and between (iii) investments with a long and a short period of gestation. 'Avoidable' compromises should be avoided; but that does not mean, that we ought to avoid compromise of any description. "Mixed" Economy is itself a compromise; and is desirable too.

On the problems of labour relations, productivity and occupational distribution of population, there are a number of very interesting articles in this collection. On the question of wages-structure and its effect

on the mobility and on the possibilities of working out a national wages policy, the author is silent. While it is obvious that "money illusion" does not operate in an economy with a recent experience of inflation, I wonder whether the present supply curve of labour (if such a thing can be conceived) is the inverse projection of the usual backward rising one. The arguments for prohibition emanate from the same set of premises. There is no denying the fact that efficiency of labour can be enhanced more by reaping the fruits of progress in terms of better housing, abolition of child labour, compulsory education and perhaps national insurance scheme of some sort than by giving them more in terms of purchasing power. Here too, as elsewhere, an industry-wise survey would be welcome.



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Progress in Many Directions

By Our Correspondent

DURING the quinquennium 1949-53, though it passed through a difficult period, insurance business in India maintained its progress on all fronts. The table below of gross premium incomes of life and non-life insurance business, compiled from the official publications, shows that progress has been somewhat hesitant which is not to be wondered at in view of the unsettled financial and business conditions in the post-war period. A slight recession in business occurred in 1950 when the Insurance Act IV of 1938 was drastically amended. The business showed an upward trend in the following years and when the next issue of the Insurance Year Book comes out, it will show a substantial progress both in life and non-life insurance business made in 1954. Judged from the figures of new life business so far published by Indian insurers, the new sums assured in 1954 will reach a record figure of Rs 250 crores.

Taken all in all, the table reveals the heartening fact that Indian insurance business is gaining ground in the home market, slowly and steadily. The percentages of life, fire, marine and miscellaneous insurance premiums written by Indian insurers during the period under review are respectively 84.6, 56.8, 50.1 and 63.7. Since it is only recently that Indian insurers commenced underwriting hull, machinery and aircraft, it may be confidently expected that general insurance business of Indian insurers will continue to improve in the years to come.

Efficiency of Insurance Offices

Among the papers submitted, read and discussed at the symposium held last month in Madras during the Tenth Insurance Conference, there were no less than four papers on improving the office efficiency and two on accounting system. With the progress of insurance business and the consequent need for closer co-operation among the offices, branches, field workers and insuring public, the need is being felt increasingly for better methods and more up-to-date sys-

tems. Indian offices, however, with a few honourable exceptions, did not believe in office efficiency and until now, they had remained content with antediluvian methods, involving loss of time and money. With changing times, new problems have arisen and old systems must in due course give place to new. It is a hopeful sign that Indian insurance executives have at long last realised this basic truth and are now willing to break away from the old pen and ink method and take to modern mechanical devices in running their offices.

New India Insurance Co Ltd of Bombay, which boasts of a fully mechanised insurance office in India, has started a school of insurance in order to give efficient training to its staff and field workers. In his paper "How to Improve Office Efficiency" Mr R M Desai of New India described at length the functional office machines used to deal faultlessly and expeditiously with the volume of daily work and thereby avoiding "obvious and inobvious" wastes. His paper conveys to the

reader a clear picture of a modern and efficient insurance office. Starting from the location of the office, ventilation, lighting, arrangement of the departments, Mr Desai brings in the mechanical equipment and control of entire work at various stages.

In a shorter paper written with a similar end in view, Mr J A Mansoor of the Bombay Mutual gives practical suggestions how to improve the basic elements of efficiency, viz, service, time and cost. Mr I B Rao of the Andhra Insurance Co Ltd of Masulipatam, in his paper on the subject laid stress on personnel management and staff relationship. No system, however mechanised and modern, can be run without human elements and disgruntled staff can wreck a perfect system in no time. Therefore according to Mr Rao, problems relating to the management of personnel should be given top priority in modernising the office system. Mr N S Parkal of the Canara Mutual Assurance Co Ltd of Mangalore also dealt extensively with maintaining a

healthy and harmonious relation between the management and staff. He stressed in his paper that merits of every worker should be recognised and opportunities for advancement afforded to staff so that the personal dignity of every worker is assured. "Ego-recognition," says Mr Parkal, "is the most difficult task that confronts any management and employee today." Opportunities for the employee to freely discuss with their superiors their feelings and viewpoints are most essential for "ego-recognition". The workers, suggests Mr Parkal, should be made to feel important and given "a pat on the back" at the appropriate moment.

Mr R M Desai of New India and Mr P V S Raju of Andhra Insurance Co also read interesting papers on accounting of agency commissions with a view to improve efficiency of office. Mr Desai laid particular stress on utilising Adrema and Hollerith machines for the purpose.

* * * *

Mutualisation of Oriental

At long last the Directors of the Oriental Government Security Life Assurance Co Ltd announced their decision of converting the company from a joint stock company to a mutual one. This has put an end to the speculations which had been rife in insurance and business circles.

Incorporated in 1874 with a capital of Rs 6,00,000 made up of 3,000 fully paid up shares of Rs 200 each, the Oriental, the largest life insurance company in Asia, paid in the past very high dividends on the shares which were quoted around Rs 7,450 each in the market. Sir Cowasji Jehangir, Bart, the new chairman of the Board of Directors of the company, while announcing the decision of conversion stated that the existing shareholders would receive a compensation of Rs 8,800 for each share, payable in the form of 4 per cent debentures. The debentures thus issued will be redeemable at the option of the company at the end of 10 years and they will not form a charge on the assets of the company. The debenture-holders will have the right to elect a debenture-holders' director who will retire only after the redemption of the debentures.

To the existing shareholders of the company, the mutualisation scheme appears to be attractive as

on current quotation, each share yields a tax-free dividend of Rs 175 while the debenture given as compensation will guarantee a taxable return of Rs 352. The net return after deduction of taxes will amount to Rs 264 which compares favourably with the present yield. The policy-holders, under the terms of the scheme, will have to give a nominal guarantee of one rupee so long as their policies remain in force.

There is virtually no difference between a joint stock company limited by shares and a mutual company limited by guarantee. Mutualisation has little bearing on the progress of the company as such. It only confers on the policy-holders the privilege of electing the entire Board of Directors from among them and this privilege can be a valuable one, if they take active interest in the affairs of the company. Past experience, however, does not show that policy-holders, as a class, take much interest in the company with which their lives, and incidentally, future securities, are assured. On the contrary, it is the usual experience that a particular group manages to remain in control of the company, year in and year out, by obtaining proxies through its network of branches from unsuspecting policy-holders. This obviously defeats the main object of mutualisation. While shareholders, being a smaller body and alive to their monetary interests, can act as a healthy check on the directors, it is difficult to mobilise the millions of policy-holders who are interested only in the fulfilment of obligations under long-dated policy contracts, against a weak management. In the context of above, it is difficult to envisage the actual reasons for the decision of mutualising the Oriental, unless it is a move to forestall nationalisation of insurance business, which may come some day.

* * * *

India Enters Reinsurance Business

The Reinsurance Association of India (International) Ltd having obtained from the Controller of Insurance their certificate of registration under Section 3 of the Insurance Act have commenced writing reinsurance Fire business. It is good to find that a concern has got going, though in a modest way, and entered a field hitherto monopolised by foreign concerns. The Reinsurance Association will enter into reciprocal arrangements with foreign

companies in order that transactions may be both ways and not one way only, as has largely been the case all these years.

The Association is mutual and any insurance company in India can become its member with full rights of membership by giving reinsurance business to it. As its retentions are modest to start with, the Association will distribute their excess risks to member companies in order to have a well-balanced portfolio in Fire business. Being a mutual office, all the profits will go to the insurers themselves.

The head office of the Association is in Nagpur, but the controlling office for the present is at 10, Mount Road, Madras.

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Gross Premiums Written in India, 1949-53

		(Rs '000)			
		Life	Fire	Marine	Miscellaneous
Indian Companies	1949	32,24,75	5,16,46	2,22,80	3,22,68
	1950	32,39,50	4,77,17	2,03,11	2,97,72
	1951	37,59,78	7,00,90	2,58,25	3,95,91
	1952	38,57,69	5,87,32	2,65,40	3,89,73
	1953	40,11,40	5,52,08	2,49,07	3,93,22
Non-Indian Companies	1949	5,68,03	3,60,74	2,30,08	1,83,56
	1950	6,09,95	4,03,89	2,44,81	2,01,42
	1951	6,49,80	5,04,63	3,35,79	1,98,13
	1952	6,83,67	4,45,85	2,87,34	2,19,45
	1953	7,79,40	4,24,42	2,37,70	2,14,31
All Companies*	1949	37,92,78 (85.0)	8,77,20 (58.8)	4,52,88 (49.2)	5,06,24 (63.7)
	1950	38,49,45 (84.2)	8,81,06 (54.2)	4,47,92 (45.3)	4,99,14 (59.6)
	1951	44,09,58 (85.2)	12,05,53 (58.1)	5,94,04 (43.5)	5,94,04 (66.6)
	1952	45,41,36 (84.9)	10,33,17 (56.8)	5,52,74 (43.5)	6,09,18 (64.0)
	1953	47,90,80 (83.7)	9,76,50 (56.5)	4,86,77 (51.2)	6,07,53 (64.7)

* Figures in brackets show the percentage of business of Indian companies.

South-East Asia —Each Going its Way

THE *Economic Survey of Asia and the Far East* for 1953 had made two significant observations: (a) First, that because of favourable weather conditions and consequent prospects of better harvests, food supply would show further improvement and surpluses might arise in some of the exporting countries in default of price adjustments. (b) Secondly, that export earnings were not likely to increase appreciably. Both came true. Thanks to favourable weather and continued grow-more food efforts of governments, the ECAFE countries recorded substantial improvement in the production of cereals in 1954 and rice exporting countries had to face the problem of disposing their surpluses. Export earnings also declined a little, compared to the previous year, and there is little prospect of an increase except under conditions of unstable export prices. The immediate problem of many countries is the inadequacy of earnings from exports for the purpose of financing the import requirements of development plans. The lesson was driven home once again that unless domestic savings can be increased or large-scale foreign aid becomes available, the prospects of expediting development will remain dim.

Though all countries in the region, according to the *Survey*,* achieved 'substantial measure of economic progress' during 1954, the *Survey* also notes that disposal of rice surpluses emerged as a new problem for the rice exporting countries, while for the old, chronic ones—the inadequacy of capital for financing development plans and deficit in the balance of payments—the countries in the region have yet to find an answer.

MARKED RISE IN CEREAL PRODUCTION

Production of cereals in general increased from 108.8 million tons in 1952-53 to 117.5 million tons in 1953-54, ie, by 8 per cent and this was a 11 per cent improvement over the 1934-38 level. That of rice

(milled) increased from 68.1 million tons in 1952-53 to 74.3 million tons in 1953-54, ie, by 9.1 per cent. This happened when, as emphasised by the FAO earlier, rice importing countries had curtailed their imports and sought to reduce the gap between their requirements and domestic supplies, by increasing outlays on domestic production *sometimes regardless of costs*. Here is a problem which could probably be solved through closer co-operation among the countries of the region. Other agricultural products, viz, tea, cotton, rubber, jute, fared better during the major part of 1954, though they had to face the long term problem of competition from substitutes or influence of technical progress, etc.

PATTERN OF INDUSTRIAL DEVELOPMENT

Progress on the industrial front has been more rapid due in part to fuller utilisation of existing capacity. The industries that are being developed seem to follow a familiar pattern—light industries (textiles, food processing) are usually taken up first; power generation, cement, simpler chemical industries, and basic industries (iron and steel) come next, and development subsequently fans out towards engineering industries and modern complex chemical plants.

This particular pattern of development has been the result of the fact that most of the countries in the region were until recently under colonial rule and it is only after they attained independence that they could pay any attention to raising standards of living through agricultural and industrial development. The scarcity of capital hinders both the pace and character of their industrial development. It is only in recent years that they have been able to direct their effort towards large scale industries.

India's first Five-Year Plan, the *Survey* points out, laid relatively greater emphasis on increasing food production and on the expansion of consumer goods industries. Though good progress has been made in engineering products, cement and chemical fertilisers, basic industries such as steel, have yet to expand and the Second Five-Year Plan is expected to concentrate more on them. Burma's pattern of development also suggests the same trend; after cotton spinning, sugar and cement, Burma has plans for the establishment of steel (20,000 tons annual capacity), and pharmaceuticals. The Burmese government also contemplates an outlay of 964 million kyats (Rs 96.4 crores) on power generation under their eight-year development programme. In Ceylon, the attention of the public sector so far has been confined to agriculture, transport and power, while production of soap, matches, rubber shoes, cotton towels, etc, have been taken up in the private sector. Of late, greater emphasis is being laid on small scale industries. In Hong Kong development of industries has

THE ECONOMIC WEEKLY

so far been confined to cotton spinning, printing and publishing, electric torch, chemicals (including matches), etc. Indonesia has given highest priority to food production, and power projects next. Though the 1951 urgency industrialisation Plan contemplated the setting up of large industrial plants, it is only since 1954, that the Department of Industry has been able to give any attention to it. In Nepal major emphasis so far has been on irrigation and road construction, though the development of cement and forest resources are contemplated. In Philippines, the Government's plans of development attach great importance to the attainment of food self-sufficiency in all items except milk, dairy products and fruits; the programme for industries which are next in importance, include electric power, coal, iron and steel and chemicals. Thailand is essentially agricultural and electricity is perhaps the only existing industry; but she has proposals to erect a pig iron plant, a cement and a plywood factory. It is to be noted, however, that the relative weightage of large scale factory manufacturing remains extremely low in all these countries, with the single exception of Japan.

PROGRESS OF INDUSTRIES

The production of cotton piece-goods in the ECAFE countries in 1954 totalled 8,100 million metres, compared to 5,900 million metres in 1951, while the estimated consumption increased from 5,600 million metres to 7,500 million during the period, leaving a net exportable surplus. Similarly, the production of steel ingots increased from 4.6 million tons in 1949 to 11 million tons in 1954, while that of cement at 22 million tons recorded an improvement of 15 million tons during the period. Improvement in production is also seen in electric power, and chemical fertilizers, while tangible results have been attained in the development of transport. But inadequacy of capital resources and lack of trained personnel, according to the *Survey*, holds up the pace of development.

PAYMENTS PROBLEM

There has been considerable deterioration in the balance of payments position. The position would have been more serious but for (a) tightening of quantitative and payments restrictions, and (b) certain favourable world developments such as (i) the appreciable improvement in the payments position and in the

balance of trade between the dollar area and the rest of the world, reflecting the rising competitive capacity of Western Europe in relation to the US and an increase in the supplies of dollar competing primary products in the non-dollar world; (ii) the relaxation of payments and trade restrictions by Western Europe, especially the UK; (iii) steady level of economic activity in the advanced countries; and (iv) continued flow of external financial aid, however inadequate its volume.

The total foreign exchange reserves of the ECAFE countries excluding Afghanistan declined from \$4,361 million in 1953 to \$4,137 million at the end of June 1954. The ratio of exports to imports dropped from 1.1 in 1950 to 0.78 in the first half of 1954. Some exports, eg, rice and sugar, had to face a buyers' market, while some others met with uncertainty and difficulties regarding markets and prices owing to strategic, technical and other factors.

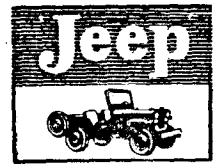
While export earnings declined, imports of many countries greatly increased during the year. For the region as a whole, the value of exports and imports amounted to \$1,681 million and \$1,819 millions respectively for the quarter ending July-Sep 1954. The continuing payments problem of the ECAFE region also suggests the scope for co-operative and concrete action in the organisation of foreign trade, etc. The question of the creation of a payments union was discussed at a conference of the ECAFE countries last year, and it is possible that some workable plan can be devised. An effective solution for this problem has got to be found, in view of the inadequacy of foreign exchange resources for financing import requirements of the development plans of all these countries.

Though special efforts are being made to attract foreign private capital, foreign investments in the ECAFE countries has not been



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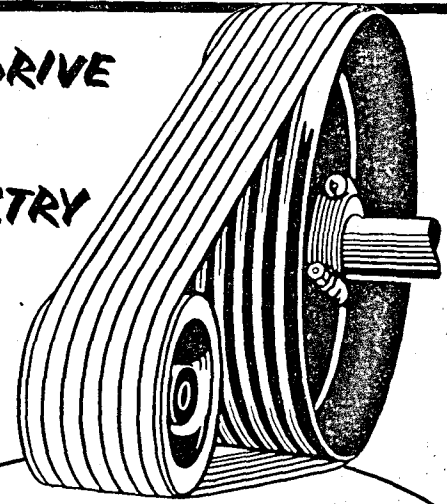
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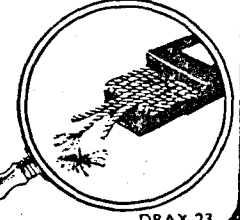


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DRAX-23

* *Economic Survey of Asia and the Far East* 1954. Prepared by the Secretariat, Ecafe, Bangkok, 1955. United Nations. pp 223. Price \$2. Available from Oxford Book & Stationery Co, New Delhi.

sizeable and funds for development have had to be found from domestic sources, *eg*, current budget surpluses, floatation of loans and small savings, though receipts from loans have been important only in some of the countries. Retained profits of corporations have been important only in Japan and to some extent India and Pakistan, but difficulty is experienced, as in India, for example, in attracting private capital towards risky ventures. A recent and welcome development is the establishment of new financial institutions to cater for the financial needs of agriculture and industry, *eg*, the State Agricultural Bank in Afghanistan (1953-54); State Agricultural and State Commercial Banks in Burma (1953); the Industrial Development Corporation and the Industrial Credit and Investment Corporation in India.

The scope of the *Survey* has been extended to include Afghanistan and China (mainland). A detailed account is given of the Chinese national economy and of its Five-Year Plan (1953) though readers have been cautioned about the reliability and comparability of statistics and estimates used. The various heads under which the review of the 'Regional Situation' is given have also undergone a change, and we now have five major heads, *viz*, (i) Agricultural production; (ii) Industrial production and transport; (iii) International trade and payments; (iv) Monetary and fiscal development; and (v) Progress of development programmes.

The *Survey* notes that the pattern of development in the region has been affected by the scarcity of capital resources, and that owing to the pressure of population, there is need for the use of labour intensive methods of production and the development of cottage and small scale industries. Moreover, most of the countries have concentrated their development programmes on irrigation and flood control meant to increase agricultural output. Since importance is attached to maintaining current consumption, pace of industrialisation has been relatively slow. Further, owing to the lack of or slow growth of an entrepreneurial class in many of the countries of the region, most of them have adopted a system of mixed economy in which the public sector includes basic facilities such as technical training, housing, public utilities, transport, etc, while the remaining industrial field, especially

consumer goods industries, has been left to private enterprise.

An important problem with which countries like Ceylon, Malaya, and Philippines are faced is the need to reduce their dependence on the export of a few crops. Because of the fluctuations in the demand for their products and change in export prices, and consequently in their national income, these countries are prompted to diversify and industrialise their economies.

After going through the *Survey* the impression is difficult to resist that some at least of the problems of the ECAFE countries could be solved by a proper co-ordination of their respective economic policies and programmes of development. Though the economies of these countries are competitive, being

essentially agricultural and having trade relations with countries outside the region, those of Japan and to some extent India, are complementary with the others. These two countries have manufactures to export which all the other countries import. If China is also industrialised, it may also complement the other economies in the same manner. Possibilities of this nature could be explored fruitfully and exploited to the mutual advantage of all, provided the countries in the region do not pursue policies of economic self-sufficiency. Ceylon's efforts to achieve self-sufficiency in rice in the face of accumulation of surpluses in Burma and Thailand, or Burma's attempt at developing the steel industry, though she has neither coal nor iron ore, highlight the possibilities that can be but are not being exploited.

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AIR's Monopoly Must End

Som Benegal

THE basic debate whether Broadcasting in India should be a Government monopoly, handed over to private enterprise, or run by a corporation has now been disposed of. Government does not intend, even in principle, to part with its control and monopoly even though it is obviously repugnant to the right of free expression guaranteed under the Constitution. Government's arguments for its retention of monopoly can only be described as unrealistic in view of the fact that the two other great channels of mass communication, the Press and Film, are free and unfettered. Government spokesmen have suggested that there is no other agency which can handle and develop so expensive a project as broadcasting on so dispersed and national a scale. Granting that it is so, why should Government hold a monopoly? Why can there not be smaller systems co-existing with the Government apparatus called All India Radio? Government spokesmen have also argued that the very cost of broadcasting would permit of other monopolies coming into being, commercialism becoming rampant and standards being lowered defeating the very purpose of freeing broadcasting. Now this argument can be applied with as much validity to the daily press and hence logically Government should take over the publication of all newspapers in the country! No rational case, therefore, has been made why broadcasting should continue to be exclusively in the hands of Government to be administered as a part of the bureaucratic machinery without the people's participation. Indeed, in terms of the performance of All India Radio there appears to be every justification for this to be reversed.

Broadcasting in India today is in a very sorry state. The vast and complex apparatus of broadcasting — All India Radio — is the fourth largest in the world. Last year the Ministry of Information and Broadcasting asked for 228 lakhs of rupees to run the organisation. This excluded expenses on capital development. This year Government has asked for some 305 lakhs including 200 lakhs on capital account. For all its dimensions and increasing development, for all the huge sums

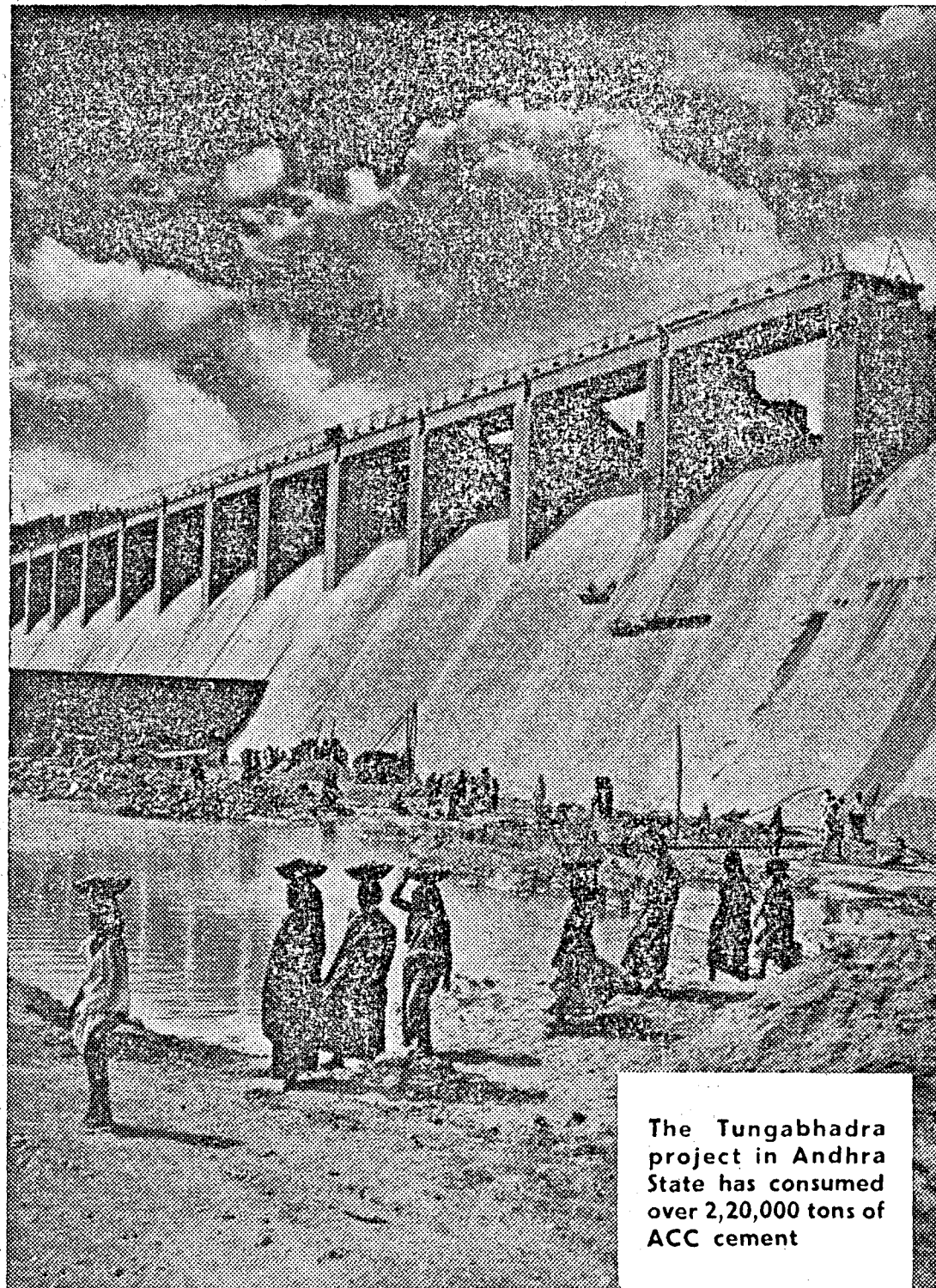
of money being poured into it, All India Radio is totally lacking in vitality and arresting power, its programmes are informed by mediocrity and amateurishness, its news service is an apology. What might have been a potent and powerful means of entertainment and education is scattered waste to the four winds. In recent years foreign broadcasting stations have increasingly been compelling the attention of Indian listeners. What is the root cause of the malaise of All India Radio?

I think it lies fundamentally in its organic and operational basis. All India Radio is an inverted cone with a vast, heavyhanded bureaucracy crushing down through several spirals of petty officials upon the ultimate producer who is at the apex. This welter of officialdom which stands between the producer and his product is essentially careerist by virtue of the fact that it is there not to promote broadcasting professionally but as managers of an enterprise in which the individual's self-interest is primary. The word careerist is not necessarily used in the derogatory sense though in the circumstances it must appear so. As officials of a bureaucratic machine this is unavoidable. Most of them faithfully served the previous regime and serve the present one with the same lack of loyalty to any altruistic or ideological cause. Initiative and courage, resourcefulness and imagination are beyond the scope of such a system. The fundamental incentive is to manage efficiently at the marginal level where security of position is least in peril. In the past seven years even the certainty of position and security have vanished leading to utter demoralisation. Vacillations about confirmation, uncertainties of promotion, which in any case are not always based on merit, and inscrutable appointments by the Union Public Service Commission, and frequent interference from every level of Government have brought the organisation to near ruin. These are not vague and general charges but rest solidly on well-known cases.

There are the instances of various officers who have been in broadcasting for well over fifteen to sixteen years who have not been confirmed yet, though they have been promised

time after time that the matter was under immediate resolution. I am personally aware of the instance of an officer who headed one of the sections of All India Radio who, with the inevitability of gradualness, rose to his high status through five promotions and is on the verge of retirement though the substantive post he holds is the original one at the lowest rung of the ladder. Then there is the translator sub-editor in a language unit in the News Services Division who after fourteen years of service has been under notice of dismissal for alleged inefficiency. His case has been dragging on for years. I can think of two historic instances in the Programme Sections of All India Radio where positively brilliant men who had reached the position of Assistant Directors were demoted by the Public Service Commission to lower grades. Their contribution to broadcasting was unquestioned, yet the Commission found it fit to topple them. One of them resigned and has gone away to England, the other leads a frustrated, unhappy life in his new role which is purely administrative and takes no account of his programme abilities. In the News Division last year two brilliant news editors were reduced in rank while three junior editors were elevated. The elevation of one of them by the Commission is incomprehensible to put it at the mildest. Only at grave peril to the Organisation could this editor be put in any responsible job, so he continues to have an easy time while drawing almost twice the salary, while the two news-editors who were demoted are called upon in the name of national service to retain many of their previous responsibilities. In the higher appointments, the theory of the multilateral ability of an individual has led to frequent changes in the topmost post of Director-General. The uncertainty of tenure and the feeling that the post is only a stepping stone has not infused the incumbent with any zeal for broadcasting as such.

As regards interference both from Government and politicians of the ruling party, it is endless and perennial, it pervades every nook and corner of the halls of broadcasting. Of course, after Dr Keskar's recent speech in Parliament, interference



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has become a virtue, not to be apologetic about but to be triumphed from postures of defiance, and scorn. But its most telling effect is nowhere to be seen as clearly as in the News Services Division. Radio news is the most potent form of communication of information. Its ability to keep the nation well-informed through crisp, quick and intelligible summaries of world happenings is limitless. Yet over the years, instead of gaining in authority and efficiency, it has declined into the most lifeless, uninspired recital of a fraction of the realities of national and international life. The element of distortion, not always by design as by default, suppression and faulty emphasis has increased through its subordination to every wing of Government. Every department of Government holds the Division in contempt and considers it primarily as a mouthpiece of its desired utterances. Rightly the News Division insists that everything it says is first verified. This often means that an authority has to be approached. It has been the experience for such authorities to give gratuitous advice that All India Radio need not worry itself about the item, regardless of its importance or of the fact that elimination would put the Organisation to ridicule and public censure. Argument is futile. The tendency, therefore, is to play for safe news and to abandon the sense of integrity and honesty, because in the last analysis everyone is responsible not to the listener but to the authority above.

Careerist, as the integral core is, the attitude in time approaches more and more devotion to the employer and less and less to news, objectivity and such other intangible commodities. Another fatal blow comes from interference in the judgment and choice of news. Space and other considerations do not permit of a full disclosure of what this means. But I need quote a few items which AIR has broadcast from which the reader can draw his own inferences. Some time ago a news bulletin contained the entire list of names of those who had been successful in the IAS and IFS examinations. Earlier a bulletin over the national network gave a

in Parliament was leaving New Delhi by train for Patna was broadcast although such items of arrival and departure are never broadcast about anyone save the President, Vice-President and Prime Minister. I need not take the reader further back to the time when India decided to refer the Kashmir question to the United Nations when AIR was the only news outlet which held back the news for a week and then splashed it when it was a dead story in all newspapers, only to make a laughing stock of itself. Nor need I recall the manner in which the news of Dr Shyama Prasad Mookherji's death was announced despite the ingenious but entirely misleading explanation given by Dr Keskar in Parliament.

The situation is no better in the programme sections of All India Radio. Some years ago I was asked to write a feature for Independence Day. Many have been the script writers who have had to face deletions and substitutions reflecting the reactionary views and self-generated fears of the bureaucracy, and their

Around Calcutta Markets

Hesitant Trend

Thursday, Evening

FROM the recent behaviour of stock markets, it is evident that investors are not interested in equities at current prices. For more than six months, equities have been falling. There was a temporary spurt in share values after the budget. It could not be sustained. There has been an appreciable set-back in equities in the last six months. In a "bull" market, investment support at set-backs may be reasonably expected.

Lack of investment support, even after such a heavy set-back, is creating doubts whether the "bull" market is a thing of the past. There has been a considerable diminution in the volume of business in the last few months. Investors, it is true, are keeping away from stock markets. Even replacement buying is not making its influence felt. Yet, it is not a little strange that the atmosphere in and around stock markets does

excessive desire to keep on the right side of the political party in power.

Thus in the circumstances initiative is abhorred, resourcefulness is held in distaste and courage looked upon in alarm. Anyone who persists in displaying these perilous tendencies is brought to heel. The sense of purpose and dedication is gradually dulled, professional pride killed, frustration and personal discontent allowed to accumulate bringing the Organisation to an appalling state of unrest.

Broadcasting, to my mind, is the business of professionally competent, disinterested, independent, imaginative and courageous people who are not at the mercy of Government officials or politicians. Either Broadcasting should be turned over to a Corporation, or if Government intends to have a share of it, other systems should be permitted to offer at least some competition and some relief to the long suffering listener. In its present monopolistic state to apportion huge sums of money every year is an unparalleled waste of the nation's money.

Market Realism

Equities may be falling. But both investors and speculators seem agreed that, as the second Five-Year Plan gets going, equities will begin to look up. There are reasons for the different approach of industry and of investors to the economic outlook. Industry is worried about the relative importance of the private and the public sectors in the second Plan. Investors look at it from a different angle. They argue that the economy must improve as the enlarged second Plan is implemented, irrespective of

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which are little higher than world prices for the raw materials used. through the high prices on the home market. tentative for the shrunken domestic market.

CURRENT STATISTICS

BANKING RETURNS (Rs Crores)					JUTE STATISTICS				
	Latest Week†	A Week ago	A Month ago	A Year ago		Mar 1955	Feb 1955	Jan 1955	July to Mar '54-55
Reserve Bank					Production ('000 tons)				
1. Note circulation	1329.26	1310.77	1322.77	1233.75	Hessian	35.0	32.3	32.5	299.8
2. Rupee Coin	104.09	106.24	105.44	96.49	Sacking	50.5	46.4	48.5	424.1
3. Deposits					Others	3.4	3.1	2.9	26.3
a) Central Government's	50.09	51.02	57.81	84.76	TOTAL	88.9	81.8	83.9	750.2
b) Banks'	47.24	48.66	44.95	40.45	Total Production in the corresponding months of:				
c) Other Governments'	23.21	34.10	30.16	21.04	1953-54	75.6	68.3	67.3	644.8
d) Others'	22.08	22.80	21.52	45.57	1952-53	74.4	68.3	73.0	671.9
4. Foreign Securities	661.98	661.98	651.98	688.15	Stocks: * ('000 tons)				
5. Balances held abroad	53.76	53.19	73.96	65.25	Hessian	33.9	26.7	24.0	—
6. Rupee Securities	533.71	533.75	533.75	421.22	Sacking	58.9	55.1	51.4	—
7. Investments	41.48	41.57	47.23	66.69	Others	1.6	1.3	1.2	—
8. Loans and advances to Governments	0.8	0.89	1.19	0.85	TOTAL	94.4	83.1	76.6	—
Scheduled Banks					Stocks at the end of the corresponding months of:				
1. Demand liabilities (net)	580.80	581.93	575.03	528.72	1953-54	92.9	95.4	95.7	—
2. Time Liabilities	381.50	382.14	376.37	328.47	1952-53	138.7	136.1	128.4	—
3. Cash on hand	34.13	34.55	32.73	32.43	Despatches: † ('000 tons)				
4. Borrowings from Reserve Bank	26.92	26.49	37.90	44.06	Hessian	27.1	29.3	31.6	302.5
of which against					Sacking	47.6	43.4	42.8	417.1
Usance Bills	24.84	24.76	27.17	24.11	Rope, twine, etc	2.0	2.1	2.2	18.9
5. Advances and Bills discounted	585.42	585.40	596.27	563.13	TOTAL	76.7	74.8	*76.6	738.5
of which Imperial Bank's	125.95	125.05	129.19	130.56	Total despatches in the corresponding months of:				
6. Investments	344.4	342.69	344.31	322.85	1953-54	78.1	68.1	68.5	683.6
of which Imperial Bank's	91.92	92.45	94.64	82.66	Raw Jute Consumption: (lakh bales of 400 lbs each)				
Cheque Clearance	144.37	128.35	126.95	128.59	1954-55	5.25	4.84	4.34	42.18
† For Reserve Bank and Cheque Clearance week ended 6-5-55. Scheduled Banks week ended 29-4-55.					1953-54	4.63	3.96	4.03	37.64
					1952-53	4.38	3.93	4.22	39.24
Bombay Money Rates	6-5-55	29-4-55	8-4-55	7-5-54	IJMA Mills' purchases of raw jute (lakh bales)				
Inter-Bank Call Rate	2 7/8	2 7/8	2 7/8	2 7/8	Pakistani	0.73	0.90	0.86	7.59
3 months deposits	3	3 1/16	3 1/16	3	In corresponding periods of:				
6 months deposits	3	3 1/16	3 1/16	2 7/8	1953-54	0.51	0.49	0.45	6.16
					1952-53	0.31	0.25	0.31	9.97
					Indian	2.55	3.21	5.42	37.12
Bombay Bullion	12-5-55	A Week Ago	A Month Ago	A Year Ago	In corresponding periods of:				
Gold Spot (per fine tola)	92- 4	96- 4	96- 1	92- 3	1953-54	2.67	2.22	3.31	29.20
" Forward "	90- 8	95- 8	94- 1	90-13	1952-53	3.15	3.60	2.06	30.59
Silver Spot (per 100 tolas)	164- 7	168-12	167- 0	165-14					
" Forward "	160- 7	163- 4	163- 8	165- 6					

* Stocks at the end of the month.
† Despatches include exports and sales for internal consumption.
Source: Monthly Summary of Jute and Gunny Statistics issued by the Indian Jute Mills Association.

INDEX NUMBERS OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-group	Week ended 23-4-55	A Week Ago	A Month Ago	A Year Ago
I. Food Articles	279.7	282.4	293.0	375.5
Cereals	324	325	336	421
Pulses	211	216	227	380
Others	230	235	245	306
II. Industrial Raw Materials	392.5	396.9	400.1	474.7
Fibres	430	436	429	461
Oilseeds	318	317	334	530
Minerals	417	421	423	448
Others	449	467	475	400
III. Semi-Manufactures	327.0	327.7	332.0†	366.3
Leather	395	393	391	375
Mineral Oils	221	221	221	221
Vegetable Oils	329	326	348	520
Cotton Yarn	429	433	439	465
Metals	245	245	243	240
Oilcakes	277	282	277	443
Others	329	328	331	306
IV. Manufactures	375.4	375.3	374.5	382.7
Textiles	418	417	416	430
Jute	451	450	450	445
Cotton	407*	407*	407*	417*
Rayon & Silk	484*	484*	468*	562*
Woollen	310	310	310	313
Metal Products	340	340	340	340
Others	287	287	287	288
V. Miscellaneous	538.6	539.8	545.6	706.2
All Commodities	342.3	344.2	349.3	402.4

* Estimated † Revised

COAL PRODUCTION & DISTRIBUTION

(Monthly Averages or Calendar Months)

(in '000 tons)

	Raisings	Despatches	Stock at at Pit-heads
1948	2,485	2,155	2,262
1949	2,621	2,339	1,417
1950	2,666	2,401	2,008
1951	2,859	2,426	2,646
1952	3,019	2,566	3,519
1953	2,987	2,588	3,411
1954	3,064	2,662	3,771
1954:			
Jan	2,903	2,424	3,474
Feb	3,056	2,244	3,902
March	3,071	2,594	4,003
April	3,037	2,599	4,051
May	2,977	2,621	4,093
June	2,885	2,576	3,950
July	2,966	2,810	3,693
Aug	2,958	2,926	3,380
Sept	3,171	2,888	3,210
Oct	2,921	2,787	2,914
Nov	3,323	2,728	3,161
Dec	3,503	2,747	3,468
1955:			
Jan	3,155	2,672	3,482
Feb	3,252	2,502	3,789
Mar	3,304	2,764	3,946

Sources: (i) Monthly Abstract of Statistics
(ii) Inspector of Mines

ELECTRICITY GENERATION AND DISTRIBUTION

(Monthly Average or Calendar Month)

(in million kwh)

Distribution											
			Generation	Domestic consumption	Commercial light and small power	Industrial power	Public lighting	Traction	Irrigation	Public works & sewage pumping	Total
1948-49	...	...	390.1	34.8	20.3	206.0	4.2	23.8	11.0	14.7	427.9
1952-53	...	...	525.1	51.5	29.2	275.6	6.0	27.7	19.2	19.4	464.4
1953-54	...	...	573.1	68.3	31.7	298.1	6.5	29.7	19.1	20.6	
1953											
July	...	...	588.0	57.0	30.7	307.2	6.4	28.0	20.2	21.5	471.0
August	...	...	587.9	58.3	31.0	305.2	6.5	30.8	15.2	21.5	468.9
September	...	...	576.5	58.8	30.8	303.2	6.5	30.1	13.6	21.1	464.1
October	...	...	583.1	59.2	31.2	304.0	6.8	28.4	17.5	21.6	468.7
November	...	...	563.1	58.0	31.1	293.9	6.9	26.6	18.4	20.8	455.7
December	...	...	603.6	59.8	33.2	312.4	6.9	28.4	25.4	20.7	486.9
1954 January	...	...	589.7	59.3	33.4	307.9	6.9	31.4	18.4	20.8	478.0
February	...	...	551.4	57.4	33.3	289.1	6.7	28.7	17.8	18.4	451.4
March	...	...	593.6	59.1	37.6	305.7	6.8	34.2	18.9	21.2	483.5
April	...	...	613.3	59.9	39.4	318.9	7.0	34.5	22.1	22.6	504.4
May	...	...	639.9	61.1	40.5	325.6	6.9	33.8	23.6	23.8	515.5
June	...	...	629.4	61.6	37.7	325.9	6.9	32.6	22.2	23.2	510.3
July	...	...	633.4	62.3	37.5	338.6	7.1	31.9	15.6	22.9	515.8
August	...	...	635.0	64.9	37.2	338.8	7.3	27.3	11.7	23.2	510.5
September	...	...	647.6	65.0	37.4	344.6	7.4	27.6	18.4	23.1	523.3
October	...	...	626.5	63.7	35.3	336.6	7.7	30.8	14.9	22.6	511.6
November	...	...	656.5	63.4	35.2	351.2	7.7	31.9	22.5	22.6	534.6
December	...	...	683.5	63.2	36.2	370.9	8.1	33.2	23.0	23.5	558.0
1955 January	...	...	668.5	62.1	36.3	362.5	8.0	32.1	21.4	22.9	545.2

Source: Ministry of Irrigation & Power

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New Phase in Steel

DURING the war, Government price policy had the twin objectives of maximisation of the production of essential commodities on the one hand, and keeping down prices proportionately to costs on the other. After the war, this policy was continued in the case of steel till 1951 when on the recommendation of the Tariff Board, Government decided to allow price increase to cover the actual cost of immediate replacement requirements, in excess of the funds available in depreciation account of the companies. In the latest price revisions announced, Government has gone a step further. It appears that it is now the intention to allow price increases to provide the companies with a portion of the capital required for their approved plans of expansion of their plant capacity. In a basic industry like steel, when the private sector gets a boost, it becomes necessary to understand its implications in the light of the much-talked-of Avadi resolution of the Congress.

First let us see what the Government resolution has to say. Government has agreed that the capacity of Tata Iron & Steel Co Ltd should be expanded by about 500,000 tons of finished steel and that of the Indian Iron & Steel Co Ltd by about 100,000 tons. It has also agreed to an increase in the finishing capacity of the mills, over and above the capacity already planned under their respective expansion programmes. The resolution further states that representation was received from the producers that the retention prices fixed for them should be suitably raised to facilitate implementation of these additional expansion programmes partly from their internal savings. After examining this representation, Government has now come to the conclusion that

(1) The major producers of steel should be paid a uniform retention price;

(2) The uniform retention price to be paid to the companies should be fixed at Rs 385 per ton, pending inquiry by the Tariff Commission; and that

(3) Agreements should be obtained from the two producers that the extra profits made by them as a result of the present increase in the retention price would be ear-marked specifically for development and expansion, and not used for any other purpose, except with the express permission of Government.

This introduces three new principles to the price policy of Government; first, the principle of financing development projects from internal resources; second, the principle of uniform prices; and third, direction to the companies for division of profits for expansion plans. The third is, in a way, a corollary to the first. We shall examine these one by one.

There is nothing wrong if, under competitive conditions, the private sector manages to finance its development projects from internal savings. This is how much of industrial development has been financed in advanced countries. The situation was not materially different in this country either. But since the war-time control on prices, the situation has changed. The production, distribution and price of steel have been controlled and only a fixed margin of profit has been allowed

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to the producers. This has been done with a purpose. The argument that if there had been no control, the steel companies would have made enormous profits does not fully square with the facts of the situation. Firstly, at world prices, the off-take of steel would have been considerably reduced. Any doubt on this point would have been cleared if Government had allowed 25 per cent of the companies' production to be sold at world prices after ear-marking 75 per cent at controlled prices for essential purposes. Secondly, for producers to think that in a basic industry like steel, they can ordinarily sell at a price disproportionately higher in relation to cost, is to be blind to the fact that the case for nationalisation will only be strengthened thereby. It is no use, therefore, to try to browbeat Government on the count of world prices. It will not pay. On the other hand, if there is reasonable assurance that by expansion of private sector, steel could be produced more quickly and at a cheaper price, no one can have any objection to Government's giving assistance to private sector by way of loans on favourable terms. But the weakness of the present method of allowing price increase in order to provide internal savings is that fresh assets will be created at the expense of the consumer, without any corresponding sacrifice on the part of the shareholder. That means when the expansion programme is completed, the shareholders of steel will be placed in a privileged position. Is this the intention of Government? Or is it the intention of Government to nationalise the industry when the 10 years' respite given to steel under the 1948 Industrial Policy Statement expires? And the question of compensation can now be settled 'amicably' under the Fourth Amendment to the Constitution. In that case, one can understand Government's last minute haste to boost up this basic industry in the private sector.

Now let us come to the second point, *ie*, uniform prices. One could have understood the case for uniform prices better if Government had stated that as the actual production of the Indian Iron is about 75 per cent higher than the output assumed for estimating cost, the cost differential between the two companies has now narrowed down. On the contrary, Government concedes that the cost of

Indian Iron continues to be higher than that of Tatas and has actually directed the Tariff Commission to recommend a uniform price on the basis of the (higher) costs of the Indian Iron. In the light of the Avadi resolution, the policy makers in Delhi appear to have come to the conclusion that uniform prices are essential for speeding up socialism rather than uniform profits. That apart, let us see how it is going to work out in practice. By a uniform price was meant, one would have thought, that there would be the same price for similar products of both the companies. But that is not the intention. In another directive to the Tariff Commission, Government has stated that "the prices fixed for the producers should be uniform on the average and where necessary and possible for each comparable product." In what conceivable manner can such an average be struck? And what is the significance of such an average when the products rolled are not similar?

The third point is the insistence that the extra profits earned by the companies from this price increase should be earmarked for financing the development plans. How will this extra profit be determined? In the case of Tatas, the price increase is estimated at Rs 54 per ton. Will the extra profit—the new 'element' in the price for development—be determined at this rate on the whole tonnage? Or on the product-wise rate increase and the actual quantity of each product sold? For the market to be able to follow these developments, an immediate clarification is necessary; because the amount available for distribution will depend on the basis that is adopted for the determination of extra profits. To talk of an average rate of increase in this context is misleading because the pattern of production is variable, and to the Tariff Commission.

At the Crossroads

THERE is consistency in Russia's diplomacy. She has never denied the possibility of peaceful co-existence. It was, therefore, only to be expected that she would be prompt in her acceptance of the Western Powers' invitation to four-Power talks "at the highest level." In accepting the invitation, she has reiterated her eager desire to co-operate with the Western Powers in ending the "cold war." Simultaneously, she is taking steps which

not fixed, depending as it does, on the 'product-mix'. In fairness to the investor, therefore, Government should announce without delay the price fixed for each product on both the companies and the pattern of production adopted in arriving at the average price per ton of Rs 385.

Another intriguing factor in the situation is the Government's decision to refer the matter to the Tariff Commission for further examination. What the Commission have to examine is a little difficult to understand. They have been told that they should recommend a uniform price, as understood by Government. But in determining this uniform price, the cost of production of Indian Iron is to be taken as the basis. Also, the uniform price should be such as to enable both producers to obtain a portion of the capital requirements of their current and additional expansion programmes from internal resources. A good cost accountant should be able to determine the actual cost of production of the Indian Iron. If this is the only problem, why drag the slow-moving Tariff Commission into it? What portion of the capital requirements for expansion should be met from internal resources, *ie*, by a price increase, is a matter on which perhaps the Commission can give an opinion. They may also recommend the period for which the new prices should be in force. Here, again, there is no knowing whether Government will agree with the Commission, if they do not toe the Government line. This reference can at best have only a nuisance value to the companies. It will mean a little hard work for the Tariff Commission staff and also provide some incentive to stock exchange speculators. But beyond these, there is little point in referring the matter

are indications to the Western Powers of the terms and conditions on which world peace can be attained and maintained. From the Western Powers' confused reaction to the latest international developments, it would seem that either they are not fully aware of the conditions of world peace, or that they are reluctant to accept the necessary conditions for world peace.

Certain facts clearly emerge from recent developments. On the issue

of disarmament alone have the Western Powers always had the initiative. Russia has never denied that an agreement on disarmament is an essential pre-requisite to world peace. But she has always insisted that such an agreement can be reached only after certain prior conditions have been fulfilled. There has been a welcome response to the latest Russian plan for disarmament. But the Western Powers find it both convenient and diplomatic to ignore or to minimise the conditions attached to the latest Russian plan for disarmament. Even as there can be no world peace without disarmament, it is evident that there can be no agreement on disarmament without settlement on certain related issues. In the latest disarmament plan, Russia has indicated what these issues are. These issues will inevitably enter into the proposed four-Power talks. It will not be Russia's fault if the Western Powers then argue that these issues are of no consequence.

Russia has made major concessions in her latest disarmament proposal. These concessions have been widely welcomed by the Western Powers as evidences of Russia's peaceful intentions. A closer examination of the plan discloses the basic conditions under which Russia is willing to enter into an agreement on phased disarmament. One of the conditions is that occupation forces, except "strictly limited police forces" under four-Power control, should be withdrawn from Germany. This aspect of the world disarmament problem is analysed in a subsequent paragraph where the problem of Germany in relation to Europe is discussed. Here, the other conditions may be stressed. Before entering into an agreement on disarmament, Russia expects Far Eastern questions to be "settled." Foreign military bases on the territories of other countries are to be liquidated. "Discrimination in trade relations" is to be eliminated. These are conditions which are essential to world peace as well as to disarmament. Russia is entitled to insist on these conditions.

These issues raise basic problems of world peace. In her latest disarmament proposal, Russia has not only indicated the plan and procedure of phased disarmament, but has also suggested the problems which the forthcoming four-Power Conference will have to settle to ensure world peace. Once these conditions and their implications are accepted, the Foreign Ministers of the four Powers can, then, start detailed discussions on specific issues in dispute.

Opinion will differ whether Russia has been diplomatic in emphasising the conditions of world peace at this stage. But, in laying all her cards on the table, she has indicated her sincere desire to come to an agreement with the Western Powers. More than once, the Western Powers have accused Russia of dilatory and delaying tactics after agreeing to have talks on world issues in dispute. Russia has been wise in stating the conditions to world peace so that the Western Powers now know the basic issues which Russia will raise in the proposed talks among the Heads of State.

If the Western Powers have proposed four-Power talks "at the highest level" only after economic, political and military integration of Western Germany with Western Europe, Russia has been prompt in taking measures so that she, too, can negotiate from "position of strength". At the recent conference at Warsaw, Russia and the Eastern European Communist States have formed a military organisation to counter NATO. But Russia has been diplomatic in not including Eastern Germany into this military alliance. Emergence of a neutral, independent, Austria and the exclusion of Eastern Germany from the military alliance between Russia and the Eastern European Communist States underline Russia's plans for the solution of the German problem. It is clear that Russia will propose a free, united, neutral, Germany as the solution of the German problem. In excluding Eastern Germany from the Warsaw military alliance, Russia will claim that she has, unlike the Western Powers, taken no unilateral action to prejudice the solution of the German problem.

Neither world peace nor world disarmament is possible without an agreement between Russia and the Western Powers on Germany. A free all-German election is an essential preliminary to unification of Germany. There may be differences of opinion on the detailed procedure of the proposed election throughout Germany, but Russia is not likely to oppose the Western Powers' demand for free all-German elections. It is on the future status of a unified Germany that differences are likely to arise. Dr Adenauer may be expected to endorse the anticipated Western Powers' proposal that unified Germany must have the sovereign right to choose her future political, military and economic alliances. It will be argued that the Western Powers are entitled to insist that a sovereign, united, Germany must

have freedom to formulate her future foreign policy. But, in signing the Austrian Peace Treaty under which Austria has emerged as a free, united but neutral State, the Western Powers have accepted, by implication, the possibility of a similar solution to the German problem in the prevailing conditions in Europe. In proposing neutrality for a future united Germany, Russia has the support of Dr Adenauer's political opponents. France may not be unwilling to endorse the Russian plan for Germany. It is undeniable that France shares Russia's and many European States' apprehensions about German re-militarisation.

Disarmament is an essential condition of lasting world peace. Though the latest Russian plan has brightened the prospects for disarmament, it is inevitable that any plan for world disarmament will have to be implemented in gradual stages. Even after an agreement has been reached on disarmament, it will be necessary to ensure certain conditions so that Communist States and the Capitalist Powers can co-exist in peace. There is, on the other hand, the possibility that the forthcoming four-Power Conference may fail to ease the prevailing world tension. Latest diplomatic moves by Russia indicate that she is making preparations for both the eventualities. It is evident that Russia is interested in creating a neutral belt in Europe. Austria is now a sovereign, neutral, State. Russia's solution of the German problem envisages a similar neutral status to a future unified Germany. Moscow's overtures to Belgrade are aimed at ensuring Yugoslavia's neutrality. Russia is willing to talk peace. But if the proposed peace talks fail and the Western Powers go ahead with their plans for political, economic and military integration of Western Germany into Western Europe, Russia has counter-plans ready. Warsaw arrangements will be promptly implemented. Efforts at creating and extending the neutral area in Europe will be energetically pursued. Russia is willing to reach an agreement with the Western Powers on outstanding world issues. But she has made it abundantly evident that she will not enter into any agreement under coercion. Neither on the German nor on any other world issue in dispute, will she accept dictated terms. In the event of failure of the proposed four-Power talks "at the highest level", she will promptly implement her counter-plans. It is evident that the "cold war" has reached a crucial phase. He would be a bold man who would predict what the next phase in the world situation will be.

Weekly Notes

Dockyard Labour

THE condition of dock labour, whether in Bombay or in Calcutta, has been a long standing grievance with the shipping companies. Deliberate adoption of go slow tactics, indiscipline and divided responsibility between stevedores who have to service the ships, while control over labour is left in the hands of a Dock Labour Board and fixation of wages on a time scale unrelated to actual performance—all these have been blamed in turn or in combination, for the scandalous state of affairs that has prevailed ever since decasualisation was introduced to end another kind of chaos that used to prevail before. Dock labour blames Port Trust authorities and stevedores, stevedores blame the other two, while shipping companies suffer from slow clearance of ships, reduced voyage days and total tons of cargo carried, all combining to undermine their freight carrying and earning capacity. Matters have come to a head after the decision of the Overseas Shipping Conferences to impose a surcharge of 25 to 30 per cent on freights to and from Indian ports, if working conditions do not improve. The Dock Labour Enquiry Committee that was appointed by the Government of India to examine the situation has yet to submit its report.

Despite conflicting claims, the basic facts are not hard to come by. To begin with, when the decasualisation scheme was introduced, the average discharge of bagged cargo which varied between 159 to 206 tons per hook before the war, was fixed at about 90 tons by the Chief Labour Commissioner. The actual output, however, falls far short of this datum line, by 30 to 40 per cent. The cost per ton of cargo has gone up correspondingly. Time rates of wages tend to keep down output, and stevedores themselves, it is complained, slacken operations as the datum line is approached, in order to avoid bonus payment. Their supervision, besides, is ineffective and slack. However that may be, surely labour is on firm ground in accusing Port Trust authorities for refusing to instal mechanical devices which could speed up handling of bulk cargo, however surprising it may be for labour to demand introduction of labour saving devices. Customs

examination in the docks, it is further complained, takes much longer time than before, because of the change in the character of imports after import licensing. Some system of pooling of labour and piece rates with a minimum wage appear to be the only solution but how best it can be worked, for that the committee's report will have to be awaited.

Groundnut continues to Perplex

IN the absence of reliable statistics of crops, the market behaviour of oilseeds and oils is dominated by export rumours and speculative manipulations and prices remain out of tune to the supply-demand situations for long periods. Government is no doubt trying to improve the technique of forecasting crop yield through sample crop cutting surveys and the position may improve after a few years. It is, therefore, not very surprising that the groundnut and groundnut oil market behaviour continues to perplex experts. Thus, in the 1953-54 season, despite a forecast of bumper crop, groundnut prices increased by over 20 per cent during the season, that too without any stimulus from exports. The prices began to decline after the season was over under the influence of the decline in other commodity prices. During the 1954-55 season, however, Government has been quite liberal in allowing exports of HPS groundnut and groundnut oil and over 2½ lakh tons of kernels have been exported in the form of oil and seed. The profit margin in the export trade has also been fairly attractive and export quotas of oil still fetch a premium of Rs 75 per ton. Yet groundnut and groundnut oil prices have failed to look up even when the season has nearly ended. The price of groundnut oil stabilising at a level of three to three and half times its pre-war level is in keeping with the price level of other commodities. However, with the season over, it is necessary that Government should consider the policy of further exports very carefully so that wide fluctuations in oil prices are not repeated. A policy of price stability can now succeed with the stability in the world supply of oils and fats brought about by increased production and reduced demand from industrial consumers, mainly manufacturers of soap.

It is a pity that Government,

desiring to encourage cottonseed crushing, is following a rather halting policy in regard to the export of cottonseed oil and cake. The increase in cotton production has substantially increased cottonseed supply. Further, as oil recovery from cotton seed is only about 12 to 18 per cent, the price of cottonseed cake determines the profitability of cottonseed crushing. It is therefore in the larger interest of the country that cottonseed oilcake and cottonseed oil should be freely exported so that in case there is scarcity of edible oils in future, the established cottonseed crushing industry in the country can help augment supplies.

Simla Conference on Dollar Aid

THOUGH the Simla Conference of the Colombo Consultative Committee, from which Ceylon conspicuously absented herself, achieved nothing, it drew attention to some practical difficulties in the utilisation of US aid which it had met to discuss. These arise from the form in which the aid is given, viz, tie-up with the disposal of farm surplus and the stipulation about the manner of its carriage. The first creates difficulties of absorption of a sort not difficult to imagine; the second causes delay when US ships are not available. It is curious, however, that the difficulties of absorption of US aid should be advertised, when nothing is said about the difficulties of utilisation of the aid given by the Commonwealth countries. The tie-up, for example, of particular projects with plant and equipment to be supplied by donor countries which naturally depend on the delivery dates that their manufacturers find convenient.

Japan's active participation in this Conference was a notable feature, particularly its offer of technical assistance at a cheaper cost which, however, could not be discussed as the Conference had been called only to consider US aid. It was only a conference of officials. So let us leave it at that. That Stassen's offer to underwrite a payments union for the ECAFE countries, which has been in the air for some time, should turn out to be such a damp squib is surprising in the extreme. Did he really expect these countries to pool together their military aid for financing a payments union?

Goa — Too Long in Going

PUBLIC opinion in India has been agitated over the manner in which the Portuguese authorities in Goa have treated the venerable freedom fighter of Maharashtra, Senapati Bapat, and his gallant associates in the first batch of satyagrahis to enter that alien-dominated pocket. Those who are a little too much bothered about international niceties to realise the magnitude of the provocation that the Portuguese have been offering may question the propriety of allowing satyagrahis to cross the Indian border into what is to them foreign territory. To distant Delhi, Goa may be no more than a pimple to be scraped off in course of time. But to people living around the pocket, who have their kith and kin and even ancestral homes inside and who have been deeply pained by the happenings there, the problem has assumed an urgency which a merely legalistic approach cannot assuage. This is, however, not to condemn Delhi's high rectitude in this matter, but rather to point out that there is another aspect to it, call it human, emotional or even that of common decency, which can no longer be ignored. If Goa were a sequestered islet far off in the Arabian Sea, it might have been different; but Goa is not only an integral part of India, but one that is in living contact with the rest of the country. What affects it affects other parts too, and in a vital manner. Therefore, to treat it merely as a problem in law or political punctilios is a little unrealistic. Not that Delhi's active intervention is sought; those who seek it tend to take too facile, too short-sighted, a view of things. But for the Government of India to go to the other extreme and prevent the spontaneous forces of freedom from asserting themselves, be it even outside Goa, is to be unduly touchy. After all, the Portuguese are not going to quit Goa gracefully; methods of discussion and negotiation have little appeal to their authoritarian psychology. And grace on our part, though it may no longer be mistaken for weakness, will nevertheless encourage them to persist in their reign of terror, causing untold suffering to the people of Goa. Why should this be allowed to happen, if it can be helped?

The point to remember about Goa is that whatever mistakes the Portuguese authorities might have committed there, they have not been guilty of providing opportunities of

liberal education to the people or allowing them to secure political instruction or training. And if despite this precaution, any sign of political awareness has manifested itself at any time, they have lost no time in suppressing it ruthlessly. They have kept it as a close preserve of Portuguese privilege on the one hand and mass ignorance and servitude on the other—a sort of colonial holiday centre where the few batten on the helplessness and apathy of the majority. Those with spirit or intelligence who could not stand this and who had no great possessions to tie them down, have had to escape from the stuffy atmosphere to seek an honourable livelihood elsewhere in India. In fact, the intellect and heart of Goa reside outside the borders of that little islet of mediævalism; and so also a good part of conscious man-power which might have been expected to assert itself against alien insolence and oppression in keeping with the spirit of the times. The result is that there are few left in Goa to present any serious challenge to Portuguese domination; and it is that and the propaganda potentialities of it as also Delhi's unconcern that have enabled the colonial freebooters to put on such airs. Had it been just a pose before removing themselves bag and baggage, none would have been the worse for it. But it seems as though they take themselves very seriously, and still hope to retain their control over Goa, which is certainly not a matter for amusement.

Blow It Off

BUT what is to be done? To expect a strong movement to develop within Goa is to misread history and misjudge the power of mischief and the capacity for suppression that the Portuguese rulers still possess. It is futile to imagine that the latter have decided to wind up their 400-year-old show and wait for the first ship to transport them home. There might sooner have been a popular rising in Nazi-dominated Germany than in Portuguese-held Goa. It might be well to remember that the machinery of domination and oppression in Goa has been perfected with consummate cunning and cynicism over more than four hundred years of unshaken Portuguese hegemony. Any comparison with pre-Independence India is most inapposite. Nor can there be any reasonable comparison with conditions in the French pockets on the eve of their deliverance. Whether it pleases all of us or not, the

truth, to put it plainly, is that Portuguese authority must be assailed from outside, be it by the most non-violent of methods; and once it is so assailed and there is assurance of strong popular backing from outside, then the crushed spirit of the Goan people may have a chance to revive and give the final kick to the tottering edifice of colonial authority. How is that to come about? Economic measures are not without their value. Indeed, whatever measures have been taken by Delhi to prevent smuggling and restrict remittances to Goa, on which so much of its prosperity depends, have done not a little to stimulate an awakening to realities which Goa had never experienced before. The embarrassing position in which the Portuguese now find themselves is also becoming increasingly evident; but an entrenched power does not yield so easily. Badgered, it becomes even more vicious. So long as it is the people who suffer and not the foreign rulers and again so long as popular discontent does not rise to the point of being able to overthrow its authority, they may not be shaken out of their resolve to cling to the pocket. But if economic measures should be accompanied by convincing tokens of support by people outside Goa, such as Senapati Bapat and his brave band of volunteers have already given, and if these tokens grow in number and intensity, the situation will change—and perhaps sooner than most people expect. The card-house of Portuguese rule has started wobbling. A strong whiff of popular sentiment should bring it crumbling down—the Government of India permitting.

Minimum Wages in Agriculture

THE fixation of minimum wages for agricultural labour has been on the cards for many years. The Minimum Wages Act passed in 1948 provided for it. According to this Act, minimum wages had to be fixed before December 31, 1953, for employments in agriculture. Since some of the States, especially part B States, could not adhere to the time schedule, the Act was amended to extend the last date to December 31, 1954. While efforts have been made to fix minimum rates in industrial employments, no progress has been made on an all-India basis, except where wages had been fixed by the respective State Governments.

The obstacles in the way of introducing a minimum wage for agricultural labour are well known. Cus-

tom and convention govern such a large number of transactions in agriculture, and they differ so widely in different parts of the country that it is difficult to evolve a uniform code of minimum wages. Moreover, most of the agricultural employers are themselves small holders and granting that a minimum can be enforced, they might either do away with the little hired labour they employ or, switch over to 'share cropping', which is neither conducive either to efficient cultivation nor desirable on social grounds.

The tripartite labour conference which met last week in Bombay were quite alive to these difficulties, when they discussed the fixation of minimum wages for agricultural labour. Labour leaders were, no doubt, vehement in their demand for the immediate fixation of a minimum wage on a national level and since the Agricultural Labour Enquiry had shown that agricultural labour finds employment on an average for 189 days in a year, they demanded that a fair wage should be fixed during the season of 189 days, which would enable the workers to carry through for the rest of the year. What could be more simple than that?

The representatives of State Governments, however, some of whom have tried fixing a minimum, expressed their doubt about the success of a wage policy for agriculture—owing to the disorganised state of agricultural workers and changing conditions from area to area. Hyderabad's experience of the Minimum Wages Act was one of complete failure. The representative of Rajasthan Government was of the view that the measure should be confined to farms where more than 20 labour-

ers were engaged. The compromise reached was that there should be a "pilot" implementation of this measure in selected areas, before it could be extended to all farm labour.

Price Support Widens Price Differentials

THE operation of price support in UP in the first two weeks has brought to light some complexities of the problem which could well have been anticipated. This is only the beginning; so there is no need to jump to conclusions, but the facts are sufficiently important and significant to merit attention. Government purchases for the present are confined to fair average quality wheat which normally commands a premium over other qualities. But since Government is buying only this quality and no other, the price difference between different qualities of wheat has widened, and widened so far as to upset the market. While the FAQ (fair average quality) is selling at Rs 10 per maund, the red variety, grown on the banks of Jamuna, has gone down below Rs 6 per maund in the interior. Normally, the price difference between these two qualities does not exceed Rs 1-8; now it is Rs 3-8 or more.

True, there is no *a priori* reason to suspect that the elasticity of substitution among the different qualities would be so low as to enable such high price differentials for long. But experience alone can show how far this assumption is borne out by facts. The situation, it is reported, has been made a great deal worse by lack of adequate publicity with the consequence that villagers, ignorant or sceptical about the price support programme, have resorted to panic selling, thereby further upsetting the market. Of course, relative prices need conform to no set standards. This becomes apparent, when the comparison is extended from different qualities of the same grain, eg, wheat, to other cereals and particularly, to gram, the widening price difference between gram and wheat having been a feature in recent years.

Paradoxically enough, it is because prices had been controlled in the past and the grain market in UP as in other important producing centres had come to depend on a substantial volume of Government purchases, decontrol has left these markets without adequate support. The funds employed in the purchase and carrying of stocks and grain were diverted to other uses, trade capital has not yet returned to the grain market and the tendency to depend

on Government purchases is understandable enough. But this very dependence also retards the flow back of normal trade credits and restoration of arrangements for carrying of stocks.

The more sober opinion in UP as well as elsewhere appears to be that when Government purchases attain substantial proportions, grain markets will regain stability; the implied assumption being, among others, that eventually price support will not be confined to one or two varieties, but will be extended to all the major qualities. It is by no means certain, however, that the same result can be obtained by confining purchases, as at present, to a single quality of wheat. The situation bears more than a passing resemblance to that prevailing in the gilt-edged market when Reserve Bank was supporting only the Conversion Loan. The price difference of other loans widened perceptibly and this disparity remained pretty wide—judged by the standards of the highly integrated money market where rates are adjusted very finely—and persisted throughout the period of Reserve Bank support.



Off the Record

DID the presence of Acharya Vinoba Bhave at the last session of the AICC really symbolise the closing of ranks, so that constructive workers within the Congress, who have hitherto hitched their wagon to the star of Sarvodaya, can present a united front with governmental wing of the Congress who have sponsored a second Five-Year Plan with its accent on heavy industry, though it has given a wide scope for cottage industries also? To put it more pointedly, can Sarvodaya be reconciled with the socialistic pattern of society which the Congress Government hopes to attain through legislation and through the implementation of the second Five-Year Plan? How could they be reconciled, with ends that are poles apart and means so different, one depending for fulfilment on a change of heart and spontaneous response of the people—this has been aptly called Janashakti—and the other on the administrative machinery and its law-making power—which has with equal aptness been described as Rajashakti.

It is only in the highly idealised Hegelian conception of the State that the two are one and the same. This demands a degree of abstraction which offends both common sense and realism; paradoxically enough, the Hegelian conception is upheld today by the followers of the very man who put Hegel upside down. In the Communist States, Janashakti is also Rajashakti, not only as a matter of abstract legal theory—which it is in every political democracy, and even in a successful dictatorship—but also in day-to-day operations, the participation of the people in the execution of State policies being ensured at each stage through the agency of a single all-embracing party. The instrument through which the State acts in Communist countries is not bureaucracy of the administration, but of people's organisations. The Congress had, in the days of its struggle, developed, if not exactly as a mass organisation at least as the skeleton of such an organisation, through which it could get the people behind it effectively for one supreme purpose: to win the country's independence. For that purpose, the organisation proved nearly adequate. This much even the critics of the Congress have to

The Strategic Points

concede, excepting diehard ones who perhaps still maintain, though they do not say so loudly any more, that the Congress did not lead the people finally to victory, and that it was but a favourable combination of circumstances which enabled it to get freedom on a silver plate. Those who think on these lines do not of course regard what India gained on August 15, 1947 as real freedom; but that is a controversy which is now dead and had better be dropped.

The point is that the Congress succeeded in winning freedom and that it did organise the people successfully for this purpose; but can it organise the people successfully for a common economic programme? True, it has all along had a constructive programme, and it actually sponsored organisations like the All-India Village Industries Association and the All-India Spinners Association and trained a number of constructive workers. It has also a programme of Sarvodaya. According to some, this was all that was genuine in the Congress in the past. Vinoba Bhave is not trying to win land for the landless by operating the legislative machinery or through the coercive power of the State. His movement is based on entirely different principles, and it does not stop with Bhoodan. He has a very clear notion of the pattern of society he wants, and that pattern is not of the Avadi type. Philosophical anarchism and an idealistic concept of the State are as poles apart as are Sarvodaya and State Socialism. Did the presence of Vinoba at the last session of the AICC achieve the impossible and reconcile these two completely antithetical ideas?

To those who consider themselves genuinely Congress, indigenous to the soil and wedded to the spirit of Gandhiji's teachings, Pandit Nehru had a reply to give. Panditji traced the history of the Congress, not in terms of its constructive programme, the All-India Spinners Association or the Village Industries Board, but in terms of the resolutions on economic policy passed in various sessions of the Congress in the past. He referred to the principles of economic policy and the fundamental rights laid down at the Karachi session of the Congress in 1931. That was the first formulation by the Congress of certain basic principles in broad out-

lines. After that, he said, the Congress did not formulate any policy except in regard to land, because land was obviously the most important, and no work could be done unless this problem, on which depended the welfare of 75 or 80 per cent of the people, was solved. For a popular and agitational organisation, however, it was enough to concentrate on one aspect of a problem which was "complicated and complex", but for the Government, he implied, rather than said in so many words, it was necessary to think of all the other aspects also. This was a veiled reference to the Congress Agrarian Reforms Committee and its report which he did not mention by name.

Then again, the Congress had thought of economic planning as early as 1938, when the then President, Subhas Bose, appointed the National Planning Committee of which Pandit Nehru had been nominated Chairman. But the war came and with it the pilgrimage to prison. By the time the leaders came out and took over, the findings of the Planning Committee had become out of date; and the Neogi Committee was appointed in 1946 to collect the preliminary data for planning. The rest is recent history, too recent to need recounting.

This brief excursion into history was useful in adding some ballast to Sarvodaya. After all, those who point accusing fingers at the one or the other have to take note of the fact that the Congress had all along been moving in two different ways. One of these finally led to the setting up of the Planning Commission. Did the other lead to Bhoodan? While this is a wholesome revelation in itself to those who are prone to take a one-sided view, it does not help build the bridge between Sarvodaya and State Socialism. That bridge has to be built, and Pandit Nehru was merely thinking aloud, as he is wont to do, when he said that Socialism cannot be established by a decree: it has to grow. It can grow, if Government changes by law the social relationship and ownership and thus prepares the ground for it. There is a certain degree of coercion implicit in State action—in preparing the ground for the eventual coming of Socialism. That is why perhaps he hesitated to use the word Sarvodaya. It was a far

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better word, he admitted; but it was, nevertheless, a word which had no "historic context behind it" and again, it was one which "we are not yet worthy of using".

Though Pandit Nehru has a habit of taking his education in public and also of thinking aloud, to get the closest insight into the working of his mind, one has to watch him and listen to him not at official functions or even in Parliament, but in party meetings where he is least assertive.

Addressing his party colleagues in Parliament, Panditji set out his basic ideas; how the socialistic pattern of society can be achieved? His habit of thinking aloud makes him present both sides of the question, but it sometimes leaves the reader guessing which way his own mind is moving. The burden of this speech appears to be that nationalisation is neither the royal road nor the only road to socialism. That it is, a "completely wrong notion". "Do not mix the two things up". Many of the Communist countries have nationalised everything, but they have not succeeded in achieving a balanced economy. Having gone too far towards industrialisation, some of them are painfully retracing their steps and going back to agriculture. China, on the other hand, not only

has a private sector, but Mao Tse-tung has issued an open invitation to Chinese capitalists abroad to bring in their capital and offered it protection. Anyway, even Bernard Shaw was dead against capital levy, "although otherwise he called himself a socialist, even a communist." "Let us not get lost in words."

Now all this is neither here nor there. One may cavil at Shaw, whose mind was made by the stage, being taken as an authority to consult on an issue like capital levy or demur that Mao may not agree that Marx is so outdated after all. But that is not it. Nehru is groping for something, he is breaking away from and coming out of the shell, Fabian one may call it, woven round him by civil servants that no one should earn more than they do, and hand over the control to them and we shall, here and now, be in the best of all possible worlds. "There is really no choice before us between having a private sector and allowing it and encouraging it to function, and not having it at all. It is foolish to have a private sector, and then undermine it and prevent it from functioning. There is no point in it. You simply undermine your own policy that way." "The public sector will always be number one and will, I have no doubt, grow at

a much faster pace than the other sector, and shall gradually really determine the economy of the country. The rest will have to fit in; even now we try to make it fit in, in our plan".

This is something positive, and refreshing, this feeling for life and growth, this counsel for supplementing the private sector rather than wasting resources for supplanting them, is both realistic and constructive. But while holding forth at length on the scope for expansion both of the public and private sector, eg, in the sphere of banking—"There is so much room for state banking to expand, then why should I worry about private banks?"—Nehru also said "I am interested at the right time in acquiring banks, insurance companies and mines. I am interested in these because these are basic things." (italics mine). What is the right time? How basic are they and in what way are they holding up the progress at the moment? Insurance companies pool the savings and invest the bulk of their funds in Government securities; so do the banks. It is yet to be proved that banks cannot be made to toe whatever line the Reserve Bank chooses to set for them. What are the basic things? Panditji has only asked the question, he has not answered it.

Our Delhi Letter

IT has been a Pakistan in Delhi. The Pakistan leaders are past masters in the art of diplomacy. They made us forget completely the sad incident at Nekowal, the memory of which was yet green on Saturday last. When Mahomad Ali and Iskandar Mirza arrived with their Begums at Palam-aerodrome, Pandit Nehru received them with a charm and grace that are peculiarly his. It was obvious that there was no enmity in his mind and he welcomed his Pakistan guests with open arms. Even the appearance of Mohamad Ali's new Begum did not seem to disturb Panditji, normally known for his moral and aesthetic sensitivity. The new Begum was the soul of modesty. From a distance, she looked so typically Indian, with a beautiful sari on, that it was difficult to believe that she had been born in Canada and had Syrian blood in her. Whatever the morals of polygamy, Mohamad Ali surely is a man of taste. Aliya went round and made herself at home wherever she went, and she moved around a good deal.

The Begum had made a little history in the social circles of Karachi. Does the fate of countries hang on such trifles as these? She was in the background, however, while the two Prime Ministers carried on long and secret conversations. I waited right till Wednesday evening to be able to report in a confident way, which way the wind had blown during the Indo-Pak conference on Kashmir. We seemed to be agreeing on almost everything else—including, it was said at one time, the division of the India Office library in London. Gen Mirza, who talks fire at Karachi and Dacca and even attempts to blow it across the Khyber, appeared to be in a most amiable mood and was reported to be agreeable to the Defence Ministry proposals in his anxiety to stop border incidents.

For the time being, we must concentrate on an evaluation of the recent Indo-Pak talks. I must confess, in this connection, to a sense of failure, and that is the major cause of the delay in this despatch. I weighed all the material I could get, including the views of persons called knowledgeable in their rather shifty line. I only seem to have been right in a limited and negative way in as much as I discounted their story about the India Office library, which gave an impression of the reasonableness of the Pakistan attitude. But

Pakistan in Delhi

as a matter of fact no agreed formula has been reached regarding the library and talks will continue, as on Kashmir. The communique is beautifully vague. Fullness and cordiality—the first is characteristic of Pandit Nehru and the second of Mohamad Ali—are certainly new and welcome developments in Indo-Pak relations. That the talks did not break down but will continue, this time in the more salubrious climate of Karachi, are hopeful signs of a possible change in the destiny of the Indo-Pak subcontinent. In fact, during these talks, almost for the first time during the last eight years, one had the feeling of togetherness, of the stupidity, if not the insanity of the Partition, of the insolubility of the political problems of the subcontinent. I know, there are people—almost the whole of Delhi for that matter—who believe that coming together is unthinkable. To me, there are hopes, apart from the mystic prediction ascribed to the late Sri Aurobindo. Pandit Nehru has in him statesmanship of that calibre, which can bind men, hopelessly sundered. I believe, Pakistan is getting down to the acceptance of its present position in Kashmir; and the correspondent of the London Times, who put out this story not long ago, appears to have been well informed, despite the vituperations of Dawn and the supposed official repudiation of such 'treachery'.

In this connection, the developments in Pak-Afghan relations are typical of Muslim politics. The deadline of May 15 is past. The Middle East princes are still going about trying to patch up the breaches in Islamic solidarity. Really there has been a lot of bluff on both sides. These marionettes haven't the will or the strength to fight. The credit for the softening of tension must go deservedly to US diplomats. We, of course, remain the villains of the piece, the reputation of the Soviet Union in that direction having already been established. Americans are in no mood to turn Pakistan into another Korea. American mothers will not risk the lives of their boys in another Korea and the Republican Party is afraid of losing the Presidential election, now not far off. So Pakistan has reverted to the methods of diplomacy, typically British in technique. They are trying to put up his Royal Highness, Shah Mahmood Khan, the uncle of

the present ruler. Pakistanis may be right in terms of international law, but they just don't understand that they haven't the resources of the British Empire to maintain the Durand Line and keep the Russians off the Oxus. Some historian should tell them of the terrific cost in terms of (our) blood and money (the Military Accounts Department just broke down in all the three Afghan wars) that the maintenance of the north-west frontier entailed. It is just common sense that this frontier can only be maintained by the combined resources of the whole subcontinent; and it is equally in our interest to help Pakistan in limiting the line of the Russian advance. We may now fiddle, while the frontier is burning and make fun at the impotent rage of Pakistan. It is not yet sufficiently realised that Pakistan, as a buffer state, is among our strongest defences and we must prepare to take over the responsibility from obviously incompetent and incapable hands. This is the historical basis of my superstitious belief in the prophecy attributed to Sri Aurobindo.

On our own limited frontiers, we seem to be blundering badly. It simply cannot be the policy of Pandit Nehru. Our frontier policies of dealing with the Akalis, the Bengalis and Nagas—they are now our frontier tribes—are not characterized by that farsightedness and magnanimity, for which the Prime Minister is rightly known. It appears fated, as things are developing, that these communities will acquire a Muslim League psychology; and as we had to agree willy nilly to Pakistan, we might later have to agree to some such vicious solution of the problems involved. Reports have been received here during the week of large scale arrests of Akalis and Nagas. Without going into the rights or wrongs of the whole position or the political outlook of certain large groups of people, one can still see that we are not following right policies. I think, it was Pandit Nehru himself, who referred at one time to how the Soviets solved their problem of nationalities. Historians used to describe Tzarist Russia as a babel of tongues, races and creeds. How typical of India it sounds. Yet the Soviet Union is now a unified personality. It is historically wrong to believe that this was achieved by

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force of arms. Nothing enduring is accomplished that way. The Soviet Union not only recognised the provincial languages but encouraged them by getting school books published in those languages at the cost of the Central Government! Pandit Nehru's philosophy suggests these methods, not wholesale arrests for shouting silly slogans and the like. The Nagas will not give up their head-hunting except by a sincere and powerful drive in the cultural and economic spheres.

We have been too long with the frontiers. This political gossip has unnecessarily clouded the basic economic issues. We missed an opportunity of building up, of course, in a small way, a regional economic unit for Asia. The Simla Conference came to the agreed conclusion that considering the order of funds required for an Asian Payments Union and a regional aid programme, it was best to continue receiving aid on a bilateral basis. Why did we then hold the conference? Of course, it really had not much of a chance any way. The Colombo Powers were a house divided against itself. The other Asiatic powers do not share a common political philosophy. Those who represented us at Simla were congenitally incapable of appreciating the *malaise* in the troubled soul of Japan. The heart of Japan revolts against the scale and technique of American aid. She is struggling to find a substitute in the economies of Asia. We can certainly find a solution. We don't need a moneylender to finance our coming together. Even as it is, one was ready to put in some small capital, which was not without its marginal significance. We buried the scheme ceremoniously. Though quiet and beautiful, it was a thoroughly useless conference. Once again, wherever the spirit of Pandit Nehru is missing, everything goes wrong or nothing materialises. By the by, what has happened to his proposal of going on a voyage on a cargo steamer to relax? It would be just disastrous for us. Outside his personality, there is a vacuum that is almost terrifying. Gandhiji left behind giants. Pandit has bred only pigmies.

Lot else has happened, which has now to be compressed. The Clutterbucks have left dramatically in the American fashion and we are going to have the son of the late Ramsay MacDonald, representing the UK here. What is Pandit Nehru's reaction, for he had strong

feelings about the MacDonald affair, in which the son was also involved. General Maharaj Rajendra Singhji has vacated his post of Army Chief and General Srinagesh of the Southern Command has taken his place. Pandit Nehru has laid the foundation of a National Museum and we are in for a grand institution. Steel

retention prices have been raised and there is some evidence that the Russians are going ahead with their steel project. The week began with a rumour that Ghulam Mohamed—Gulu, as he is affectionately called here—was dead. We now have evidence that he is quite alive. That is not bad.

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From the Calcutta End

ONE of Stalin's miscalculations, one gathers from Mr Truman, was that America would be plagued by a severe slump after the second world war. Stalin's Marxist faith in the inevitability of a slump in a capitalist country may or may not be shared by Calcutta's economists. But the people of Calcutta seem convinced that epidemics are cyclical phenomena. Every fourth year, it is said, Calcutta is plagued by either smallpox or cholera. This four-year cycle theory seems to be well-established, and widely believed in this disease-ridden, congested, unclean, city.

1955 is the dreaded fourth year. December to March is the season when Calcutta is visited by smallpox. It may be because one had the misfortune to suffer from an attack of chicken-pox, one now notices pock-marked faces more frequently in the streets. The season for smallpox is over. Now the season for cholera has started. It has already been declared epidemic by the Corporation. Hospitals are reported to be full with cholera cases.

Calcutta is, perhaps, the only city in the East which is vaccine-conscious. All the hotels and all the big industrial and office establishments are regularly visited by Corporation doctors for vaccinating people against cholera or smallpox. Calcutta's inhabitants do not share the Shavian dislike of vaccination. Maybe they, though Orientals, are no longer fatalists. Their faith in modern medicine is commendable. So also are the efforts of the Corporation. From all street corners, Corporation vans are warning people through loud-speakers that cholera has this year, the fourth year, appeared in an epidemic form in Calcutta.

TABC

It was the editor of the first Bengali weekly, Iswar Gupta, a considerable poet in his own right, who wrote that doggerel "in Calcutta, one lives with flies during day-time and mosquitoes at night". The doggerel caught on—people have been humming it for nearly a century. Flies and mosquitoes are still there. But now in Calcutta one lives under the constant threat of typhoid, smallpox and cholera. These diseases frequently recur in epidemic form

Inside Pakistan

BATTLE FOR SUCCESSION

Mr Ghulam Mohammed's ability and competence were widely acclaimed. Pakistan's Governor-General is an ailing politician. He is reported to be deeply disturbed over the struggle for power among Pakistani politicians. He is reported to have reached the conclusion that it would be better for Pakistan to align with India instead of associating with the Middle East, as the latter policy may mean that Pakistan will become another Iraq or Iran. There may be doubts about Pakistan's future foreign policy. But there is no doubt about Karachi's desire to be friendly with New Delhi.

One gathered from the discussions that the battle for succession could have been easily solved had Karachi not been suspicious about Mr H S Suhrawardy's intentions and designs. It transpired that General Mirza would prefer to remain as the maker and breaker of kings, rather than be king himself. This leaves the field open for Mr Suhrawardy. Some informed foreign correspondents seemed highly impressed with Mr Mohammed Ali, the present Finance Minister. At this stage, one joined the discussion to suggest that, in that case, it would have been wiser for Mr Ghulam Mohammed to groom the present Finance Minister for the Premiership of Western Pakistan. Then, the Khan Saheb could have been persuaded to be the Premier of Pakistan—a choice which would be in the best interest of Pakistan's solidarity.

PUNJABI DOMINATION

It was at this stage of the discussion that one of the foreign correspondents turned to this writer to answer one of his earlier questions. How to fit in Karachi's reported desire to be friendly with New Delhi with the continued exodus of Hindus from East Bengal? How to explain the seeming contradiction between Karachi's declared assurances to the East Bengal Hindus and the continued exodus from Eastern Pakistan? This was where the problem of Punjabi domination entered into the discussion.

Punjabi domination is the most crucial problem in Pakistani politics. To solve this, as well as the

in this city. So, to attain immunity from them, people in Calcutta now live with TABC and vaccination against smallpox. TABC, in case any reader in any modern, sanitary city is unaware of it, is an injection which is supposed to give immunity against cholera and both the forms of typhoid all at one shot. One has to live as a Roman while in Rome. So, one is trying to discover how painful TABC is.

Disease, unemployment and politics are Calcutta's three major problems. These problems are not unconnected. This is not a dissertation on the co-relation between unemployment, poverty, and disease, or between physical, mental and political ailments. But it cannot be a mere coincidence that Calcutta's politics is as distorted and dirty as the city is. Politics in this city has a tinge and a flavour which one who has lived in more sophisticated surroundings for many years finds nauseating.

HIGH POLITICS

Calcutta's internal or party politics may be morbid. But it is not unimaginative in its treatment of High Politics. It is natural that Bombay is more intimate and familiar with Goa, as Calcutta is with India's northern neighbours or NEFA. Nor is it unnatural that theories are current in Calcutta about Pakistan with which even New Delhi is not yet familiar. After all, the refugee problem is one of Calcutta's major troubles. And, the Union Rehabilitation secretariat in this city is now very active not only in dealing with the refugee problem, but also in propounding theories about Pakistan.

One had occasion recently to have a lively and intriguing informal discussion about refugees and Indo-Pakistani relations with some foreign correspondents and their political friends. All seemed to agree that Pakistan was now eager to establish friendly relations with India. Pakistan's economic and political troubles would seem to indicate some such attitude. No one present was willing to risk his reputation by predicting a solution of the Kashmir problem. But certain deductions emerged out of the discussions, which would be well worth retailing.

issue of Eastern Pakistan's domination over Western Pakistan, the separate provinces of Western Pakistan were merged into one unit. Even so, Eastern Pakistan continues to have numerical superiority over the combined unit of Western Pakistan. To avoid domination of any wing by another, the parity basis of representation to the Constituent Convention has been fixed. Many political parties in Eastern Pakistan oppose this basis of representation. They claim proportional representation.

With Karachi's support and consent, Mr H S Suhrawardy recently visited Dacca to smooth matters over. He succeeded in wooing Maulana Bhashani's support. Maulana Bhashani's associates now claim that they supported the plan in the knowledge that they would have opportunity to include the policies of the United Front in the Pakistani Constitution as the Convention, as it was then called, would

have legislative powers. It is difficult to appreciate how this can be possible on the basis of parity representation. This is where Mr Fazlul Huq holds the trump card. There is, of course, another theory that Mr Suhrawardy secured the tacit support of both Maulana Bhashani and Mr Huq with the assurance that, when he becomes Pakistan's Premier with their support, he will ensure Eastern Pakistan's claims.

ENGINEERED EXODUS?

What has all this to do with the seeming contradictions between Karachi's open assurance to East Bengal Hindus and the continued exodus? Some imaginative foreign correspondents are inclined to the view that the Punjabi element in Pakistani politics is determined to assure its domination. Eastern Pakistan still has a numerical superiority over the merged unit of Western Pakistan. But this advantage Eastern Pakistan will lose if all the Hindus can be driven out of East

Bengal. Eastern Pakistan's administrative set-up is dominated by Punjabi and non-Bengali Muslim elements. These elements have joined in a conspiracy to create conditions in which the Hindus may be forced to leave Eastern Pakistan.

Such an explanation of the continued Hindu exodus, even after Karachi's declared assurance to East Bengal Hindus, is now widely current in Calcutta. Stories told by incoming refugees lend weight to some such assumption. Wider issues relating to the fundamental basis of Pakistan as a future State are involved in these developments. Apart from these wider issues, latest developments in Eastern Pakistan are rude reminders to Mr Suhrawardy, if not to Karachi, that, in winning over Maulana Bhashani, he has won a pyrrhic victory. Fazlul Huq may be old and ageing, but he is still the most popular political figure in Eastern Pakistan. He does not accept the parity basis of representation.

Russians, it is argued, for example, would never have "given in" on the Austrian peace treaty had it not been for the military power of the West (through NATO).

The Labour Party, on the other hand, is not all at one on questions of foreign policy. In the party political broadcast of Mr Griffiths, the question of peace is treated defensively—that, when the Labour Party is returned, it will pursue with "greater vigour" the settlement of

all outstanding questions with the Russians and that efforts will be made to "cut down" on the number of experimental explosions of nuclear weapons. In the constituencies, however, the individual candidates adopt a more offensive and positive attitude to these questions. At one meeting which your correspondent attended, the candidate called for the "banning of all nuclear weapons", pledging himself to strive for it, if returned. Mr

Attlee, however, is content with philosophic generalities, hoping that the electorate will acknowledge his seniority among British politicians. "The problem of the world", he said at one of his major public meetings, "was fear". He offered no solution.

One clear picture emerges from the results of the borough elections in England and Wales held last week (two weeks from polling day of the general election). Conserva-

From the London End

The Election that Fails to Wake Up

IT is generally acknowledged that the current election campaign is unprecedented for its lack of public enthusiasm. The candidates are facing a real struggle—not so much against their opponents in the campaign, but in getting the electorate to the meetings. Had it not been for the radio and the television, the parties would certainly be most unsure whether their positions on the various issues are clear to the people. But even here as a survey of the BBC indicates, the electorate tend to switch off the radio or turn on to another programme whenever a party political broadcast is taking place. Those who have television turn on the political "performances" more from want of entertainment than from real interest. Except for the most blatantly partisan press, the daily newspapers are being unusually "objective" about what is going on and in most cases, their commentaries deal with the more comic aspects of the elections. Some of the newspapers give their "objectivity" so academic a slant—lengthy excursions into the statistical probabilities of the situation—that their real value is lost not so much from the layman's lack of enthusiasm as from his lack of comprehension.

Almost imperceptibly, the political

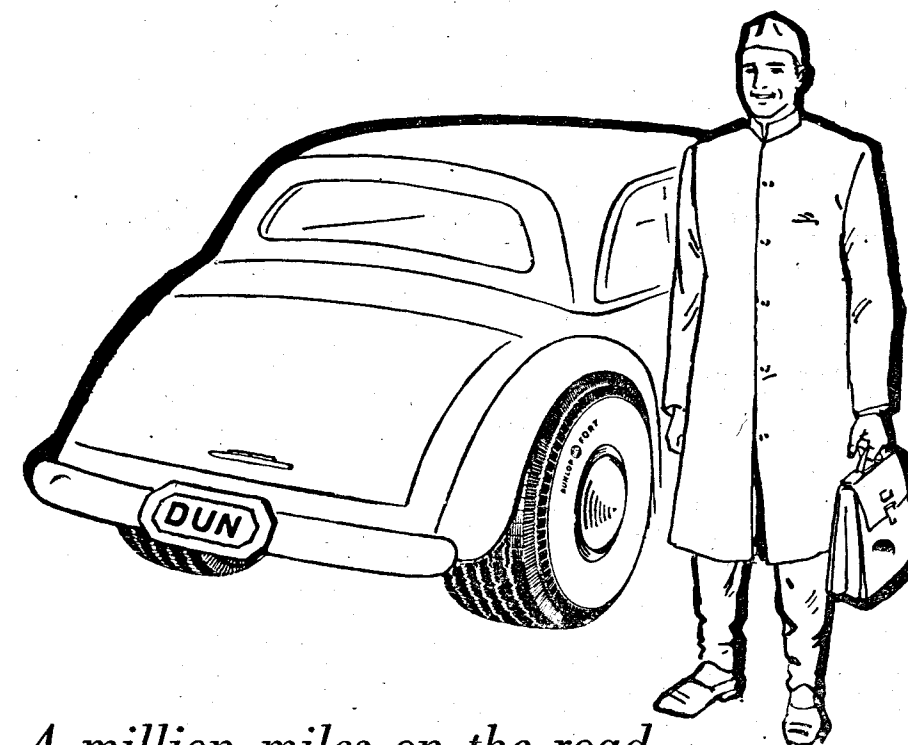
parties are adjusting themselves to the realities of the situation and are therefore forcing through what may be called "shock" tactics to provoke the electorate to take sides. The people, if at all worried, are worried about one thing—the H-Bomb. It is, therefore, this particular worry that the parties are exploiting and although both Conservative and Labour are agreed on the "manufacture" of the bomb, they vary the theme in such a manner as to give the impression that there exists a basic difference in their attitudes on this question. And so, starting off from this alleged difference, all the problems of foreign policy have been thrown into the election controversy, and they have taken precedence over all other issues.

THE INTERNATIONAL IMPACT

Most people now recognise that the current dramatic forward march of international events in a favourable direction is linked, in one way or another, with the British elections. The *Times* Washington correspondent was unusually emphatic the other day. Reporting the press conference of President Eisenhower on talks at the "summit", he drew the conclusion that the favourable

reaction of the United States to the British proposal for talks with Marshal Bulganin was more the outcome of the State Department's "desire to see a Conservative election victory" than the reduction of international tension through a Big Four meeting. In any event, the speed with which the British initiative for the talks has proceeded must seem unusual if account is taken of what happened in the past.

The favourable way in which international relations are moving is an obvious advantage for the Conservative party. And while it should by no means be implied that the British initiative is being taken solely for election purposes, it is clear from the manner in which the general public are reacting (as shown in the local election results), that Tories are well on the way towards securing the support of the people on questions of "peace through negotiation". With surprising speed, they have welcomed the new Soviet disarmament proposals and they argue convincingly enough to a generally ill-informed public that their past policy of "peace through strength" is bearing fruit, that is, that they have, as one Tory leaflet put it, "frightened the Russians" into negotiating with the West. The



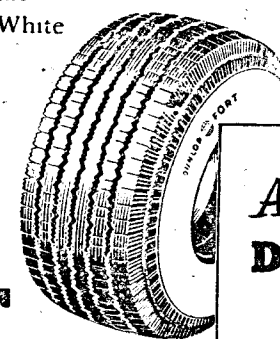
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tives and Independents regained control of many of the boroughs which they had lost in the swing to Labour in 1952, and of the seven councils where the Tories have won outright control from Labour this year, four are marginal Parliamentary constituencies. The Tories made a conspicuous advance in Lancashire where the Labour Party had hoped to cash in on the textile slump. In all, Labour lost control of 11 councils, and in three others where they were previously on level terms, the anti-Labour elements have gained control. Measured in terms of council seats, Labour lost 390 seats and the Tories gained 346 seats.

This trend—and it is nothing less than a trend—should be taken into

account in the general arithmetic of the elections, in particular the relation between votes and seats in Parliament. At the last general election Labour won 48.8 per cent of all votes cast, won 295 seats while the Conservatives with 48 per cent of the votes secured 321 seats. Had the two parties shared the votes equally, it is estimated, the Conservatives would nevertheless have won between 40 and 45 seats more than the Labour Party. To secure parity in Parliament, the Labour Party in 1951 needed at least a two per cent margin of votes in its favour. Thus if the Labour Party were to govern effectively, it would need a majority of at least 5 per cent of the votes cast. The handicap for Labour lies

in the greater concentration of the working class in particular areas thus making for "safe" seats and accounting for many "wasted" votes.

In this situation, the opportunities for Labour being returned depends on their fortunes in the marginal constituencies, *ie*, in which the difference of the votes cast for the two parties is no more than 2 per cent. It is precisely in these constituencies that the *News Chronicle* Gallup poll is most frequently held and the weekly published results of the poll show that Conservatives are gaining in support—49 per cent of the poll being for the Tories and 48½ per cent for Labour in last week's survey.

Hock Lee Bus Company and Singapore Riots

(From Our Malayan Correspondent)

THE dispute between the Hock Lee Bus Company and the employees of that company which has resulted in the riots in Singapore during the last few days appear on the surface to be a normal type of dispute over the recognition of two rival unions. One union is called the Hock Lee Bus Employees' Union, the other the Singapore Bus Workers' Union. Although this second union does not cover all the bus workers in Singapore, it certainly has very much more general support than the first. The Hock Lee Company is a Chinese company managed by a fairly recent arrival in the colony. He uses his wealth to run the True Light Church, a self-governing self-propagating branch of the Church of England. The general standard of welfare activities and wages in the company compares favourably with that of other bus companies in the colony. It is only on the issue of membership of the Union that the dispute really turns. Several members of the Bus Employees' Union have given evidence in the courts that they thought that it was a condition of their employment that they joined the tied union.

The newly-elected Singapore government has only just taken office and it is rather a peculiar feature of the whole dispute that it should take place just after the Labour Front has become the government. The Labour Front is a union of left wing parties with very much the same character as the Labour Party in England. To the left of this party is a party known as the Peo-

ples' Action Party, the members of which, although not members of the Communist Party (as it is proscribed in the colony) have a very similar programme. It has been suggested that the Communist Party thought it so unlikely that the left wing parties should take over the control of the government, that all arrangements for this strike had been undertaken before the elections. Whether this is true or not, there is not the slightest doubt that many other people besides the actual bus employees took part in the strike. One of the largest sections of the general community supporting the strikers were the Chinese students of three middle schools, the Chinese High School and the two branches of the Chung Cheng High School. Readers of the *Weekly* will hardly be surprised at the participation of students from the Chinese schools in this dispute in view of my previous remarks about Chinese education (Chung Cheng now has over *four thousand students*, twice the reasonable capacity of the school and many times greater than the pre-war figure). But in the case of this dispute, lorries were provided by a hand unknown to carry the students around, free drinks were offered to them at appropriate intervals and even meals.

There is little sign of the shortage of funds common in industrial disputes. Wherever there is a large crowd there are officials appointed presumably by the strikers (although often non-strikers) to organise traffic and at points in the crowd there are orators from outside,

some of whom play on the theme that the churches and capitalists in combination oppress the workers by forbidding them the right to organise. In addition there is the normal Chinese practice of carrying on a programme of rumours and counter-rumours to confuse the main issues as occurred so successfully with Lin Yu Tang when they wanted his retirement. Just as in China attacks on the churches were supported by photographs and stories of nuns strangling their orphan charges and missionaries secretly murdering members of their congregation for money, so in Singapore we have a charge that the Minister for Labour has received a large sum of money from the Bus Company to get the police to intervene. Up to the present, the number of casualties seems to consist mainly of those outside the ranks of the workers and police. The police have acted with very much more restraint than the organisers of the dispute who seem, in some cases, to have stood by while the mob worked itself up.

I hope I have written enough to show that this dispute is by no means an ordinary one over the recognition of a union. It is of course disgraceful that in a colony as advanced as Singapore, there are still tied unions, but, given that that state of affairs exists, there can be little doubt that there are strong interests in the colony whose aim is to use any dispute to take control of the colony's affairs, irrespective of the sort of government.

Book Review

An Indian Reference Annual

The New Year Book—1955, Edited by P C Sarkar, 12th issue. Published by S C Sarkar & Sons Ltd, 1-C College Square, Calcutta 12. Pp 312; price Rs 3/4.

THE compiler of an year-book has to ask himself, for whom is he compiling? An Indian publication, it may seem, has the course clearly chartered out for it. Either it has to be ambitious and cover the rest of the world as well as India or it may choose to be modest and supplement standard foreign publications concentrating on information relating to India, which they do not cover adequately. The second course would appear to be an obvious one for an India publisher to take. But the choice is not so simple as that, for standard year-books published abroad are expensive and beyond the reach of the ordinary reader. Hence the compromise—a limited coverage of world news and an exhaustive coverage of Indian news. The Indianness of the New Year Book, which enters the twelfth year of publication is not in question, since 277 out of its 392 pages are devoted to India. The world coverage is compact and useful, but in Indian coverage, the editor falls between two stools, width and depth. It is at the range of this excellent compilation, perhaps, that some readers may cavil: Why so much of sports and films, for instance, but so little of literature and nothing of art? Indians abroad is another omission that one detects at a cursory glance.

Otherwise, this handy volume of reference containing useful information, on topical matters including general information such as chronology of world events, geographical information about mountains, lakes, islands, etc, developments in the scientific field, award of prizes and titles, the United Nations, sports and games, and facts and figures about world today. A major portion of the book is devoted to India, and contains a wealth of information about India's historical background, physical features, etc, her new constitution, general elections, political parties, industrial development, public finance, foreign trade, etc. The publication contains a lot of Economic statistics relating to India's agricultural resources and production, a detailed description of the development of Indian indus-

tries, banking, currency, industrial finance, and insurance, and a useful section on India's Five-Year Plan and the progress achieved during the first three plan years. Useful information bearing on community development projects and National Extension Service, foreign aid and loans received by India, Indian labour legislation, transport and communications, public health, and the Indian Press also find a place, though understandably they have had to be dealt with briefly. After providing a lot of useful data relating to events in the world of sports and games, the year book ends with a brief section on who's who in India and Pakistan.

One or two suggestions may be offered: in the section relating to India's new Constitution, the amendments that have been effected so far have not been given, though

it is stated that "certain amendments of fundamental rights regarding freedom of speech and expression, freedom of assembly, etc, have been passed in spite of vehement opposition from a section of the Parliament in 1951". It would be useful to have the text of the amendments passed so far. The section dealing with India's neighbours includes Afghanistan, Burma, Ceylon, Nepal, Tibet, China and Pakistan. In view of the growing interest in the affairs of Afro-Asian countries, it would be useful if the year book includes information about other Afro-Asian countries.

On balance one gets the impression that the year book is heavily weighted in favour of economic facts and statistics relating to India, and it could as well be described as the Indian Economic Year-Book—1955.

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WHAT THE FIGURES SPEAK

SOUNDNESS AND SECURITY:

Business in force as at 31st December 1954	over	Rs.	23 crores
Life Fund as at 31st December 1954	... about	„	6.75 crores
Assets	...	„	7.80 crores
Business completed in 1954	... over	„	4.59 crores

ECONOMICAL MANAGEMENT:

Provision of expenses in Valuation as at 31-12-1951	...	...	18.92%
Expenses (Renewal) during 1951-1953	...	...	14.67%

SERVICE TO POLICY HOLDERS:

Lapse Ratio to Mean Business in force for the years 1951-1953	...	...	5.1%
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Staff Insurance

T Bagchee

INDIAN Insurance Companies introduced a staff insurance scheme some years ago under which the risks on the lives of "persons gainfully employed under a common employer" were covered by issuing separate policies at reduced rates of premium, depending upon the age of the individuals and terms of insurance. The employer did not have to contribute towards the premiums under this scheme, but he had to take the responsibility of collecting the premiums, by instalments if necessary, and of remitting the amount to the company in a lump sum once a year. A reduction in the rates of premium was effected, largely from savings on the commission payable to agents. Though the reduced rates of premium was in itself an attraction, the sale of this class of cover was never very brisk in the past, possibly because insurance agents were not enthusiastic in working this scheme as their remuneration was so much lower. However, when in the middle of last year, two leading insurance companies began to push the scheme aggressively among the big banks and public utility companies, the insurance companies, particularly the small and medium-sized companies, raised a protest against the scheme. The matter finally reached that august body, the Life Insurance Council and its Executive Committee immediately placed certain restrictions on the operation of the scheme and appointed a sub-committee of experts to look into it.

Staff insurance schemes, in force in UK, USA and other countries should have the following basic features:

(a) The policies are issued under a group scheme to the employer;

(b) The premiums are paid by the employer or by the employer and employees jointly;

(c) The amount of assurance on each policy is based on some specific plan to preclude individual selection; and

(d) The reduction in premiums corresponds to the actual savings in cost and not in commission alone. The staff insurance scheme issued by Indian companies does not comply with the basic requirements stated above. This type of insurance is clearly devised to pay additional rebates to a select few at the cost of the other policy holders and

agents. The scheme is therefore discriminatory in character and inimical to the healthy growth of agency force. The Indian Life Assurance Offices Association, in its representation dated March 7, 1955, addressed to the Chairman, Executive Committee of the Life Insurance Council, demanded that the so-called staff insurance schemes, other than those issued under group insurance schemes as defined in section 4 of the Insurance Act 1938, should be abolished.

Insurance companies suffered a considerable reduction in renewal premium incomes on account of general reduction in the premium rates introduced in March 1955. The staff insurance scheme in its present form, according to the representation made by the Association, "is not justifiable as it overestimates the savings in the cost of procurement and servicing of business". The Association is of the view that "offering different rates of premium for the same benefit to the same class of persons, according as they come under the staff insurance schemes or otherwise, is against public interest and such practice should be prohibited by law". While considering the modifications placed on such business by the Executive Committee of the Life Insurance Council, the Association, in its letter dated May 3, 1955, stressed that such modification "in no way touches the fundamental aspects and does not remove the evil underlying the writing of business under the said scheme". Judged from the utterances of the Chairmen, managers and actuaries on the subject, the staff insurance scheme received more condemnation than approbation. The opinion expressed by experts in the symposium on the subject held by *Insurance Underwriter*, a well-known Calcutta contemporary, also supports the above view. The claims of benefits that this class of policies confers, made by its supporters, will not stand scrutiny. It is detrimental to the interest of the general body of policy holders and agents. It does benefit a few salary earners at the cost of the rest of the policy holders and the entire body of insurance agents. The report of the sub-committee set up by the Executive Committee of the Life Insurance Council is expected shortly.

The Story of Bank of America

H T Parekh

WITH the transformation of Imperial Bank, the biggest private commercial institution in the country, into the State Bank of India, commercial banking is on the threshold of a new era. At such a time, a study of the history and working of the Bank of America NT & SA,* the biggest commercial bank in the United States of America and in the world, can throw new and very revealing light on what is regarded as sound commercial banking in other parts of the world outside Great Britain. British banking practice has become so much of a model in India that the study of materially different conception of commercial banking prevailing elsewhere in the world has been totally neglected. One of the consequences of this neglect is that joint stock banking in India, in its present form, can hardly be regarded a living or a growing organism.

The consideration for opening a branch bank in India is primarily to draw deposits from the public, and not to extend material assistance to the residents and small business in the locality concerned. The Italian founder and the soul of the Bank of America, A P Giannini, on the other hand, began aggressively to develop joint stock banking in California fifty years ago on unorthodox lines by being all too ready, as soon as he opened a branch, to lend to the local community for every sound business proposition, before he thought of attracting local deposits. The core of banking, as he understood it, was to be able to offer assistance to "the little fellow", the person of moderate means; that was the surest way to gain public confidence and through it, to expand banking. This is best illustrated from the following advertisement he gave about his Bank of Italy, under which title the bank was first started:

"The Bank of Italy has been, from its inception and is now, ready and anxious to make loans to people owning, or intending to build, their own homes—to the smaller mortgage borrowers who need \$1,000 or less. The Bank of Italy has built up its present reputation, its present enormous resources, largely through catering to the small depositor—the

wage earner, the producer, the small businessman, the man who owns a small home or a piece of improved property, the man who is the bone and sinew of Southern California's progress. This bank has never catered to speculators . . ."

A P Giannini's novel and dynamic approach to banking resulted in most rapid expansion of Bank of Italy's resources in California, even though for a long time he was not able to overcome the prejudice of the established bankers, particularly of New York, who perhaps regarded Giannini's banking ideas as heresy. As Giannini took his banking to every nook and corner of California which was as yet undeveloped, he suffered from no inhibitions about the nature of advances he should make. He was ready to consider formally any proposal for advance however small or unusual, so long as it passed through his astute test as a business proposition.

Apart from normal short-term bank advance against commodities, Giannini willingly advanced against property, fruit farming, poultry farming, forestry and fishing, gave loans for development of agricultural activity, including medium-term loans and even lent to local bodies for water works. For instance in 1919, 15 years after the bank was started, 50 per cent of the bank's loans went to farmers, packers and cannery. In short, he regarded as sound banking financing of any legitimate business or industrial activity so long as it was not of a speculative character and meant economic expansion, because the loan would then be self-liquidating in due course.

As a characteristic visionary banker of this century, Giannini strained every nerve to win support of the small investor, the small depositor or the small borrower, while he was indifferent to gaining support of the big businessman or the rich depositor. He spurned large loans. He preferred to make small advances and whenever he opened a new branch, he began by bringing down his lending rate to reasonable level, if he found the prevailing rates exorbitant. He revolutionised traditional banking. For instance, he pursued actively the idea of savings by school children. His branch managers visited schools regularly to popularise banking by accumulating pennies from school children, even though

such endeavours meant little immediate gain. Likewise, field workers made collections in factories, mining camps, lumber camps as well as on board ships. As a man of the people, Giannini despised the idea of a bank manager cloistering himself in a special cabin. Even in the early days, he advised "that if we would have anything to do with a bank in New York, we would see to it that the managing officers, from the President down, were put out in front and in the open where they would come in contact with and greet the people as they would come in and go out of the bank. This is one thing lacking in most of the New York banking institutions." A more revealing sidelight on Giannini can be had from the fact that more than once when speculative trend took prices of his shares to soaring heights, he was the first to issue open warnings to the public not to fall a prey by buying shares of his bank at too high prices!

BANKING AND AGRICULTURE

Perhaps the most enduring contribution of Giannini to commercial banking was to extend commercial banking wholeheartedly to the farmer. In his scheme of things, rural banking was an integral part of general banking and the banker's function was as much to finance agriculturists as to finance commerce or industry. "The Bank of Italy began putting the borrowing farmer on a budget, a radical departure in that day. The budget ran the whole gamut of farming costs: capital expenditure, such as a team or a tractor; materials and supplies from gasoline to twine; operating costs for crop-plowing, cultivating, irrigating, pruning, harvesting and hauling; an estimate of monthly advances; and crop forecasts." Giannini also promoted separate banking subsidiaries known as "Cow Banks" to finance livestock and land banks. How close agriculture was to Giannini's heart was best disclosed when he refused to take the large commission that was due to him and made it over as an endowment with which began the Giannini Foundation of Agricultural Economics at the University of California costing \$1½ million. By 1930, the Bank of Italy moved into first place as a backer of agriculture in California, its investment in farm mortgages being 9 per cent of

* *Biography of a Bank: The Story of Bank of America NT & SA.* By Marquis and Bessie R James. Harper Bros, York, 1954. Pp 566.

the State's farm-mortgage debt. What is more, 100 branches had loans over 70 per cent of local deposits in the local communities which included many rural branches. "Actually it was city money that went to the country."

GROWTH OF GIANNINI EMPIRE

The book traces at length the growth of the bank from 1904 when Giannini started the Bank of Italy in Southern California and how he expanded its activity by fighting against the concept of unit banking which held the field and for establishing branch banking which was widely opposed in USA. He took over bank after bank so that by 1930 the resources of the Bank of Italy amounted to \$1,000 million. In 1930 he merged the Bank of Italy and the Bank of America of California which also he controlled into the Bank of America National Trust and Savings Association operating in California. Along with the Bank of America in New York, which was also under his control, the total resources under his management exceeded \$1,800 million in 1930.

Giannini exercised his control through the Transamerica Corporation which held the stock of these banks. The slump of 1931-32 and the banking crisis of the time spelled a major catastrophe in the life of the bank; Giannini almost lost control and some activities of the bank were about to be liquidated. But old Giannini could not bear the dream of a lifetime being shattered and by organising a campaign with the support of stockholders he performed the miracle of regaining control. The authors relate how Giannini fought the Federal Reserve authorities and succeeded in his plans for expansion of state-wise branch banking. The bank's progress can be judged from the growth of its resources which were around \$1,800 million in 1940 and rose during the war years to \$5,000 million in 1945, making it the biggest bank in the world. By 1950, these had further grown to over \$6,800 million (over Rs 3,200 crores) with over 4 million deposit accounts.

During the war years, the bank's activities turned to financing of war contracts which included manufacture of aircrafts, ships, etc, and in the post-war years, with greater vigour it financed house construction, power production as well as municipal schemes.

The enterprise and initiative shown by the bank throughout its existence of half a century to pro-

mote agricultural or industrial development of California is perhaps unparalleled in world banking. Giannini left no fortune, when he died in 1949 and well before his death, he had spent half of his small fortune in establishing the Bank of America—Giannini Foundation. His life work is the story of a great private enterprise yielding enormous public good.

MORAL FOR INDIAN BANKING

From this absorbing account of the Bank of America, the moral for Indian banking is clear. It is an axiom of Indian banking that advancing to agriculture, real estate and unsecured, personal loans is unsound banking. In USA such loans are consistent with sound banking and are permitted by law. If joint-stock banking is to play a positive

role in the development of all aspects of Indian economy, the bankers may well ask themselves the validity of their assumptions. It is wrong to follow blindly the British tradition without taking into account the course of commercial banking in other parts of the world. If Indian banking is not made flexible enough to meet the peculiar requirements of the Indian economy, joint-stock banking can have no future in India. Neither vision nor boldness has characterised Indian banking. Now is the time for initiative both by the bankers and by the central banking authorities on whom rests the heavy responsibility of right guidance. Government's approach to this vital question is to alter the form of both co-operative and joint-stock banking while giving little attention to what constitutes substance of banking.

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Heavy Capital Expenditure Inescapable

Substantially Enlarged World Consumption

Sir Frederick Godber's views on Oil Prices

THE Annual General Meeting of The "Shell" Transport and Trading Company, Limited, will be held on June 1 at The Chartered Insurance Institute, 20, Aldermanbury, London, E.C.

The following is the statement by the Chairman, Sir Frederick Godber, which has been circulated with the report and accounts for the year ended December 31, 1954:—

The Board of Directors

Little more than a year after his resignation from the board owing to ill health, Sir Andrew Agnew, our colleague for so many years, has passed away.

In my statement last year I paid tribute to Sir Andrew's half-century of devoted and untiring service to your company and to the group. I recalled, too, his outstanding work in building up the group's tanker fleet into one of the world's largest and most efficient maritime enterprises. I feel sure you will wish to join in extending sympathy to Lady Agnew and to all the members of his family.

Balance-sheet and Revenue Statement

The financial results of the group are reported elsewhere in this statement. The dividends paid to the parent companies for 1954 amounted to £26,841,299, compared with £22,186,010 for 1953. In consequence the net revenue of your company, which consists mainly of dividends from the group, was £10,527,844, against £8,670,523 in 1953.

After deducting the Preference dividends paid and accrued and the interim Ordinary dividend of 1s. per £1 unit free of income tax, paid on January 18, 1955, there remains available for distribution, including the carry forward from 1953, an amount of £9,538,414.

The directors now recommend a final dividend of 2s. per £1 unit free of income tax which, if approved, will be payable on June 8, 1955, and will absorb £6,541,763.

Reference has already been made in this report to an issue during 1954 of 10,902,939 Ordinary shares

through the capitalization of part of the company's share premiums reserve.

When commenting on this issue in my statement last year, I said that one of its objects was to broaden the basis of the ownership of the company. You may, therefore, be interested to learn that during 1954 registered Ordinary stockholders increased by approximately 10,000, and in December numbered over 142,000. You will appreciate, of course, that the number of individuals who own the equity of the company must exceed this figure by a substantial margin, there being no record of those who prefer to be registered in the name of nominees, or of holders of Ordinary stock in bearer warrant form.

By means of such issues from time to time the shareholder has obtained in concrete form acknowledgment of the growth of the assets which his shares represent, and of the business in which they are used.

The Royal Dutch/Shell Group

The assets of The "Shell" Transport and Trading Company, Limited, are substantially in the form of investments in a large number of companies known collectively as the Royal Dutch/Shell Group. Your company has a 40 per cent interest in these companies and the Royal Dutch Petroleum Company a 60 per cent interest.

The greater part of these investments is held through three principal wholly owned operating companies—The Anglo-Saxon Petroleum Company, Limited, N.V. De Bataafsche Petroleum Maatschappij, and The Shell Petroleum Company Limited. The managing directors of each of these three companies are identical and at present are: The Hon. Sir Francis Hopwood, Jonkheer J H Loudon, H Bloemgarten, J W Platt, F A C Guépin, F J Stephens, L Schepers.

At last year's annual general meeting I mentioned that it was proposed to make available a figure of group income for 1954 on a half-yearly basis. The publication of these results, which was made in Septem-

ber, was widely appreciated and favourably commented upon, as affording an opportunity of following more closely the current trading results of the group. I am glad to say that this year we propose to publish similar results on a quarterly basis, and that figures for the first quarter will be available within a few weeks.

I will now proceed to the report on the group financial results for 1954.

THE ROYAL DUTCH/SHELL GROUP REPORT ON THE YEAR 1954

Financial Position

Net income of the group for 1954, after taxation and elimination of minority interests, was £134,474,218, compared with £130,413,373 in 1953.

Higher activity in all phases of the group's operations resulted in an increase in the volume of sales in 1954 of nearly 10 per cent in world outside North America, and of 4 per cent in North America. This improvement was reflected in an increase in group net income before taxation of £23 million. The greater part of this increase, however, has been offset by higher taxation provisions, to which reference is made later. As a consequence of these larger tax provisions, the net income of the group after taxation increased by only £4 million over the previous year. This is a very significant fact.

Out of the 1954 income, dividends of £26,841,299 have been paid to the parent companies—Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, Limited.

Sales proceeds and other income, amounting in 1954 to £1,851,039,043, were higher by £150,324,593 than in the previous year. The greater proportion of the more valuable light products achieved in 1953 sales was maintained in 1954, in spite of the fact that the higher demand pressed more heavily on fuel oils. Geographically the improvement was particularly pronounced in Europe, where it is attributable to the record level of economic activity reached

in western European countries during 1954. The increasingly high standard of quality of group companies' products also contributed to the improvement, since it resulted in public preference for them becoming more marked.

In the USA sales and income of Shell Oil Company were higher, in spite of the US oil industry's general experience during 1954 of more difficult conditions, which were reflected in a reduction of allowable production of crude oil, and in one of the smallest annual increases in consumption since the war.

Costs and expenses of the group rose in total at about the same rate as sales. Operating expenses amounted to £1,044 million in 1954, against £977 million in 1953. In addition to those costs directly attributable to the production, manufacturing, transporting and marketing of oil and chemicals, there are other heavy expenses connected with exploration and with research, both of which increased. In 1954 group companies spent more than £50 million on exploration in an intensification of the search for new oil; this, like the expenditure on research, is a cost incurred to safeguard our future position.

Depreciation, depletion and amortisation charges were, at £155 million, higher than in 1953 by £7 million. The upward trend in this item during recent years has thus continued, and is likely to do so in the future in view of the high level of present day capital expenditures.

Larger sales have also meant higher sales taxes, excise duties and similar levies, which rose by £58 million in 1954 to a total of £406 million. The steep increase in this item is in great part attributable to the increase in sales in Europe, where these levies are particularly onerous.

Taxation on income of group companies throughout the world in 1954 was £102 million, and was thus £19 million higher than in 1953. This increase is principally due to the fact that taxable income was substantially higher in 1954 than in 1953. The provision also includes certain charges in respect of extra or new taxation levied during 1954 and relating partly to prior years, as is to be expected in operations so widespread and diversified as those of the group. In some years such charges arise, while in other years amounts may be brought back into the accounts. In 1953 these factors operated on balance in our favour, but in 1954 this was not the case.

It must be remembered that income taxes are levied on group companies by fiscal authorities all over the world, in fact by more than 50 different governments. In the same way the income of £134 million is spread over an equally large number of countries, and while a few of these contribute a very significant proportion, no preponderant part is attributable to activities in any one country.

Assets and Liabilities

Turning now to the statement of assets and liabilities, you will see that some changes in presentation are made, in order that a more detailed and clearer picture of the financial position may be given. Long-term receivables have been separated from current receivables, and a new item, short-term borrowings, appears under current liabilities. This is made up of bank overdrafts, short-term accommodation bills with banks, and long-term borrowings due within one year; the two last items were formerly included in accounts payable. In addition, separate figures have been shown for cash and for short-term marketable securities.

There have again been substantial increases in property, plant, and equipment, the gross investment in which stood at £1,664 million at the end of 1954. The rise in the figure for investments from £85 million to £104 million is due to a number of causes, the chief of which is the group's initial investment in Iran; there were also other substantial investments in joint production, refining, and marketing enterprises.

Stocks of materials have continued to fall—from £102 million to £92 million—despite the higher level of activities and some rising prices. This is due to the development in group companies of the most modern methods of material indenting and stock control, by means of which they have taken full advantage of the easier world markets for materials. The increase in trade has resulted in the value of oil stocks and of accounts receivable rising to £216 million and £199 million respectively.

It is gratifying to note the increase in cash and securities, which at the end of 1954 together amounted to £346 million. Against this improvement, however, must be set very substantial forward capital commitments moreover taxation liabilities have risen to £129 million, and these must be met irrespective of the course of our future generation of funds. It is essential for our cash position to be strong, in order that we may be in a position to meet requirements for funds in nearly every country in the world, in most of which facilities for raising funds are limited or negligible.

Capital Expenditures

Our capital expenditures during 1954 were quite as high as was predicted a year ago. The figures for the past four years in millions of pounds were as shown in the table below.

About two-thirds of these outlays have been met from depreciation and other provisions, and the remainder from the retained earnings of the group.

In the light of information available at present it appears probable that the future levels of capital expenditures will, if anything, be even higher than in the recent past. Since such vast sums are concerned, it is desirable to give an explanation of the factors governing them.

In the survey of activities it is suggested that the rise of world energy demand over the next 25 years may be of the order of 3 per cent annually, in which case demand would double within this period; and that the oil industry will have to contribute an increasing proportion of these great additional requirements. Moreover the capital expenditure necessary for finding, producing, shipping, manufacturing and marketing each extra barrel of oil has risen considerably in recent years. This trend is attributable to higher capital costs in all phases of the industry—to the ever-increasing cost of finding new oil to replace reserves;

Capital Expenditure, 1951-54

	1954	1953	1952	1951	Total	1951-54
	£	£	£	£	£	%
Exploration and production ..	110	101	96	88	395	50
Oil refineries and chemical plants ..	57	72	51	45	225	28
Marketing facilities	28	30	30	24	112	14
Ocean-going fleets	27	13	6	3	49	6
Miscellaneous	4	4	5	4	17	2
Total	226	220	188	164	798	100

to rising costs of capital goods; such as ships; to the public demand for higher quality products, which entails increasing use of expensive plant such as catalytic cracking and reforming units; and to the demand for a higher standard of technical services, which frequently involves the provision of extra equipment.

In this sense, therefore, much of our capital expenditure may be defensive, and consequently does not offer prospects of any great increase of income. The normal test of profit-earning cannot be applied to such investment, which must be treated rather as a cost of maintaining our business than as new investment on which added return can be expected.

ECE Report on Oil Prices

The explanation which I have just given you should afford a good understanding of the financial administration of the group's operations, and for that matter of the business of any of the larger companies in the international oil industry. I have given explanations on similar lines in previous years and I hope, therefore, that you have been adequately informed, and so have obtained an understanding of the financial aspects of the industry.

I stress this because recently there has been considerable publicity concerning oil prices arising out of a document published last March by the United Nations Economic Commission for Europe. This document set forth the results of a study made, on its own initiative, by the Secretariat of that Commission for its Coal Committee, and while there seems to have been a serious effort to elucidate for the committee the basis and machinery of prices at present charged for oil in western Europe, the fact that on the authors' own admission the document had to be based on incomplete knowledge of relevant facts, and that its conclusions, as well as many of its statements, are accordingly erroneous and academic, makes it very questionable whether it ought to have been presented to the committee as a contribution of value.

Furthermore, on the accepted precept that a little learning is a dangerous thing, it is even more questionable whether it should, or even would, have been published in the ordinary course of events. However, the decision to publish it was undoubtedly influenced by the fact that before even the coal committee, for whom it was prepared, had had an opportunity of considering the document, leakages of its contents

appear to have taken place; and the Press here as well as elsewhere gave much publicity to distorted versions, which alleged that the document accused the oil industry of charging extortionate prices through the machinery of an international oil cartel. Such accusations are not included in the report itself, nor is there any foundation for them.

Nevertheless, these distorted "leakages," and the sensational criticism indulged in on the strength of them, engendered a good deal of interest in the subject generally, whereas probably the report itself, if it had not been so heralded, would not have done anything of the kind, either on its merits as a study or as sensational material. In fact since its publication views on its limitations have been widely endorsed in the Press, as well as by spokesmen of HM Government and the US State Department. Nevertheless, in the light of the events which I have described it is appropriate that I should supplement my comments on the finances of the group in relation to certain statements and inferences in the ECE document and the critical expressions which it evoked.

The point, supposedly extracted out of the document, which has been responsible for most publicity is that prices of oil products, such as petrol, in western Europe may be too high. The reasons given for this suggestion are that such prices are linked to prices in the USA, and that the cost of producing crude oil in the Middle East, which is the main source of supply for western Europe, is lower than that in the United States. Actually the document does not contain any such statement in this precise form. This is the interpretation applied by those responsible for the publicity to certain phraseology in it; but since the wording of the document might without too much stretch of imagination carry the implication in question, and since it has been quoted in many quarters as a positive criticism of the industry, it is best that I should deal with it as such.

Prices and Profits

I am sure that all of you must know that, like most other commodities, crude oil and also oil products are sold on the basis of market prices. Market prices in their movements are not necessarily respecters of costs, let alone costs in one particular area or particular phase of the business. What, therefore, is the criterion by which to judge whether or not, a

market price at a given moment is too high?

The total profits of the major oil companies, including our own, represent large sums in terms of money. But the quantity of oil which is sold is also very large, as is the capital required to put it into consumption. I will use our own companies' results in dealing with this question. Our business is primarily financed by our shareholders, who provided the money with the sole object of receiving some reasonable return on it in relation to the circumstances. The profit of the group for the last year was £134 million, and this means a return on capital employed of less than 14 per cent. We sold 26 thousand million gallons of oil and therefore on all operations, that is on producing, shipping, refining, and marketing combined, our profit margin worldwide was about 1½d per imperial gallon. By what standards can either of these results be judged excessive?

Even so, only a small proportion of these profits go to the shareholders in dividends. I explained to you last year in cold terms that, if we are to maintain our business all over the world in strength and in progress, heavy capital expenditure is inescapable; and also that, since the capital requirements of the international oil business have now outgrown the money markets of the world, they can be financed only by retaining in the business an appreciable proportion of earnings. Even in the USA, where capital is much more plentiful, it has been estimated that 90 per cent of gross investment in the oil industry since the war has been financed by funds generated within the industry.

I have already commented on the great increase in energy requirements forecast for the future, and the part which the oil industry is expected to play in filling these. We should be failing in our duty to the public as well as to our shareholders if we did not continue to make whatever provision is possible to enable us to play our part in this expansion. To the extent, therefore, that these future requirements must be financed out of earnings, it is a complete fallacy to regard such earnings as profits in the conventional sense. Moreover, should prices fall to a point where it became impossible for the industry to make adequate provision for financing expansion, there would be a shortage of oil products, with the consequence that economics would eventually prevail. This would inevitably, after a period of dislocation, bring us back to where we are

today, which shows clearly enough what is the influence which must govern prices in the industry.

I would, however, like to put one more test to this question. Are oil prices too high for the economic health of the consumer?

It is impossible to assert seriously that they are since oil products are probably the main victims of taxation all over the world.

You will see from the financial statements that the payments of sales and excise taxes by group companies were three times group net earnings. World-wide they represent over one-fifth of sales proceeds, but in Europe they reach one-third. If petrol in Europe is taken by itself—and its price has been especially criticised—well over half of our realizations represent sales or similar taxes. Such heavy imposts inevitably raise the cost of living since, taking the United Kingdom as an example, four-fifths of petrol used is for industrial and commercial purposes or for public authorities. Therefore, while it might with reason be asserted that the consumer is paying too much, it is not the basic price which is responsible for this, and Governments must hold the view that the basic price of oil is economically so favourable to the consumer that he can afford to pay much more in the form of taxation.

None of the information which I have now reviewed and amplified is new to you. I have given it in more concise terms in previous years, particularly last year, and it is a curious fact that the authors of the ECE document, seeking knowledge as they obviously were, seem to have neglected industry reports. The same must apply to many of the other critics, who could not have seriously raised some of the questions which they did, if they had had the knowledge which has been conveyed to the shareholders of this company in recent years, and which would have been available by reading the reports, had they made any effort to procure them.

World Oil Conditions

Total world oil consumption in 1954 showed a substantial increase over the 1953 level, for which the latter months of the year were mainly responsible. Though the growth in the USA was one of the smallest of the post-war years, in the rest of the world, excluding the Russian sphere, it approached the remarkable figure of 10 per cent.

Contributing to this increase was the rising demand for fuel oil, which continued into the early months of this year, and which during the winter months reached such a level that it stretched available fuel oil supplies world-wide to the limit. In consequence the price of that product rose in February of this year. The world's future energy requirements are likely to make further heavy demands on the oil industry, in particular for fuel oil, until such time as atomic energy becomes a significant factor.

A consequence of the unexpectedly buoyant demand for all products over the winter months was the rapid rise of short-term tanker freight rates, which by February last had more than doubled between the trough of midsummer and the peak of winter. At the height of this activity tankers on short-term charter amounted to as much as one-fifth of the total tonnage employed in moving oil, and consequently this rise in short-term rates was a major factor during the winter months in freighting costs. In contrast, the basis used for establishing the freight rates charged by group companies resulted in variations of less than 10 per cent during the corresponding period.

The world tanker position remains in surplus. Though the winter demand brought tankers out of lay-up, at the period of highest demand, there were still over one million tons idle. Moreover, a record total of $4\frac{1}{2}$ million tons of new buildings became available in 1954 and the building programme still continues at the very high level of 8 million tons, about half of which will come into service this year. The creation of this modern tanker fleet with its lower operating costs must be detrimental to the trading prospects of older tankers in a continuing highly competitive market, and their increased scrapping or conversion to other uses will become still more necessary.

The future requires that supplies of crude oil, the raw material from which the industry's manifold oil products are derived, be at all times available in sufficient quantity to fulfil potential demands. This can only be achieved by continuous exploration for new oil discoveries. It will be appreciated that over the past years those prospects which were most readily accessible have already been tested, with the consequence that reserves for the future must be sought, for the most part, in remote and less accessible regions,

at the greater depths which modern methods enable the drill to reach, or in off-shore waters. The search goes on, but year by year becomes for these reasons more hazardous, more difficult and more costly.

I have made reference earlier to the large capital sums which the industry is called upon to spend; a considerable proportion arises from the increasing demands for refineries in the areas of consumption. I do not propose to go in detail into the arguments for or against this trend, since they vary widely in the differing circumstances of one country as compared with another. It is, however, as well to sound a note of warning that there is a minimum limit of capacity below which a refinery, if it is to produce the high quality of products increasingly in demand, cannot economically be justified. Self-sufficiency, however, appealing it may be from the point of view of national prestige, can in certain circumstances only be at the expense of flexibility, and hampers the replacement and modernization of equipment which is so necessary. Up-to-date quality at the lowest cost can be provided only if the refiner is in a position to keep pace with the rapid developments in refinery techniques.

RECENT GROUP ACTIVITIES

Bombay Refinery

As has become customary, a separate and illustrated survey of activities is being circulated with this report. The achievements of group companies in 1954 follow the pattern of increasing and intensive activity in all phases of the business, which has been the keynote of past reports.

The wide range of these activities includes the considerable developments in marine exploration areas, of which drilling in the off-shore Texas and Louisiana concessions, in Qatar (Persian Gulf) and the Gulf of Paria (Trinidad) are examples. In the Gulf of Paria, where we operate with partners, oil has been found since the end of the year, though the extent and nature of the find have yet to be determined.

Last year I mentioned that oil had been found in Nigeria. Although since then oil indications have been found in a second well also located in the coastal area, much further work will be required before the value of this discovery can be assessed.

In the refining sphere, Geelong (Australia) started operating in mid-1954 and Bombay early this year,

whilst the capacity and scope of our manufacturing facilities are being expanded in many places to meet growing product requirements.

Supplementing the transportation chapter in the survey, a further 19 general purpose tankers of 18,000 tons are expected to be delivered by the builders during 1955, as well as seven of the 31,000-ton ships on order. These deliveries will further improve the efficiency of the fleet.

In February of this year an offer was made by Shell Chemicals Ltd of

Indian Labour Conference

ONE of the blessings conferred by the Second World War was the adoption by the Indian Government of the annual tripartite conference on the model of the International Labour Conference. The exigencies of war necessitated active and willing co-operation of Capital and Labour and this was sought through consultation with these two partners of industry during the annual conferences. The war ended in 1945; but this healthy practice of State consultation with industry and labour has come to stay. Within its limited sphere, the conference has proved useful in varying measure for all the three parties. Industrial democracy under the paternal care of the State is at work here. It is the Parliament where the representatives of three parties discuss past events, present maladies and future legislation. Within a democratic set up, it is convenient for a popular Government to get the views of employers and workers on non-controversial topics. Controversial subjects are kept away from the conference. Here is a forum which provides a common ground to employers and workers to accuse each other in an academic fashion. Once a year, the three parties come together and discuss across the table problems of general as well as topical interest.

Until recently, the sessions of the conference were being held in Delhi. Lately, however, there has been a welcome change. The 12th session was at Nainital (1952), the 13th was at Mysore (1954) and the 14th session was held in Bombay.

The Bombay session was as usual a success, because the subjects chosen for discussion provided little scope for any divergence of opinion. The subjects taken up, however, were important enough to interest all the three parties. Action taken on the decisions of the previous session (Mysore, January 1954) was reviewed. General matters in the field of

£5 million for the acquisition of the entire issued share capital of Petrochemicals Ltd, and in full settlement of the claims upon that company. The terms of the offer were accepted, and Petrochemicals Ltd has consequently become a group company. The acquisition of this interest gives the group an immediate entry into a chemical field in the United Kingdom which is complementary to its present interests; it will also provide rights in certain new and important fields of chemical research.

Industrial relations were very broadly discussed. Various amendments to the Minimum Wages Act, which still awaits full implementation, were suggested. The desirability of extending the provisions of the Employees' Provident Funds Act, 1952, to 16 new industries (employing 10,000 workers or more) and to plantations and mines was stressed. An employers' association suggested the introduction of an unemployment insurance scheme in place of the present prohibitive provision for pay-off and retrenchment compensation. The main findings of the Agricultural Labour Enquiry (1950-51) were summarised for the conference to make any recommendations in the field. The factual findings of a Labour Bureau monograph on "Child Labour in India" were placed before the conference to make suggestions for checking the evil of child labour, which seem to persist in spite of the protective legislation. Details of the proposal for setting up of a wage commission were called for by an all-India workers' organisation. It was proposed to change the name "Working Class Cost of Living Index Numbers" of the Labour Bureau series to "Consumer Price Index Number for Working Class", as the latter was more appropriate.

Both in its structure and contents, the Indian Labour Conference is a miniature model of the International Labour Conference. Naturally, India's relations with the ILO provide important topics for discussion. The Bombay session reviewed the work of the ILO conferences and committees held in 1954 and discussed the various proposals for conventions and recommendations on the agenda of the 38th session of the International Labour Conference being held at Geneva during June 1955. The earlier session of the Indian Labour Conference had set up a tripartite three-man committee to draw up a programme of implementation of the principles, if not

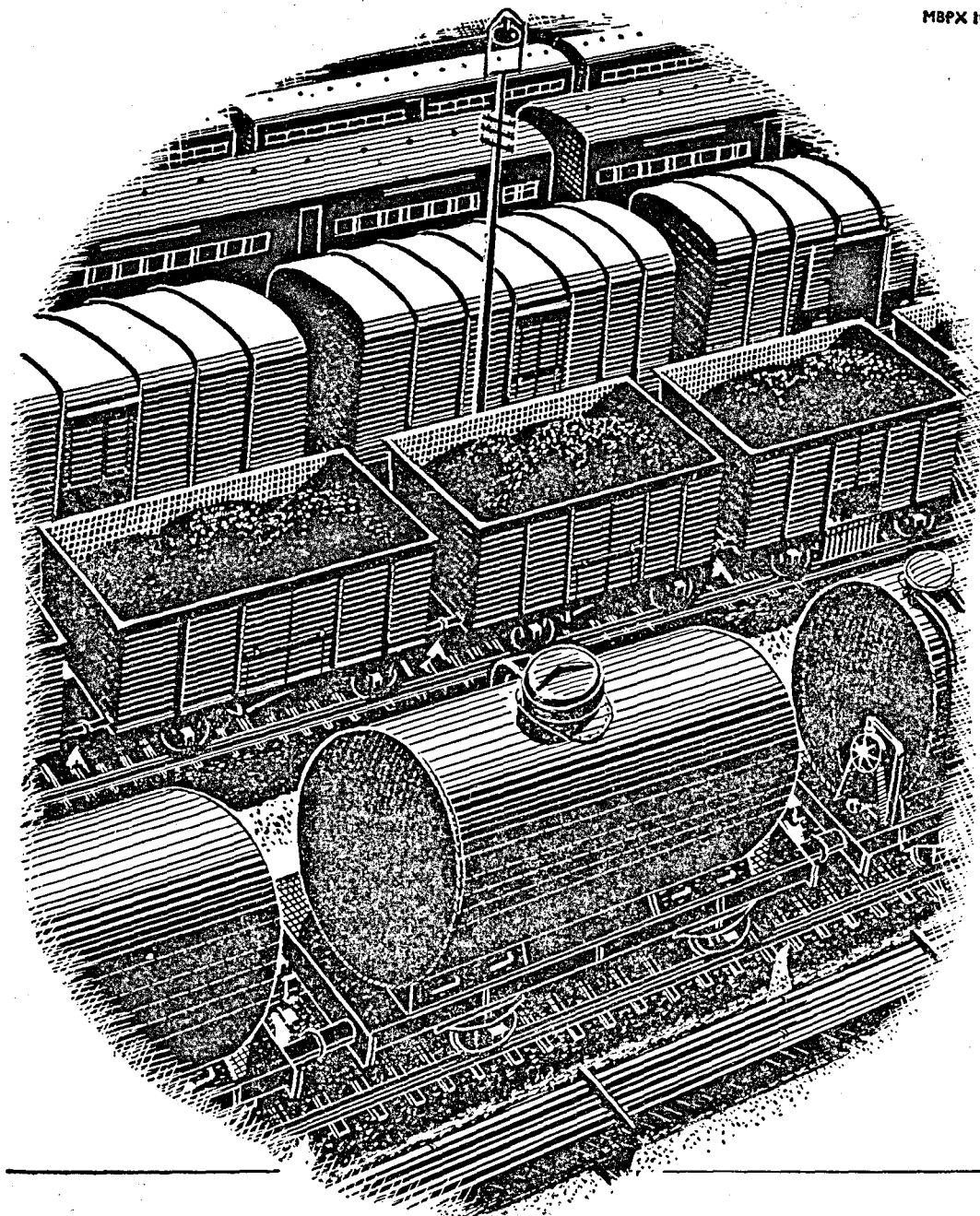
the individual provisions, of ILO conventions. This committee had its second session during the Bombay conference. India has ratified up till now only 22 out of a hundred and odd ILO conventions. The committee on conventions, it is expected, will enable the Government of India to ratify more conventions and thereby confirm India's rightful place as one of most advanced countries of industrial importance, by ILO standards.

What may be considered to be the most important item on the agenda, viz, the Second Five-Year Plan, did not receive adequate attention. In the First Five-Year Plan, Labour had been relegated to the background and was almost neglected. Full details of the Second Five-Year Plan have not yet been made available. However, from the meagre details doled out to the public, the Plan has evoked much interest. The Labour Ministry have already suggested for inclusion: extension of existing social security schemes, workers' education, a fresh agricultural labour enquiry, industrial museums, training for welfare, housing, establishment of a Central Labour Institute and expansion of employment service organisation. The conference was requested to suggest more schemes for further improvement of labour. The progress made in the implementation of the First Plan was also reviewed. Naturally an important and comprehensive item like the Second Five-Year Plan could not be adequately discussed alongwith 16 other items. A special session, preferably the next session of the conference, may be wholly devoted to discuss the role of industry and labour in the implementation of the Second Five-Year Plan. By then, the Planning Commission would have finalised the Second Plan and the Planning Minister who is also a specialist in labour problems should help the deliberations by laying down certain guiding principles for industry and labour.

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End of a Phase?

Thursday, Evening

BEHAVIOUR of equities on Calcutta Stock Exchange in the last two days would seem to indicate that the market might be taking a turn for the better. It is yet too early to be dogmatic. But, in recent days, the feeling has spread that the fall in equities has, perhaps, been overdone. Irrespective of the long-term trend, a steadier tendency in equities after the prolonged set-back may reasonably be expected.

One of the reasons for the irregularly lower trend in equities was the erratic behaviour of Indian Iron. Delay in the official announcement of steel retention prices was having a disturbing effect on Indian Iron. During the week, the Government announced provisional steel retention prices. New Delhi's announcement conforms generally to the reports recently current in markets. Since the announcement, there has been a tendency for Indian Iron to steady-up.

Despite the steadiness, it is clear that the market is divided in its assessment of the Government announcement relating to the increase in steel retention prices. According to one view, steadiness in Indian Iron in the last two days is partly due to settlement considerations. There is something in this interpretation. It is also true that those who sold "short" in anticipation of uniform steel retention prices for Tatas and Indian Iron are now covering their sales.

Two Views

Settlement considerations will no longer be in operation for a fortnight. And, if the current steadiness in Indian Iron is mainly due to "bear" covering, it is already apparent that "bear" covering is almost over. Those who emphasise these technical factors argue that, in the absence of investment support, the improvement in Indian Iron cannot be sustained. And, it is a fact that investment support has not been in evidence in recent weeks.

Be that as it may, the pessimistic interpretation of the provisional retention prices does not seem wholly justified. It is clear that the increase in retention prices has been so fixed as to cover adequately the relatively higher production costs at the Burnpur Works. Tatas enjoy an advantage. But that is because

their expansion plans are larger than those of Indian Iron. But it is equally clear that the provisional increase in retention prices will enable Indian Iron to execute the contemplated expansion schemes.

To stock markets, these wider considerations are not entirely irrelevant. But markets are more interested in immediate dividend prospects. Here the outlook is not encouraging. New Delhi has declared an adequate increase in steel retention prices on the condition that the resultant increase in profits should not be utilised for raising dividend payments, but should be spent on financing development projects. This is a long-term "bullish" factor for Iron and Steel shares.

Tea Shares

Sometime, some day, Clive Street was hoping, buyers would re-appear in Tea shares. Yesterday, for the first time since the fall started, there was some fresh buying of Tea shares. Steadiness in Tea shares had a sustaining effect on the whole market. Hopes are now being expressed that improvement in Tea shares may generate recovery in other shares. It remains to be seen whether these hopes will materialise.

Last season's boom levels for Tea shares are not likely to be reached in the near future. But the realisation is growing that the market has been unduly pessimistic about Tea shares. With timely and proper adjustments in output, the tea industry should be able to avert a crisis. Internally, the demand for tea continues. Internal tea auction prices also remain steady. If next season's tea prices do not fall below economic levels, Tea shares should be quoting well above current levels.

Current steadiness in Tea shares is not due to these long-term factors. After such a heavy set-back, replacement buying is easily explained. But some bargain-hunters have now entered the market. June and July are the months when final tea dividends are declared. There are faint indications that speculative investors are getting interested in Tea shares in anticipation of fat dividend disbursements in the coming months.

Jute Parities

Jute shares remain in the doldrums. Mill stocks are mounting.

There does not seem to be any prospect for the industry to succeed in adjusting supply to demand by restricting output. Shorter working hours will create labour trouble.

There has been some foreign buying of Indian Jute goods in the last few days. Argentina is reported to have bought considerable quantities of hessian for deliveries up to December next. Parity prices between raw jute and jute goods are no longer unduly unfavourable to the industry. New crop quotations are now easily available. Raw jute prices are likely to soften.

Despite inactive Jute shares, in spite of the continuous fall in Tea shares, some selected Miscellaneous and Engineering shares continue to be well supported. There was considerable buying activity in BIC this week. Last dividend payment was disappointing. Interested buying of BIC has, therefore, caught the market unawares. There are reports that there is an attempt to corner these shares. From the spurt in BIC in the last few days, it is clear that the floating stock is not unduly large. But, then, the market believes that a considerable percentage of the total volume of shares are firmly held.

Market Trend

Recent behaviour of the Calcutta Stock Exchange suggests that Miscellaneous and Engineering shares are not able to push the whole market up. Efforts of these groups to replace Tea or Jute shares as market leaders have not been very successful. It is, however, not without significance that the fall in these shares has been much less than that in Tea or Jute shares. It is more than a mere coincidence that these shares have started looking up just when Tea shares are experiencing a revival of demand.

Strength in Miscellaneous and Engineering shares cannot, by itself, impart steadiness to the market. But if Indian Iron and Tea shares remain steady or move up, the improvement in Miscellaneous and Engineering shares may have a "bullish" repercussion on Clive Street. In the week under reference, these market tendencies became faintly discernible. Some days must elapse before it can be known whether Clive Street has resumed the upward journey.

CURRENT STATISTICS

BANKING RETURNS (Rs Crores)					GOLD HELD BY INTERNATIONAL AGENCIES AND GOVERNMENTS (Millions of US Dollars)				
	Latest Week†	A Week ago	A Month ago	A Year ago		1937	1952	1953	June 1954
Reserve Bank					World Total	25,250	35,550	35,950	36,200
1. Note circulation	1331.09	1329.26	1325.33	1228.83	International Agencies	4	2,047	2,048	2,062
2. Rupee Coin	103.9	104.09	105.33	96.19	International Monetary Fund—		1,692	1,702	1,727
3. Deposits					European Payments Union —		159	153	153
a) Central Government's	51.93	50.09	55.39	89.12	Bank of International Settlt.	4	196	193	182
b) Banks'	47.97	47.24	50.49	43.99	United States	12,790	23,252	22,091	22,027
c) Other Government's	19.24	23.21	24.32	20.74	Canada	180	825	986	1,034
d) Others'	22.34	22.08	21.40	45.73	Latin America	725	1,800	1,950	1,850
4. Foreign Securities	661.98	661.98	661.98	668.15	Continental EPU Countries	5,950	4,500	5,100	5,250
5. Balances held abroad	52.07	53.76	63.35	67.38	United Kingdom	4,141	1,500	2,300	2,550
6. Rupee Securities	533.71	533.71	533.75	421.22	Other Sterling Countries	492	619	630	652
7. Investments	41.47	41.48	46.12	69.62	of which India	(274)	(247)	(247)	(247)
8. Loans and advances to Governments	0.8	0.8	0.31	1.71	Rest of the world	274	925	850	800
Scheduled Banks					Source: International Financial Statistics				
1. Demand liabilities (net)	572.72	580.80	575.00	521.09	WORLD GOLD PRODUCTION				
2. Time Liabilities	383.80	381.50	378.90	329.15	(Excluding USSR, in '000 fine ozs)				
3. Cash on hand	34.12	34.13	34.77	32.32		1951	1952	1953	1954* % change 1954 over 1953
4. Borrowings from Reserve Bank	32.29	26.92	21.33	54.12	Union of South Africa	11,516	11,819	11,940	13,235 +10.8
of which against					Canada	4,392	4,472	4,069	4,310 + 5.9
Usance Bills	29.94	24.84	16.85	29.86	U.S.A.	1,895	1,927	1,990	1,867 -6.2
5. Advances and Bills discounted	588.70	585.42	593.50	567.25	Australia	896	980	1,075	1,110 3.3
of which Imperial Bank's	127.34	125.95	127.75	133.47	Gold Coast	699	691	731	787 7.7
6. Investments	344.73	344.4	342.37	323.25	Southern Rhodesia	487	497	501	540 7.8
of which Imperial Bank's	91.61	91.92	92.73	82.64	World Total	25,866	26,485	26,250*	27,700* 5.5
Cheque Clearance	123.87	144.37	133.02	111.70	British Empire	18,603	19,093	18,886	20,500 2.5
† For Reserve Bank and Cheque Clearance week ended 13-5-55, Scheduled Banks week ended 6-5-55.					British Empire Percentage	71.9	72.1	71.9	74.0 2.9
Bombay Money Rates	13-5-55	6-5-55	15-4-55	14-5-54	Union of South Africa Percentage	44.5	44.6	45.5	47.8 5.1
Inter-Bank Call Rate	2 7/8	2 7/8	3	2 7/8	* Provisional				
3 months deposits	3	3	3	3 1/16	Source: Annual Bullion Review 1954 Samuel Montagu & Co.				
6 months deposits	3	3	3	2 7/8	WORLD SILVER PRODUCTION				
Bombay Bullion	19-5-55	A Week Ago	A Month Ago	A Year Ago		1951	1952	1953	1954 % change 1954 over 1953
Gold Spot (per fine tola)	93- 5	92- 4	96- 7	91- 1	Mexico	43.8	50.4	47.9	47.0 -1.9
„ Forward „ „	90- 9	90- 8	94- 7	88- 7	U.S.A.	39.9	39.8	37.7	37.0 -1.9
Silver Spot (per 100 tolas)	163- 3	164- 7	166-14	163- 0	Canada	24.2	24.4	28.3	31.0 +9.5
„ Forward „ „	159-11	160- 7	163- 6	162-12	Peru	14.9	19.2	19.3	20.0 +3.6
					Bolivia	7.2	7.1	6.1	6.5 +6.6
					Other South and Central American Countries	6.6	7.1	8.8	7.5 -14.8
					Total Western Hemisphere	136.6	148.0	148.1	149.0 +0.6
					Outside the Western Hemisphere	62.0	62.2	68.3	65.0 -4.8
					World Production	198.6	210.2	216.4	214.0 -1.1
					Source: Annual Review of the Silver Market by Handy & Harman.				

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-group	Week ended 30-4-55	A Week Ago	A Month Ago	A Year Ago
I. Food Articles	274.9	279.7	295.3	372.7
Cereals	314	324	338	417
Pulses	212	211	227	373
Others	230	230	247*	305
II. Industrial Raw Materials	393.1	392.9†	403.4	473.5
Fibres	425	430	444	465
Oilseeds	325	319†	327	523
Minerals	423	417	408	431
Others	445	449	474	404
III. Semi-Manufactures	328.5	327.0	329.5†	365.0
Leather	396	395	390	375
Mineral Oils	221	221	221	221
Vegetable Oils	331	329	337	514
Cotton Yarn	429	429	434	462
Metals	244	245	243	240
Oilcakes	300	277	286 †	447
Others	329	329	330	305
IV. Manufactures	374.4	375.5†	376.1†	383.6
Textiles	416	418	419†	431
Jute	439	451	459	445
Cotton	407*	407*	407*	419*
Rayon & Silk	484*	484*	484*†	562*
Woollen	310	310	310	313
Metal Products	340	340	340	340
Others	287	287	287	289
V. Miscellaneous	537.9	538.6	546.7	695.3
All Commodities	340.6	342.4†	350.6†	401.0

* Estimated † Revised

TOBACCO CONSUMPTION IN INDIA

Description	1951-52	1952-53	1953-54
I. Cigarettes (in millions)	20,955	18,527	19,776
(a) indigenous			
(b) imported	34	34	54
II. (Cigars and cheroots in hundreds).			
(a) indigenous	7,118,209	6,319,655	4,718,631
(b) imported	6,791	4,108	4,010
III. Biris (in 000 lbs.)	114,838	120,812	117,681
IV. Chewing and smoking (hookah) tobacco (in 000 lbs.)	260,457	268,983	264,634

Source: Journal of Trade & Industry

SECOND ESTIMATE OF RABI CEREALS (Wheat and Barley)

	1954-55	1953-54	% change
Area ('000 acres)	34,131	32,393	+5.4
Production ('000 tons)	10,392	9,329	+11.4

SECOND ESTIMATE OF PRODUCTION OF SMALL MILLETS

	1954-55	1953-54	% change
Area ('000 acres)	12,199	12,030	+1.4
Production ('000 tons)	2,029	1,984	+2.3

Source: Ministry of Food & Agriculture

WAGON LOADINGS (IN TERMS OF 4-WHEELERS) ON BROAD AND METRE GAUGES — APRIL-DECEMBER 1954-55

Revenue Earning Traffic:	Broad Gauge		% Increase (+) or Decrease (-)	Metre Gauge		% Increase (+) or Decrease (-)
	1954-55	1953-54		1954-55	1953-54	
1. Coal and Coke—						
(a) for public	735,628	669,804	+ 9.83	133,671	113,950	+ 17.3
(b) for non-Government Rlys.	2,088	4,251	- 50.9	318	7	+ 4,442.9
2. Grains and pulses	231,009	233,596	- 1.11	199,314	201,242	- 0.96
3. Oilseeds	40,174	34,129	+ 17.7	44,739	38,682	+ 15.7
4. (a) Cotton, raw	21,629	22,103	- 2.14	18,919	16,025	+ 18.1
(b) Cotton, manufactured	17,937	17,374	+ 3.24	10,104	9,492	+ 6.45
5. (a) Jute, raw	40,204	41,173	- 2.35	28,782	32,600	- 11.7
(b) Jute, manufactured	3,223	4,339	- 25.7	2,808	2,784	- 4.09
6. Sugar	34,988	42,126	- 16.9	43,987	60,411	- 27.2
7. Cement	109,908	94,116	+ 16.8	76,071	58,548	+ 29.9
8. Iron and Steel—						
(a) Pig iron	7,675	7,803	- 1.64	2,508	4,039	- 37.3
(b) Others	95,983	82,138	+ 16.9	17,321	12,544	+ 38.1
9. Tea	10,828	9,766	+ 10.9	17,143	19,122	- 10.3
10. Metallic Ores—						
(a) Manganese ore	44,100	59,504	- 25.9	11,561	16,818	- 31.7
(b) Iron ore	128,473	120,966	+ 6.21	23,344	20,569	+ 13.5
(c) Others	3,798	2,936	+ 29.4	4,885	3,937	+ 24.1
11. Miscellaneous full wagons	1002,387	965,854	+ 3.78	769,615	754,581	+ 1.99
12. Miscellaneous smalls	310,353	255,510	+ 21.5	268,501	266,664	+ 0.69
Non-Revenue Earning Traffic:						
13. Free hauled coal & other materials—						
(a) Coal for home line	179,823	176,950	+ 1.62	139,294	144,280	- 0.70
(b) Coal for other Govt. Rlys. and manufacturing units	213,073	222,146	- 1.83	6,467	10,286	- 37.1
(c) Other stores	109,289	95,963	+ 13.9	54,695	48,384	+ 13.0
TOTAL	3347,570	3,162,547	+ 5.85	1,879,139	1830,965	+ 2.7

Source: Railway Board

expansion prepared in the past might make the over-all canvas a little clearer. As early as in November 1947 a fact finding mission was appointed by the Government of India comprising a committee of three. Fifteen representatives of Indian ship-owners met Dr Bhaba, the then Commerce Minister, and assured the Government of their entire co-operation in any scheme for expansion. The target set before the nation was two million tons of shipping in five to seven years. India had indeed decided on a dynamic policy for the expansion of her Mercantile Marine. Since private enterprise at that stage was certainly not capable of building up such an ambitious fleet, State help was promised. The expansion was to have been effected with "the active co-operation of the State with enlightened private enterprise, in an endeavour to secure for India her rightful place among the maritime nations of the world," and the Government committed itself to floating three corporations with a capital of ten crores for each, of which 51 per cent would be held by the State, 27 per cent by a major shipping concern in each case acting as the Managing Agents, and the remainder of 22 per cent issued to the public.

To meet the demands of an enlarged officer cadre, the Government established a Directorate of Marine Engineering Training at Calcutta and enlarged the scope of the training of executive cadets on the Training Ship *Dufferin* at Bombay. This was to be the actual year of culmination of that plan, the year 1955. Let us therefore look at some of the figures now. We have precisely 4,36,141 tons gross of shipping instead of two million tons as on March 31, 1955. There are only 94 deep sea vessels of over one thousand tons gross, of which a bare 29 are actually engaged in any manner of over-seas trade. There is only one shipping corporation functioning instead of three, with a capital of 5.5 crores instead of 10 crores. What has happened to our plan of expansion?

In fact the plan had miscarried badly from the beginning. With the first words of encouragement uttered in 1947, private enterprise rushed madly into an abundance of mushroom shipping companies, and by the beginning of 1948 the total authorised capital of the shipping

companies had already exceeded 100 crores. Lured by prospects of a quick turn-over, such outmoded tonnage was acquired by the new companies that it could neither stand a healthy competition, nor survive any extensive General Surveys. And although there is a law now in operation preventing ship-owners from indulging in such short term speculations, even last year 13 ships were acquired by Indian shipping interests as against 9 that were sold or scrapped, the effective addition to the fleet being only 4.

Another alarming aspect of this stilted growth is not generally realised by the public. For strictly in accordance with the original plan, the two establishments at Calcutta and Bombay have all along been turning out highly trained officer-personnel, far in excess of any existing or even expected needs of the profession. For instance, to man the 4 vessels added to the fleet last year, a minimum of 12 executive and 8 engineer officers were all that were required. And yet during 1954 no less than 170 executives and 131 engineers obtained their Ministry of Transport Certificates of Competency! In another two years, we shall be burdened with a highly trained cadre of qualified officers for whom there will be no employment. Another batch of the flower of our youth will be condemned to frustration. This bodes no good for a nation, or for the service where personal integrity, professional efficiency and a high standard of discipline make all the difference to the strength of this our second line of defence.

The answer to all this is rapid and immediate expansion. But in facing the problem of expansion, we have sooner or later to face the bogey of Flag Discrimination. Shri S N Haji, President of the Indian Shipowners Association, has rightly pointed out, though not in so many words, that the legitimate aspirations of under-developed countries should not be brought within the compass of Flag Discrimination. What, after all, constitutes 'Flag Discrimination'? If two countries have a bilateral trade agreement whereby each agrees to carry a part of the trade in its own national shipping, then that is labelled as Flag Discrimination. But the International Maritime Conference at Geneva in 1948 fully accepted the principle that the

principle was acceded to in its Charter. But the International Chamber of Commerce would not recognise the Charter. How could it? It is not concerned so much with the violation of maritime etiquettes; long consolidated vested interest is merely looking askance at the new maritime awakening among under-developed nations. It is high time that the International Chamber of Commerce took fresh bearings and recognised the altered scheme of things in the sphere of international trade.

India has gained, on sufferance, membership of a limited number of shipping 'conferences'. The conferences are like cartels that operate to the benefit of an exclusive membership and pursue a blocked door policy to all new shipping. They not only limit the membership, but also stipulate how many steamers a member may ply on a particular trade route, even to the extent of determining their sailing schedules. Participation in inter-national shipping remains restricted to the privileged few who enjoy the membership of a large number of conferences. For example, British shipping companies enjoy the membership of no less than 40 Liners' Conferences. But Indian shipping concerns, although members of the original India-UK-Continent Conference, are debarred from membership even from its sister organisations like the Aden-UK or the Colombo-UK conferences. An American ship may bring cargo from a third foreign port to India, but Indian ships cannot trade between America and another foreign State. So much for the freedom of the seas.

The Indian Merchant Navy needs expansion now, expansion that is long overdue, and needs it badly. Let the Government take a firm attitude in controlling the quality and quantity of our fresh tonnage acquisition, curtailing the danger of unwarranted unemployment by legislation at home, and go ahead with such mutual agreements with nations abroad as will give the necessary stimulus to expanding national shipping. Read in the larger context of monopolies and cartels, the terms Flag Discrimination and Freedom of the Seas would appear devoid of any meaning, and it is futile to expect voluntary accommodation from the few who control that freedom.

Formosa

SINCE Mr Chou En-lai's Bandung offer to negotiate with America on Formosa, Washington has been on the defensive. Mr Dulles, though not the officials of his State Department, was right in refusing the interpretation that the offer was a propaganda device. But, in arguing that America could not be expected to negotiate with Red China under coercion, he was begging all the questions that were involved in the Formosa dispute. Washington had succeeded in creating confusion about the Formosa dispute. America's NATO partners endorsed her demand that negotiations could not start unless there was a cease-fire in the Formosa Straits. This was what Mr Dulles had in mind in his emphasis that America could not agree to negotiate with Red China under duress. This aspect of the problem has a vital relation to Peking's offer to talk direct with Washington. By accepting Peking's stand that Formosa is an issue in dispute between Peking and Washington, America has, by implication, accepted the substance of Red China's basic demands. In his recent reiteration of the Bandung offer to negotiate directly with America, Mr Chou En-lai has explained Peking's diplomatic claims.

"Taiwan is China's territory... and the liberation of Taiwan by the Chinese people," Mr Chou En-lai explains in his report on the Asian-African Conference to the Standing Committee of the Chinese People's Congress, "is a question of China's domestic affairs. The United States' occupation of Taiwan has created tension in the area, and this constitutes an international issue between China and the US. The two questions cannot be mixed up. There is no war between China and the US—so the question of so-called cease-fire does not arise." This explanation should help a proper appreciation of the dispute relating to Formosa. Washington has always been aware of Peking's diplomatic claims. Mr Chou En-lai's statement to Red China's highest executive organisation explains why Peking's repeated offer to negotiate with America "to ease the tension in the Formosa area" is silent on the question of cease-fire in the Straits.

Only those who are unfamiliar with the sequence of developments relating to Formosa will express surprise at Peking's offer to negotiate directly with America. Peking is

logical in its diplomacy. Red China is not a member of the United Nations. She has not succeeded in her efforts to name America as an aggressor in the Formosa Straits. She cannot raise this issue before the United Nations as she is not a member of that international organisation. She does not recognise the Chiang regime in Formosa. Therefore, she has expressed her willingness to negotiate directly with America, the Power directly involved in creating tension in the Formosa area. Peking is emphatic in its implied claim that America cannot deny responsibility for creating tension in the Formosa area on the plea that the intervention of the Seventh Fleet in the Formosa Straits is justified by the mutual security pact between America and the Chiang regime. For any such plea begs the whole question of the future status of Formosa.

By repeating the Bandung offer, Red China has reiterated her peaceful intentions. But Peking is firm on her basic claims to Formosa. Red China is ever ready to negotiate with America to ease the tension in the Formosa area. She is prepared to negotiate, as proposed by Russia, under the auspices of a ten-Power Conference, but "is willing to consider other forms" of negotiation. Red China has, thus, left the door open to America to suggest any alternative procedure for the proposed negotiations. Red China's offer is based on two basic conditions. She is opposed to participation of the Chiang clique in the proposed talks. Her offer to negotiate with America on the Formosa issue does not, in any way, prejudice her sovereign rights over Formosa. In offering to negotiate with America, Red China does not abandon her right to liberate Formosa. Lest this and her attitude to the question of cease-fire be interpreted as war-like policies, Red China hastens to add that she "is willing to renounce war and accept peaceful processes in relation to the Formosa area." In this clear assurance, America has a guarantee of Red China's intentions to solve the Formosa issue through peaceful means. After such an emphatic assurance, it would be dishonest of America to refuse, or to delay, negotiations with Red China on the plea that Peking has not given any undertaking to establish cease-fire conditions in the Formosa Straits.

Confronted with repeated peace gestures from Red China, America

has been forced to shift her ground. She is now reconciled to withdrawal of Chiang's forces from the off-shore islands like Matsu and Quemoy. America has two motives in making this concession. Once she accepts the position that occupation of the off-shore islands is not essential for the defence of Formosa, it becomes easy for her to accept Peking's demand to exclude the Chiang regime from the proposed negotiations. Her main motive in relenting her stand on the off-shore islands is to coax her NATO partners to endorse her policy to Formosa. She has not been unsuccessful in this diplomacy. Neither Britain nor France is happy over America's policy to Formosa. But it is not without significance that the British Labour Party is committed to a Formosa policy which, impliedly, denies Peking's sovereign rights to Taiwan. There are proposals for neutralisation of Formosa, or of placing the island under the trusteeship of the United Nations. Peking is not likely to accept either of these solutions, though there are some Asian-African nations who are hopeful of a compromise plan for deciding the future status of Formosa by holding a plebiscite there under the auspices of the United Nations.

America is reconciled to evacuation of the off-shore islands by Chiang's forces. To maintain her base in Formosa, she may be willing to accept any proposal under which the Chiang regime will renounce its plans to invade the Chinese mainland. But she is in favour of creating a future status for Formosa under which she will be able to fortify her Pacific system of defence. America's Pacific defence system is based on the creation and maintenance of an island chain of defence. This explains American fortifications in the Aleutian Islands, in Japan and Okinawa, in Formosa and the Philippines. This island chain of defence is fortified with American air and naval bases. This defence chain is based on the strategy of atomic warfare. This island chain of defence is being fortified with the dual purpose of defence against aggression and of facilitating offensive military action. This is the sinister strategic background to America's policy to Formosa. Red China has shown her peaceful intentions by her willingness to negotiate on Formosa. But it would be idle to pretend that the Formosa problem can be solved as long as America persists in her policy of fortifying the island chain of defence in the Pacific.

Weekly Notes

The Whiteman's Voodoo

IT has been held by the wise that fear and ignorance are two of the most formidable evils facing mankind: but in organised society these are the weapons wielded with great power, often with apparently virtuous effects. If we are to concede that the internal political consolidation of a state is of essence a virtuous project, irrespective of the means adopted, then apartheid of South Africa should be applauded as commendable, designed to create confidence in a particular group of people.

There is a Ministry of Justice in South Africa, believe it or not, whose helmsman, Mr Charles Swaat, believes that the Nationalist Party has been placed in power in that country "by the will of God", according to Reuter's news-message. This reference to the Divine sanction for the present Government of South Africa was made in regard to the question of removing all coloured voters from the electoral roll. There is a divinity that will shape the coloured voters' ends through the direct agency of the Nationalist Party which now proposes, for the purpose of removing certain lowly, undivine and embarrassing constitutional difficulties which lie in the way of getting an absolute majority for passing the Senate Bill, by the simple procedure of doubling the upper House.

The body politic of South Africa evolves round colour bar. Colour bar is more orthodoxy of thought than the desire for the preservation of a particular culture, and more of economics than of racial discrimination. That there is a large electorate of coloured (ie, of mixed blood) people whose number is ever increasing is in itself a proof that behind the 'bar' of national legislation, individuals of both sexes have no qualms about free mixing, albeit surreptitiously. And the tremendous strides which Indian business men and farmers have made wherever they have found the opportunity in South African soil, damps the soul of the competition-scared West European populace. To rally the people round to an active support of Government a bogey must be raised; if it is 'Kashmir' or 'Islam in danger' in Pakistan, it is 'Anglo-America under the red flags' elsewhere; similarly,

the inability of South Africa to contribute anything constructive or worthwhile towards international progress is also a direct result of her pre-occupation with the racial issue to the point of an obsession.

Since the credulity of the South African people follows a pattern of psychology incomprehensible to most, it is really difficult to say how the business of evoking Divine Wrath by the Minister of Justice in discriminating white from brown will help his case in the final reckoning. On the question of colour bar, of course, the United Party (Opposition) has no different programme from the Government; but it is afraid that this Bill would "lead to a one-party State in South Africa". So Mr Harry Lawrence comes back at the Government with the cry, "In the nostrils of decent people the Bill stinks to High Heaven". This practice of referring all parliamentary matters to High Heaven is probably becoming an obsession with them, too. The Government asserts that H Heaven has decreed it, whereas the Opposition holds that on the contrary H Heaven smells a rat. Mr Lawrence further goes on to say, "The House must realise we are up against two different ways of life in this country—the way of the brigand, the bully and the jackboot, and the way of decency".

What decency?

How much Tea per Head?

THE Tea Board has brought out a monograph of *Tea Statistics* in which for the first time an attempt has been made to estimate the internal consumption of tea in different States of India during 1953-54. The total internal consumption estimated amounts to some 175 million lbs. Indian production in 1953 being estimated at 608 million lbs and exports at 501 million lbs—both calendar year figures—the balance left from the current year's crop would be only 107 million lbs. Against this has to be compared the estimate of internal consumption, which is presumably for the financial year. The production in the previous years being 615 million lbs and 624 million lbs respectively, perhaps the excess of consumption over the net retained supply for the year might be partly explained, but only partly. One does not know, however, which are the firm figures

for production, for the figures given in table II do not tally with the figures given in table I, which being made up from returns supplied by the ITA and UPASI should be regarded as the more reliable ones; but that is quite another story.

Whatever one may say about the total figure of internal consumption, it is the breakdown of consumption by States which takes one's breath away. The estimated *per capita* consumption State-wise varies widely from 126 lbs per thousand people in West Bengal to only 5.6 lbs per thousand people in the Uttar Pradesh. How to explain so wide a variation? Can tea consumption in Uttar Pradesh, with so many large cities and at least one substantial industrial centre in Kanpur, be so low and so much lower than in Orissa, where it works out at 8.5 lbs per thousand. The statistics of internal consumption by States has been reproduced on the statistical pages and they will speak for themselves.

The States where the *per capita* consumption exceeds 1 lb arranged in descending order are West Bengal; Assam; Punjab, Himachal Pradesh and Pepsu; Delhi; and Bombay, Saurashtra and Kutch. Then there is a sharp drop and the next group of States where consumption is just above ½ lb per head are in the south, Madras, Andhra and Travancore-Cochin. There are only two others where consumption is about one-third lb per head, viz, Mysore and Hyderabad. Madhya Pradesh has a consumption of only .24 lb per head, Bihar .19 lb and then there is another sharp fall, none of the remaining States having consumption of more than 10 lbs per thousand population.

In the absence of a clue to the method of estimation employed—the Statistician to the Indian Tea Board does not oblige the casual reader—one can only gape and wonder. But if some day the Tea Board has to turn its attention to promoting internal consumption as the only long term solution for stabilising the tea industry, perhaps these statistics will be looked into more closely and some light would be needed not only on the method of estimation, and the degree of reliability of the estimates, but also on the factors that account for the wide variation in consumption habits.

Burma Wants High Rice Prices to Continue

AN American Rice Mission, headed by Mr Charles Baldwin, Deputy Assistant Secretary of State for Far Eastern Economic Affairs, is touring South East Asia to study the marketing position in rice-producing countries. The US has emerged from the war as a major rice exporting country and is currently loaded with an exportable surplus of half-a-million tons of rice to dispose of. Burma has an exportable surplus of 1½-1¾ million tons of rice from the current crop in addition to another quarter million carried over from the previous year.

Two proposals were discussed by the American Mission to the Burmese Government, namely, the advisability of lowering export prices of rice in order to dispose of all surpluses in Burma and the USA and the promotion of increased consumption of rice. Regarding the first, it was conveyed to the Mission that Burma had already reduced her export prices and therefore she was not in a position to effect any further reductions. On the second proposal, however, Burma had something different to say. She complained that rice consumption had been adversely affected by the liberal distribution of surplus wheat by USA in the world market and therefore the best means of promoting rice consumption would be for USA to revise its policy and sell wheat at 'reasonable' prices.

The Food and Agricultural Organisation has warned that unless the price of rice is allowed to find its natural level, disposal of surplus rice would remain a serious problem for the rice exporting countries. In view of the growing self-sufficiency in rice in the rice importing countries, FAO advises as a long-term solution diversification of production in the rice exporting countries to other crops. In spite of all these, if Burma can still maintain high prices for rice, it is not because the price reduction already effected is very substantial but because Burma has entered into long-term contracts with Ceylon and Japan for the supply of substantial quantities till 1957-58 and therefore she may hope to enjoy the benefits of high prices for 2 or 3 years more. For the US, however, the problem is immediate and pressing.

Indian Industries Fair

THE character of our exports has changed and with it, the methods of export promotion have to be changed too. But advertising

Indian manufactures with an eye to export promotion is not the only object of the Indian Industries Fair which will be held in Delhi later in the year and kept open for six weeks from October 29 onwards. The sponsors, the Federation of Indian Chambers of Commerce and Industry, have a two-way traffic in mind; they are keen that Indian industrialists should also be given an opportunity to learn something about the plants, equivalents and techniques employed in other countries and see for themselves the very latest of each.

The products of Indian industries, large and small, are to be displayed and the attention of the world will be drawn to industrial goods made in India and products of our cottage industries in particular, in view of the international character of the Fair.

The main aims of the Indian Industries Fair are:

- to present a picture of India's economic progress,
- to promote contacts among manufacturers, traders and consumers,
- to promote better economic relations between India and foreign countries by interchange of ideas in the industrial and commercial fields, and
- to afford an opportunity to Indian manufacturers to organise a show-window for Indian industry and at the same time to get acquainted with the design, quality and performance of foreign capital equipment.

In short, the Fair is intended to achieve the twin objectives of displaying Indian industrial goods—mill-made and cottage type—and developing a profitable export market, and also enable Indian industries to learn of foreign technique, design, etc, the latest in each field.

To ensure the international character of the Fair, the organisers have provided special facilities for foreign exhibitors to display their products. Special permits for the import of exhibits will be granted to participants from abroad to their agents in India, and the exhibits to be imported will be exempt from the payment of customs duty, on the condition that they will not be sold except with the special permission of the Government of India. Further, the railways have decided to give a one-way freight concession for the transport of exhibits to the Fair site.

Air Crash Mystery Solved

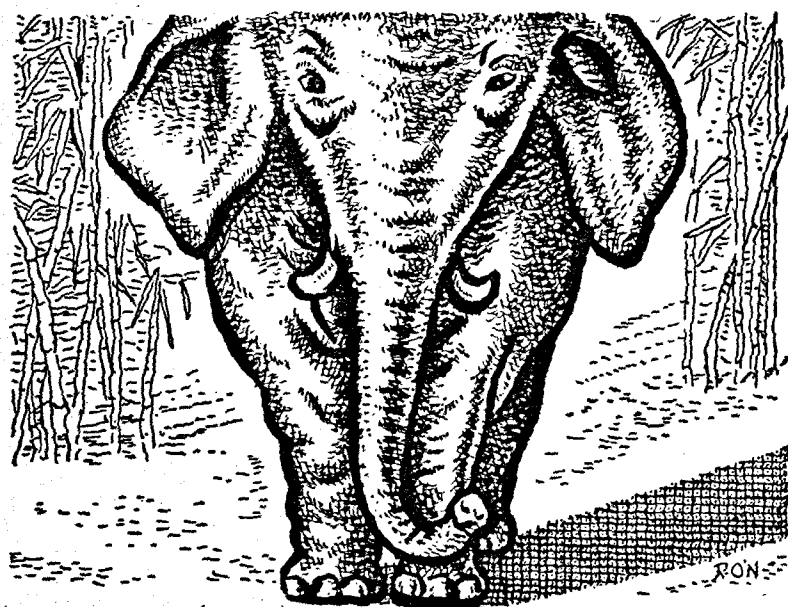
THE mystery of the Air India International Constellation carrying Chinese delegation to the Bandung Conference has at last been cleared by the official Indonesian Inquiry Committee's report. The verdict is clear that it was a sabotage by placing an 'infernal' machine—in the starboard wheel well of the aircraft which exploded while the plane was nearing its destination.

The infernal machine is no euphemism for time bomb but the technical term for any "disguised apparatus for producing an explosion destructive of life and property," in other words not a weapon of defence. The location of the 'infernal machine' is negatively significant. The bomb could have been planted in a more vital part of the aircraft to ensure certain destruction and leaving nothing to chance. As it is, it actually resulted in puncturing one of the fuel tanks which set fire to the aircraft. Incidentally, the wing is accessible to outsiders who can manage to gain entry into the airfield but getting into the aircraft or into the cockpit is a more difficult matter.

As this was an impartial inquiry by technical experts of a neutral Government, no politics can be suspected in the verdict. Thus the Chinese Peoples' Government's suspicion has come true, though it is far from established that it was engineered by a Government hostile to Red China.

It is now for the Hongkong Government to investigate whether it was a political sabotage carried out at Hongkong airport while the plane was on ground refuelling and picking up the baggage of the passengers or the handiwork of some disgruntled Chinese refugee from the mainland seeking revenge for persecution at the Communist hands. The crash, however, clearly shows that even in the not-so-cold 'cold war' of the Far East, sabotage, common in hot war, is not uncommon and the neutrals cannot but be wary in their dealings in that part of the world.

So far as India is concerned, she can now do nothing except express sympathy for the lost lives as the material cost will be fully borne by Lloyds in London and Air India International is promised a new Super Constellation next year by the manufacturers to replace the old model Constellation.



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Enquiry into Private Sector

FAR from resenting the Finance Minister's suggestion that a committee of enquiry should be set up to examine its claim of efficiency, the private sector would indeed welcome it, provided that the findings of the enquiry are applied equally to the public sector as well. True enough that if the affairs of the private sector were brought before Parliament, it might be found that it was not as efficient as it claimed to be. But the enquiry would also establish that in the private sector, somebody has to shoulder the responsibility for what happens, that losses have to be borne by and large, by those who incur them, barring malpractices of company finances which are exceptional, and that incurring of losses can never go on indefinitely. An end is put to it before it has gone very long. Would the Finance Minister be prepared to apply the same test to the public sector, fix the responsibility for losses incurred on those who are entrusted with management and mete out the much milder punishment of asking them politely to resign? So many things have come into the open about the

public sector that it would invidious to mention any particular case by name. But taking prefabricated housing by way of illustration, would the Finance Minister be prepared to say who was responsible for it and what punishment did he have to take?

Many tests of efficiency have been suggested for the public sector such as that State enterprises should compete with the private enterprise on equal terms, neither under handicap nor enjoying special privileges. But such cases where a fair comparison is possible being rare, considering that profitability cannot be applied as a criterion in view of the special circumstances or conditions under which public enterprise functions, other tests have to be applied by which its performance must be judged. True enough, in the absence of any such criterion public has so long gone solely by the proportion of the sanctioned expenditure incurred on a project or by a department as a measure of performance. Judged even by this criterion, the public sector has not so far come off with flying colours. Things, however, are now improv-

ing, so we are told. The Government cut to the quick by the constant blandishment of Parliament has been trying seriously to mend its ways. The order has gone around to spend, since the public cavils at failure of spending, taking it as a measure of the inefficiency and slackness of the Government machinery. Well, the full target may not be attained, but 85 per cent of the planned expenditure will have been incurred by the time the last plan year comes to an end.

If people wanted spending, they are going to have it. It will be many years before the Public Accounts Committee or the Estimates Committee let us have a look into the manner of this spending, with the impressive figures of which the Finance Minister is now bent on rebutting all criticisms. Surely, this is not the spirit in which criticism should be met. It is high time that Government thought of some better criterion of performance, put it up before the public, and wait for its judgment before boasting in self-righteousness "Let jaded mare wince if it will, our withers are unrun".

Our Delhi Letter

Dynamism in Action

Thursday, Morning

WEATHER and politics (or rather the lack of it) have conspired to make it a rather sleepy week at Delhi. The ceremonious send off to the Pakistanis made one suspect that a political deal was in the offing. In retrospect it appears somewhat strange that there was hardly any immediate public or official reaction to the firing on Satyagrahis at Goa. Subsequently, of course, Pandit Nehru's dynamism got into action and the Portuguese authorities, all their bravado on the international front notwithstanding, do find themselves in the dock. Opinion here is almost equally divided between a showdown and the expectation that the Portuguese, while talking fire, are preparing to quit.

On the Akali front also, there are (or were) signs of greater reasonableness in Punjab politics, though Pandit Nehru's attack, characterising the Akali *marcha* as "vulgar, highly improper, unwarranted, nonsensical, obnoxious and born of parochialism"—what a

combination of adjectives—has somewhat complicated the matter. Obviously the Pandit is no politician. Does he realize what would be the reaction, if this sort of stuff were read out to masses of illiterate Sikhs? I wish, someone read out to him this line from Marshall: "In the conduct of public affairs, it is worse than folly to ignore the baser side of human nature". But Pandit Nehru doesn't care.

INDIA'S STOCK HIGH IN US

On the foreign front, things seem to be going well in accordance with Nehru's heart's desire. There is to be a 'summit' meeting of the Big Powers. "The position of strength" philosophy, though it continues to be talked of, has receded. Our ambassador at large, Krishna Menon, is on his way from Peking to Delhi; or rather from Peking to Washington via Delhi and London. Quite curiously, unconsciously, almost effortlessly, a Delhi-London axis has become an operative factor

in international politics. By the time Menon reaches London, the political atmosphere there would have cleared after the elections, which are being held today. Both official and intellectual circles—people don't even know that the oldest democracy is going to the polls today—would like Labour to return to power, for then Dulles's hunch of a Delhi veto on British foreign policy may mean something. After the Asian Conference, the Pandit has again begun to look for comrades in London. His impending visit to Moscow, which the Russians are going to make much of, has not yet attracted much attention in the West, particularly in the United States. At the moment, attention is focussed on what cards Menon displays to his Chief at Delhi. There is a feeling of subdued optimism in official circles; and the Ministry of External Affairs is looking forward to the visit of the Vice-Premier of China, Mr. Chen Yi, whom Menon has invited with the blessings of Chou.

From the Calcutta End

Make-up of Unemployment

UNEMPLOYMENT is West Bengal's Number One Problem. Both the unemployed and the employment exchanges are making efforts to solve the problem. There is co-operation from all the parties concerned. Employers seek the help of employment exchanges. Those who seek employment get themselves registered with employment exchanges. But the result is not very encouraging. There is not much scope for fresh employment.

There are nine employment exchanges in West Bengal. One has had many occasions to observe the queue at the regional employment exchange in Calcutta. It is a busy and crowded establishment. The queue there is an interesting study in psychology. Each and all the persons in the queue seek employment. Some are young; some are middle-aged. Some are well-dressed; many are not. But, in the mass, this long queue does not seem to be as forlorn or frustrated as one would expect such a queue to be.

Passing that patient, waiting, queue, one has very often wondered at the philosophic courage of the unemployed persons who form the queue. What sustains them? Of course, the most popular explanation is that every Bengali family has some land somewhere to fall back on. Statistics have demolished that myth. But statistics do not disprove the other popular explanation. Though the joint family is decaying, it is not yet dead as an institution.

JOINT HINDU FAMILY

It is the joint family system that has saved Bengal from a bloody revolution, from fascism, from Communism. It has concealed, though not minimised, the rigours of unemployment. What will happen when the Hindu Code Bill becomes an Act? There is a possibility that the individual may lose his family roots long before social insurance becomes a reality. Today, it is fashionable to talk about the menace of unemployment. How sinister that menace is will be evident when society faces unemployment without social insurance or without industry's ability to absorb the surplus at a time when family roots will be withering away.

Against the growing menace of unemployment in West Bengal, the State Government's remedy is to enlarge the boundaries of this partitioned State. At Darjeeling, the cool summer resort of the State Government, Dr B C Roy is having talks with the State Re-organisation Commission about West Bengal's boundary claims on Bihar and Assam. That may or may not solve the linguistic problem. But that will not solve West Bengal's land or unemployment problem.

DEMOCRATIC PLANNING

New Delhi's remedy is simultaneous development of heavy and small-scale industries. Expansion of the latter is expected to provide immediate employment. Development of the former will ensure a lasting solution of the unemployment problem. There is controversy about the draft of the Second Plan. There are statements in the Calcutta Press about Dr B C Roy's views on these outlines. He does not think that the Plan is workable in a democracy. He is for a less ambitious Plan. Dr B C Roy is certainly free to define democracy as he likes. But there is not the least shadow of a doubt that there will be no democracy either in West Bengal or in India if the unemployment problem remains unsolved.

One can assess the problem, its composition and complexion from the working of employment exchanges. In 1954, unemployment was acute in West Bengal. Two factors intensified the problem. There was large-scale retrenchment of workers in the jute industry. This, incidentally, explains the State Government's reported opposition to IJMA's contemplated move to revert to shorter working hours. The State Government's commitment to absorb the surplus staff in the State Food Department also affected the scope of providing employment to the unemployed.

FINDINGS

Findings of the employment exchanges are interesting, but will not be unfamiliar to the reader of fresh page. There is a surplus and engineering graduates, inexperienced neering graduates, ungraduates, and mid-wives and trained nurses. There is shortage of women.

of qualified and skilled men for various types of technical work. There is dearth of women for posts of stenographers, receptionists, sales-assistants, teachers and art-mistresses.

Unemployment in West Bengal is most acute among the educated middle-class. That is why more art, mechanical and engineering graduates are seeking jobs than there are jobs. Those who know the mental make-up of Bengali women will realise why there is shortage of female stenographers, receptionists and sales-assistants. But the shortage of female teachers and art-mistresses is not likely to be felt much longer.

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Mahavir Tyagi but came back in time to see off Maulana Azad, who left on Monday last on a multi-purpose tour of Europe (including possibly the Soviet Union) and the Middle East.

THE NEW DYNAMISM

The Congress President, Shri U N Dhebar, has become an active practitioner of the Nehru philosophy. Inaugurating the Delhi State Congress Workers Convention in Jamuna Bazar slum area in the old city, he called upon Congress workers throughout the country to declare war on casteism, unemployment and communalism and to muster all their energy for bringing about a socio-economic revolution in India. In his opinion, the main function of the Congress organization was to establish a just socio-economic order under a democratic set-up. In this connection, it is a pleasure to record that Shri Dhebar has taken his job seriously.

THE CALL OF BHOODAN

Our Rashtrapati has broken silence after a long time. In his address to the Harijan Udyog Shala (Harijan Industrial School) at Kingsway, he deprecated the present system of education as adding to the number of unemployed in the country by making them to forget the use of their hands and feet. He pleaded for the introduction of basic education on a wider scale and said that Government was keen to bring about the change. There is news that Dr Rajendra Prasad has donated 31 out of his 186 acres of land in Champaran district for the *Bhoodan Yagna*. Shri Bipin Bihari Varma, MP, has also donated one-sixth of his holdings, which comes to 45 acres. About 500 acres of *bhoodan* land, including the Rashtrapati's donation, will be distributed next week. The political stock of *bhoodan* seems to have gone up, for it is reported that the Prime Minister is showing keen interest in the movement. The news that the Chief Minister of Orissa is to resign in favour of *Bhoodan* has been received with interest and amusement. It is a subject-matter for research why in the present political atmosphere, the ranks of constructive workers are being strengthened at the cost of real and rare political leaders.

Shri Nandaji has not missed the off-season chance to speak. At the closing function of the First Leader's Training Camp organised by the Bharat Sewak Samaj, Shri Nanda

insisted on the doubling of the *per capita* income as soon as possible, to ensure a minimum living standard to the common man. In his opinion, the machinery and resources of Government could not cope with the task of reconstruction of the country's social and economic life and it was therefore necessary to harness popular support and co-operation in this great venture. These are brave words, but to whom were they addressed? Does the Bharat Sewak Samaj really exist?

Though not in town, Shri Deshmukh has not been idle. He has spoken from Bangalore and threatened an inquiry into the efficiency of the private sector! Speaking on the Second Five-Year Plan, he thought, it was safe to indulge in a 1,000-crore deficit financing, whatever that might really mean. Against this—this is my way of putting it—Government would raise Rs 500 crores by way of additional taxation. As regards the Finance Commission, the prospective candidates must still bide their time, for its appointment must await Government's decision on the report of the States Reorganisation Commission.

It would be unfair to by-pass in this review the heroics of Shri TTK, who had his day at the meetings of the Import and Export Advisory Councils. It is reported that his threat that Indian ports would be declared out of bounds for the ships of discriminating companies had immediate effect. Shri TTK was obliging in every way to private interests, particularly in respect of cotton and newsprint. The most interesting news really was that the Federation of Chambers of Commerce and Industry had four actively functioning standing committees for promoting exports to different regions—South East Asia, the Middle East, Pakistan, and Europe. It would be worthwhile knowing, how these committees have functioned and what have been their achievements in export promotion.

The Muslims of Delhi celebrated their *Id* with great *éclat*. The whole of old Delhi from Juma Masjid to Fatehpur put on a festive air. Dr Syed Mahmud, the temporary successor to Maulana Azad at the Ministry of Education, spoke on *Id* at the International Cultural Forum and regaled the audience with anecdotes from the records of the East India Company to whose urgent calls Nawab Siraj-ud-Daula refused to attend, as he would be busy for a week in the celebration of *Holi*!

The impression is that Menon's stock has gone up. He not only walked arm in arm with Chou and Chen, but had an audience with Mao himself, whose prestige has reached the Stalin heights. In any case, we shall see him here tomorrow. At the moment, he is at Madras with a three-point formula in his brain or bag—a formula that would at once secure peace in the Straits of Formosa, create friendliness in the USA by the much longed for release of airmen and confirm India as a recognized mediator in Big Power disputes. For once, anti-Indian feeling in Washington has abated and the *bona fides* (?), sincerity and international goodwill of Pandit Nehru have been re-established in US political circles. Just prior to the Russian visit, this appears to be a master stroke in diplomacy.

On the domestic front, the Jagat Narain case, which has so much exercised the public mind in recent days, has been amicably settled. There is a strong public feeling that it is a political and not a judicial decision. The best course would be, in such cases, where the Prime Minister is convinced of a *prima facie* case, to hand it over to a special bench of the Supreme Court. We have not yet reached a stage where political corruption, particularly in the Congress Party, can be adequately and fairly dealt with.

NO LONGER 36 CRORES

The Women's department of the AICC has been unusually active. They have been able to hold a fairly big and long conference of Congress women organisers. The conference attracted all the big guns of the Party, including the Prime Minister, who advised the women to cultivate mass contact, to participate with heart and soul in the social revolution and pleaded for uncared-for children. Pandit Nehru referred to 36 crore problems of 36 crore people. It is high time that some one informed the Prime Minister—it should be the periodic duty of the Registrar General of Population to do it every six months—that we are now 38 crores; and when he begins peddling the Second Five-Year Plan, he should refer to the almost immediate prospect of our becoming 40 crores. He repeated the same figure of 36 crores at Hardwar, where also he spoke as usual on his favourite social philosophy. He paid a flying visit tohra Dun in company with Shri

Many unemployment surveys have emphasised the shortage of qualified and skilled men for various types of technical work. On many earlier occasions, the need for expanding facilities for secondary vocational education has been emphasised in this page. Yet, a strange contradiction may be noted. In West Bengal, there are ten centres where the Union Ministry of Labour is imparting technical and vocational training to 72,552 boys. Similar other attempts are being made to extend vocational training. Soon, therefore, there will no longer be any shortage in the supply of secondary technical personnel seeking jobs.

From the London End

A Tunisian Settlement?

UNLIKE Morocco and Algeria, where French direct rule continues with unashamed violence, the Tunisian situation offers at one and the same time, the prospects of certain peace and self-government and, on the other, a steady political degeneration to a situation paralleling that in the neighbouring French territories. The renewed negotiations between the French Government and the Tunisians is apparently proceeding with some speed and, according to the latest reports, the French have promised to complete the negotiations by this week (May 25th). The climax in Franco-Tunisian relations is, therefore, being fast approached, and it is being accompanied by various events which can bode ill for the future of Tunisia.

The current negotiations have their origin in the logic and realism that M. Mendes-France exhibited whilst he was in power. It will be remembered that M. Mendes-France had sent out, as Resident-General, General de Latour, in the hope that the influence of the older trained imperialist officials of the Residency would be reduced and this would contribute towards an easing of the tension between the Tunisian Nationalists and the French Authorities. This appointment was accompanied by the marked relaxation of various security measures and by an amnesty for all those *fellaghas* (the Nationalist guerrillas) who were prepared to surrender their arms. Simultaneously, organisations of the Nationalist movement were allowed to operate and the Bey was invited to a delegation for negotiations on terms with the French Gov-

REHABILITATION

There are additional complications in placing the displaced. Refugees are pouring in from East Bengal. Calcutta's and West Bengal's unemployment problem is being aggravated by the continued exodus of East Bengal Hindus. Despite efforts of the employment exchanges to impress on the employers to give preference to displaced persons, the results are not very encouraging. Of the 42,000 displaced persons registered with the exchanges in 1954, only 3,500 were provided with employment.

There is hope that some other efforts to place the displaced may prove more successful. Both the

THE ECONOMIC WEEKLY

State Government and New Delhi have plans for helping industrialists to expand existing industries or to start new ones on the condition that displaced persons should be given preference in the matter of recruitment. There are indications that some enterprising Bengali industrialists are seeking loans from the Union Rehabilitation Ministry, and not from the Industrial Finance Corporation, to start new industries or to expand existing concerns. Many such industrialists are being promptly helped by the Union Rehabilitation Ministry on their assurance that they will give preference to displaced persons in the matter of recruitment.

ernment.

The negotiations have been protracted and at times appeared to have reached a dead-lock. They have, nevertheless, been continued. These negotiations have, however, all been marked by one feature; no sooner had there appeared some chance of the negotiations taking a successful turn, the French settlers in Tunisia and their "lobby" in the Paris Assembly would become active. These have not proved successful so far, though the current agitation appears to be of an extraordinary and far-reaching character. The announcement that the Franco-Tunisian negotiations would be completed by or before May 15th forced the hand of the representatives of the extremist French-settler organisations in all the three North African Dependencies. They have held a conference which has drawn up a "programme of co-ordinated action against the Paris Government's policy of surrender",

and they are threatening to "carry the battle into the streets unless the claims of the French population in Tunisia are satisfied." The French Parliamentary delegation which recently visited Tunis returned with the announcement that "we are returning to Paris to carry on the struggles against the follies of the Government's policy". These announcements have been accompanied by a number of violent attacks on the members of the Neo-Destour, the premier nationalist party of the country. It has been reported that a number of Tunisian students have been killed as a result of these attacks.

The Government of M. Faure have continued the policy of the Mendes-France Government in regard to Tunisia though they have retreated heavily from the previous policy on Morocco and Algeria. The Faure Government, moreover, have made it clear that France would not abandon its "responsibilities" for the defence of Tunisia, which, as a Government statement recently put it, "is imposed upon her by ineluctable strategic necessities". The current negotiations are, therefore, concerned with the conclusion of seven conventions. In the first place, France is requiring guarantees for the security of the property of the French community in Tunisia, which is to be coupled with the maintenance of the "personal status" of French citizens, of their access to the professions and of their representation in the Tunisian Assembly. Next, there is to be a convention on administrative and technical co-operation, whereby the conditions under which France would supply officials and under

THE ECONOMIC WEEKLY

which French capital would be invested in Tunisia would be determined. The third convention relates to France's rights and prerogatives in the fields of Tunisia's defence and, fourthly, in international relations. There is to be a judicial convention, which will define the powers of French and Tunisian courts in the Regency. The two other conventions relate to cultural matters (the status of French schools, and the French language), and monetary and financial relations between the two countries. All these conventions are to be linked together by a general agreement on relations between France and Tunisia. In particular, they are to lay down the procedure for the settlement of any disputes which might arise in their application.

The Faure Government have acted wisely in these negotiations. They invited the leader of the Neo-Destour to help in the negotiations for Tunisian self-government. M. Habib Bourguiba has been recognised as the *supreme combattant* to almost all Tunisians. Long years in exile have not deprived him of his great influence within the territory. He has been able, it is said, to merge the Arab bourgeois intellectuals and the mass of the *fellaghas* into a single disciplined party, supported at the base by an efficient and united trade union movement. It has been this sense of national solidarity which has been the key factor in Franco-Tunisian relations. Unlike French policy in Morocco and Algeria, where the standard "divide and rule" approach was fully exploited, the French in Tunisia were faced with a coherent national spirit which transcended class differences and petty factionalism among the tribes. In 1953 the Bey was deposed but his successor, whom the French chose, subsequently identified himself with the Nationalist Movement. Similarly, the puppet cabinets of "representative Tunisian leaders" which the French had formed at various times, proved to be too difficult and all of them had to be sacked.

The National solidarity of the Tunisian people is certainly the key factor contributing to the French initiative for negotiations. There are other reasons as well. One is the relative weakness of the French settlers in the territory. Out of a total population of nearly 4 million, only 250,000 are Europeans. Next, there is Tunisia's abject poverty. The average income among the French population of the dependency is nearly 25 per cent lower than in Algeria and "annual investment" per head is 5,500 francs compared to 9,400

francs in Algeria and 8,700 francs in Morocco. Finally, Tunisia's old-established industries, such as phosphates, no longer attract French capital and extensive prospecting has so far failed to reveal workable oil deposits.

The hope of a peaceful settlement in Tunisia can only be realised if, as M. Bourguiba pointed out, "the French Government will apply a sincere spirit to the Agreement". He has pointed out in a recent statement that he is not unmindful of the possibilities that the French "old-timers of 20 to 30 years overseas service" will attempt to undo what is now being done. In this event, he has warned the *fellaghas* would again take to militant action and the whole of Tunisia would quickly fall into the pattern of violent politics which is the mark of

French North Africa today. The Neo-Destour, having emerged from illegality, have been able to instil among the *fellaghas* a greater sense of loyalty and there is little doubt that given French sincerity the *fellaghas* would come out into the open and form themselves into, what the Neo-Destour has recommended, the core of a National Tunisian army. Since the Tunisian negotiators have agreed that matters of defence should be left in French hands, it would follow that the *fellaghas* would come under the control of the French. This, by any measure, must be considered to be a far-reaching concession on the part of the Tunisian Nationalists. It can only be hoped that French sincerity will be maintained in the future and that the ravings of the French settlers will be ignored in the search for a permanent settlement.

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Book Reviews

The Bandung Powers

Asia and Africa in the Modern World Edited by S L Poplai, for the Asian Relations Organisation, Asia Publishing House, Bombay and Calcutta. Pp 218., Price Rs 5.

THIS neatly got up handbook, published on the eve of the Bandung Conference, has been a very timely publication—how timely, is proved by the fact that it had to be reprinted within a month. Prepared with the assistance of the Indian Council of World Affairs and the newly set up Department of African Studies of the Delhi University and the Department of Islamic Studies of the Aligarh University, the basic facts about the countries of Africa and Asia which met in the Afro-Asian Conference at Bandung have been set out in this volume very briefly.

Though no attempt is made at political analysis or in tracing the political development of the Afro-Asian group of countries and their efforts to enter the world political arena, some light has been thrown on the genesis and development of the Bandung idea. Developments leading to the establishment of a common forum for the Afro-Asian group of countries, beginning with the non-official Asian relations conference which met at New Delhi in March 1947 to the Conference at Bandung, have been sketched in brief and an

attempt has been made to link together the decisions taken at various conferences. Thus in 1947, all the Asian countries met at New Delhi with a view to exchanging ideas regarding the common problems which they had in the post-war period, and resentment was expressed against domination by Western nations. But the setting up of a Secretariat and holding a conference every two years, contemplated at the conference, did not materialise for various reasons. In January 1949, a conference was convened in New Delhi—it was rather an *ad hoc* affair, but of decisive importance—to protest against the police action of the Dutch Government against Indonesia and to focus world attention on and canvass sympathy for Indonesia's problems. The conference turned the course of history.

The emergence of an Asian-African group in the United Nations, the Baguio Conference in Philippines in May, 1950, the meeting of Colombo powers in April-May, 1954 at Colombo and at Bogor in Indonesia towards the end of 1954 at which the proposal regarding the Bandung conference,

took a final shape—all these have strengthened the bond among Afro-Asian countries.

The Bandung countries have been divided into five major groups as Africa, East Asia, South East Asia, South Asia and West Asia. The publication then deals countrywise with their geographical and historical background, constitutional framework and foreign relations, economic resources and foreign trade etc. The value of the publication is enhanced by the appendices at the end which includes the covenant of the Arab League and details the text of the decisions taken at the Asian Relations Conference, the Delhi Conference on Indonesia, the Baguio Conference, the conference of Colombo Powers at Colombo and at Bogor, and the South East Asia Collective Defence Treaty.

One, however, wishes that the statistical tables at the end, which now give data regarding only four items, viz, population, area, foreign trade and consumption of commercial sources of energy, were a little more exhaustive.

Agricultural Price Policies in Far East

THOUGH the world food and agricultural situation changed in 1953 from one of scarcity to relative abundance and in some cases even surpluses appeared, prices of basic foodstuffs still largely reflected the influence of the long post-war shortage, despite important modifications in the price policies in the Far Eastern countries. This is the conclusion drawn from the joint study undertaken by the ECAFE and FAO, published by the United Nations under the title *Food and Agricultural Price Policies in Far Eastern Countries with Special Reference to Rice*, Part I. Apart from their influence on agricultural production and food consumption, price policies have their impact on the general price level as well as on the prices of export products and export prices, in their turn determining the pattern of international trade and the quantum of import and export of individual countries.

During the war-time and post-war shortages of cereals, governments of the various countries of the region imposed food control and introduced compulsory procurement, rationing, price fixation, control over international trade in cereals, etc, with a view to ensuring minimum supply to consumers at fair prices. The most characteristic feature of the cereal control policy was the more or less complete insulation of domestic prices of rice in both exporting and importing countries against the influence of international prices. Therefore the prices prevailing during war and post-war years were not the result of the natural operation of the economic laws of supply and demand but the controlled prices maintained by governmental intervention. In fact, for the Governments of Burma and Thailand, differentials between the purchase and export prices became the mainstay of government finances. For the importing countries, price control meant a heavy drain on national finance in the form of consumer subsidies to equalise domestic and foreign prices. With the increase in domestic production, the subsidy was either curtailed or abolished. Among the importing countries, while some of the countries like Ceylon and Malaya sharply raised the price of paddy as an incentive to expand production, India permitted only a slow rise in the maximum procurement price for paddy and sought to expand production mainly by development programmes and techni-

cal improvements. Among the exporting countries, while Thailand increased both the area cropped and the level of production, war-time devastation and continued insurgent activities prevented Burma from developing rice production to any large extent.

When the situation changed into one of relative abundance, Burma partly solved its problem by entering into long term contracts with importing countries like Ceylon and Japan. For Thailand, on the other hand, with a reported exportable surplus of 1,000,000 tons on hand from 1953-54 harvest and the expected increase in production, falling demand is a matter of concern. The countries afflicted or threatened with a burdensome surplus may find *ad hoc* measures like price support policies helpful for a time, but as a long-term measure, either they have to permit prices to fall to competitive levels and concentrate attention on the possibility of developing alternative crops, particularly on land marginally suited to rice growing or suffer losses. This holds good not only for Thailand but for all the rice surplus countries of this region. In India lack of storage facilities, among other reasons, has prevented Government from undertaking large scale purchases. But new warehousing schemes are under contemplation and a modified form of price support is now the accepted policy. Building up stocks may ease the problem of surplus production due to favourable seasonal conditions. But if production continues to increase with improved methods of cultivation and increase in acreage, stock building, apart from its impracticability, is no solution. Diversion of acreage under paddy to other crops, especially in view of the reported world surplus of 8,000,000 tons of rice, would become necessary.

During the years 1949-53, in addition to considerations of supply and demand, other important factors like the currency devaluation of 1949, exceptionally high demand as a result of the Korean war during 1950-51 and national price policies influenced the course of prices of jute, cotton, tea, rubber, etc, in this region. But in direct and export crops, despite sale intervention and followed by retail prices, domestic market prices trend of

deficit countries on the other hand had to reconcile between the conflicting aims of increasing domestic production to the utmost through higher prices and of arresting the pressure of inflation. The idea was that prices should not be too high for the consumer and too low for the producer. These are relative concepts, depending on numerous economic factors changing from country to country and from time to time. Therefore, Governments had to regulate their price policies for basic food on the basis of trial and error. In the two main rice surplus countries, Burma and Thailand, the Governments had to pursue the double objective of stabilising producer prices in order to check inflation and of collecting Government revenue from export prices. In both countries, a 'minimum' price for paddy was fixed and it has not been changed since 1949.

High price policies, however, were not always effective in expanding production. In the first place, the opportunities of extending the area under paddy are much less in intensely cultivated countries like Japan than in countries like Burma, Ceylon and Thailand where a considerable expansion of the cultivated area is possible through extension of irrigation facilities. Secondly, the efficacy of a policy of price support depends on several other considerations. First, it depends on the relative prices of other crops such as jute and cotton which are likely to compete with rice. As cash crops generally respond more strongly to price stimuli, though with a time lag, marked fluctuations in the prices of industrial and export crops make it difficult to use price support for either increasing or stabilising supply of food. Further, the fluctuations in the industrial export crops, any level has also to be incentive

sharp rises in prices of the lack of marketing price for agricultural products at the efficiency of a price incentive scheme. Most of the producers are small holders with little financial resources. Their holding power being limited, their produce is usually bought up by intermediaries at very low

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prices and the benefits of price support rarely reaches the actual growers. In spite of the improvement in marketing facilities that is taking place in many countries, a large proportion of paddy is sold through one or more intermediaries and in consequence, the cultivator receives substantially less than the official price.

Thirdly, the system of land tenure also works against the policy of price support. Either most of the producers are small holders eg in Thailand and Burma or share-croppers eg in Ceylon, India, Malaya; in either case, the bulk of the cultivators have little or no margin for sales over their own subsistence requirements.

The present price policies and price levels for cereals in Asian countries in the face of abundance and often surplus of cereals on the world market, throws up many problems for both the exporting and importing countries. Exporting countries are troubled first, by the marked trend towards self-sufficiency in some of the deficit countries, eg. India and secondly, by the increasing competition from exporters of wheat and other cereals. Although the improvement in production of the deficit countries was favoured by good weather conditions, it also reflects largely a permanent movement towards higher levels of production. Wheat and other cereals became prominent in the post-war years both because of the inadequacy of imports in rice importing countries and the fall in their prices relatively to pre-war. Nevertheless, the preference of many consumers for rice is still strong, and rice can regain most of the lost ground if it is competitive both in price and quality. But a discouraging tendency is that while the disposal of wheat has been subsidised in some countries, rice exporters have imposed export duties thereby reducing the competitive capacity of rice on the world market. Unless these countries decide upon the extent to which they can forego revenue from export duties, they cannot regain the ground lost.

In many of the rice importing countries, on the other hand, domestic prices have been fixed at a high level in order to stimulate production—in many cases, they are substantially higher than the prices at which cereals could be imported. While a policy of this kind could be followed indefinitely by countries such as Japan, with a more or less permanent deficit, it may be more difficult to maintain in countries which are more or less self-sufficient eg. Indonesia, Philippines. If production in these

countries exceeds requirements, the price level can be maintained either by financing the carry over of stocks or by subsidised exports. If, however, there are continued surpluses, they will then have to examine the possibility of diverting production into other channels, by a downward price adjustment. The scope for such diversion is limited by two considerations, first, diversion of production may prove difficult either because of natural factors, market de-

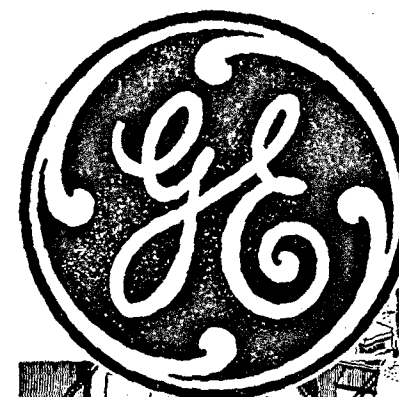
mand or necessary skill, and secondly, the cultivator may react by curtailing his own consumption and increase the marketable supply. In view of the considerations set out above, it would appear that the maintenance of rice prices above world levels would give rise to many problems in countries which are close to self-sufficiency, and therefore there is need to bring down prices. The case for diversifying production of coarse needs no special pleading.

Skyscraper Sarvodaya-Secretariat

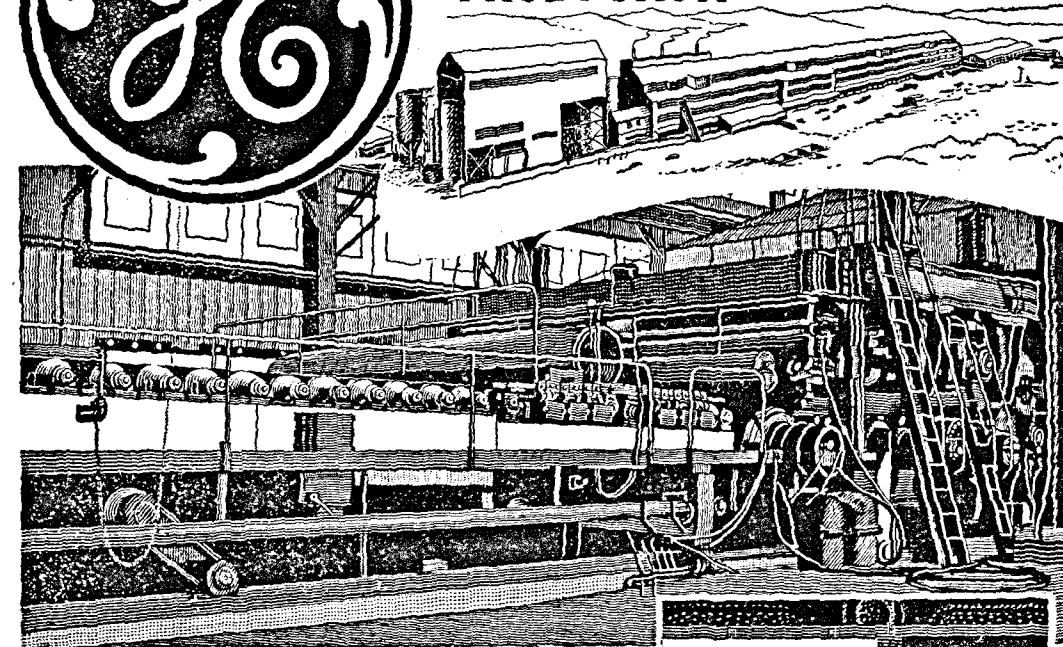
THE new skyscraper home of the Bombay Government, it is claimed, has been built in record time; but oddly enough, the same efficiency and expedition have not been evident in giving it an appropriate label. True, this too may be claimed as a point in favour of Government, indicating, as it may well be supposed to do, a certain august indifference to things of the surface, things that merely embellish but are not of the essence. That the new secretariat has not yet been named and that a search for a name is going on, however, does not suggest august indifference. On the contrary, it betrays an indecision of purpose, if not also a little mental indolence. Meanwhile, however, the public have manfully come forward to shoulder the task, the proof of which may be found in the correspondence columns of local papers. It is a happy sign that when Authority wobbles even in so small a matter as the selection of a name for a building, the public should strive to rise to the occasion; for is not that how democracy should function? To say that, however, is not to suggest that the people, or at least such of them as are moved by a sense of duty to pen letters to the Editor, have been able to make any contribution of much value. No suitable name has yet been found for this impressive structure. The process of arriving at a popular choice is itself torturous and time consuming; and that is why there is something to be said for one or two firm-minded persons in authority taking a decision for good or bad.

'Sarvodayalaya,' 'Sacheevalaya' and 'Kacheri' are some of the names suggested in the correspondence columns; and if there has been any unanimity, it is in discarding the old label of the Secretariat, 'Bom-

bay Castle', not only as being out of date, but also possibly as being too authoritarian in sense and sound. But some may well ask, as the repository of authority, should Government not also spell a certain degree of awe? True, State dignitaries nowadays makes an attempt now and then at rubbing shoulders with the populace—generally to the embarrassment of the latter. But has there been much of a change in Government in this respect? Scratch the meekest of Ministers, the Gandhian veneer will come off and the bureaucrat of old will spring into view, bristling with the trappings of authority. For such folk to take refuge in a 'Sarvodalaya', or even 'Sachivalaya' and prune down their egos to appropriate proportions or stove them away in a self-denying spirit in one of its numerous cubicles would be to suffer a damage to sedulously-built personalities which may leave them politically prostrate. Many irreverent alternatives in nomenclature could be easily suggested, at once apposite and strikingly self-revealing; but humour wilts where solemnity is enthroned in all its heroic magnificence. And indeed, who knows how long it will be before levity and banter is classed as subversive activity, perilous to the smooth progress of the State, and made culpable as such through an appropriate amendment to the Constitution? Indeed, the quest for a name for the Secretariat is unpromising and unrewarding either way; and they may, after all, be the really wise who have desisted from writing letters to the Editor on the subject or giving any thought to it. When all is said and done, a seat of authority will remain a seat of authority and forbidding at that, whether it is called a castle or a hermitage.



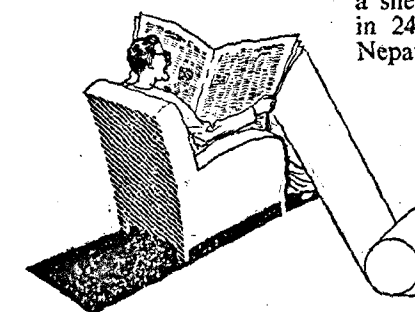
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A Stock Market Review

Calcutta Stock Exchange Official Year Book 1955 Calcutta Stock Exchange Association Ltd,
7 Lyons Range, Calcutta 1. Pages 535. Price Rs 12-8.

CALCUTTA is the only stock exchange in India to have an official year book of its own and the latest issue of the year book for 1955 fully keeps up the standard. Official publications of this type are usually compiled with meticulous care and the Committee of the Stock Exchange Association responsible for the year book, point out in their preface that the information presented has been verified and endorsed by the Managing Agents and Secretaries of the companies concerned. The information about the companies is presented in a standard form and net profit has been shown in accordance with the Section 87-C of the Indian Companies Act and after provision for taxation. In addition, for this edition, the manufacturing profits of jute mill companies "have been put on a rigid and correct basis." The companies are classified under the following broad heads:—banks, railways, tea companies with separate sections on sterling and Jalpaiguri tea companies, Malayan rubber companies, cotton mills, coal companies, jute mills, mining companies, engineering companies, electric companies, sugar companies, miscellaneous companies and insurance.

The list indicates the wide range of shares which used to be dealt with on the Calcutta Stock Exchange, including Malayan rubber companies, for instance, of the days before World War II when rubber and tin shares were popular with Calcutta investors. Each section carries a general introduction in which within a brief compass all important developments relating to the industries concerned has been brought together. Significant changes in company affairs in the last one year have been collected in a separate section entitled "Company Intelligence 1954-55". These relate to changes in managing agency, capital structure of the companies and in the registered office etc.

Departing from the austere lines of London Stock Exchange publications, publishers have not maintained in countries which introduce less self-sufficient eg. India, Philippines. If production in these

reviewer, a rapid survey is given of the broad developments. In the course of this survey, naturally some generalisations are made which do not matter much. But in a matter like the price of tea shares and the gains made by the tea shares, the Committee of the Stock Exchange Association observes:

"What created a craze for tea shares from the very beginning of the year was the notion, taken for granted by the investors, that the prosperity of the industry, based as it was on restricted production and remunerative prices, was not to end too soon. That they were right in their notion was proved by the subsequent course of events."

Reading this introduction after the fever has passed, it is easy enough for one to be wise and question this judgment. Even when these lines were written, knowledgeable people may not have endorsed such a judgment, but it does appear somewhat odd for a sober body like the Committee of the Stock Exchange to hazard an opinion and put it down in print when experience must suggest to them how difficult it is to distinguish a passing phase from a long term trend.

The lack of ready availability of dependable statistics must have led the compiler to include the section on economic statistics. In this sec-

tion, as is natural, the Five-Year Plan and the financing of the Plan have been covered under several heads, eg. Investment under the Five-Year Plan, its phasing, sources of finance, irrigation and power projects, results anticipated, distribution of outlays and financial resources. The table of distribution of working force by industries in the Indian Union, which the National Income Committee claim to be no more than a very rough approximation, is likely to mislead the unwary reader.

On the other hand, greater exhaustiveness would have been more welcome in a matter like statistics of joint stock companies for which one would naturally turn to this specialised publication. This is dismissed in a single page out of 17 pages devoted to economic statistics. While information is given of company registration year by year, nothing is said of the companies which go into liquidation. So one does not get the correct measure of net growth. Again, consent of capital issues is tabulated, but not new issues or issue of bonus shares.

Companies in liquidation since 1939, preference dividends in arrears, rights of preference shareholders and full texts of the rules and bye-laws of the Calcutta Stock Exchange are regular special features which are duly maintained.

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Social Welfare Services

(Contributed)

THERE have been developments of considerable significance in the field of social welfare in India in recent years. One is the emergence of a public sector in social welfare work, following increasing participation of the State in that sphere. The other is the growing co-ordination in the activities of the various voluntary social welfare organisations in the country engaged in a specific field of welfare work or among different organisations engaged in a number of allied activities, which could be beneficially co-ordinated.

These two developments are of immense significance for the country as a whole and, in particular, for the needy or socially defenceless groups in the population for whose benefit the activities are designed. Considered in their proper context, they are the first steps in the direction of a Welfare State, which is the goal of India's Constitution. The provision of social security, in the broadest sense of the term, to all the needy, destitute and socially unprotected sections of the community is implicit in the concept of a Welfare State, and so is the obligation that the incidence of preventable unemployment, old age, infirmity, physical handicaps and destitution should be made bearable. We are yet far from that ideal; but the first steps have been taken in that direction in the scheme of Employees State Insurance and the various labour welfare laws. Foundations have also been laid for social welfare work for the needy and the defenceless and for social services in the shape of education, public health, community services, housing and so on.

Social services and social welfare activities of the magnitude and extent demanded in the conditions obtaining in the country are manifestly beyond the scope and ability of the purely voluntary organisations to provide, however well-established the latter may be. The All-India Women's Conference, the All-India Adult Education Council, or any similar voluntary organisation could undoubtedly be regarded as agencies competent to initiate programmes or suggest measures for the furtherance of the interests of women or the cause of adult education. But when the question is

one of providing welfare activities and services in the requisite measure for the large number of women who are the victims of social vice or who need maternity services, it is beyond the All-India Women's Conference, for example, to afford either the funds or the personnel for the purpose. Obviously, it is the State or the public sector, which alone can shoulder and discharge this responsibility. The public sector or the organisation which represents it would undoubtedly seek—and is entitled to obtain—the co-operation and the support of voluntary organisations in implementing the necessary schemes. There is no other method by which the needy sections of the people can be assured of an adequacy of assistance and the requisite efficiency in the administration of the programmes than through such fruitful co-operation between the public and private sectors. That is how social services and welfare activities have developed in a number of other countries—East and West; there is reason to believe that in India too we are walking along the same road to reach the same goal.

CO-ORDINATION AMONG PRIVATE ORGANISATIONS

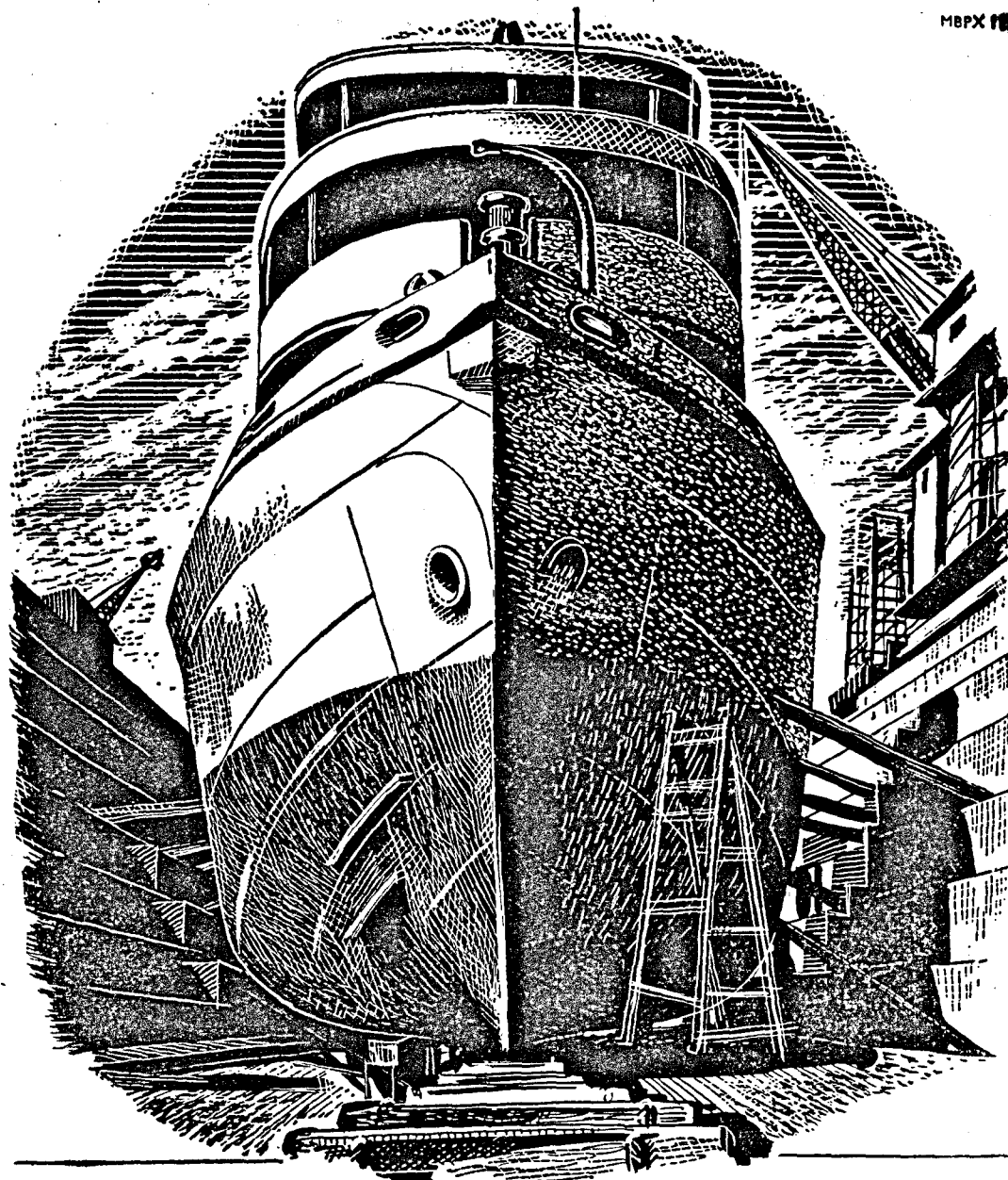
It has, nevertheless, been found in India, as in other countries, that while co-ordination could be attained comparatively easily as between the public and the private sectors in social welfare work, particularly at the planning and directional level, it is not so easy to ensure co-ordination among the private organisations which are engaged in the same line of welfare activity or in different but inter-related activities. Life has become so complex that different kinds of social welfare work cannot be separated in water tight compartments. Organisations functioning, say, in the field of child welfare can render greater and much better service when they act in co-ordination with one another and pool their resources and efforts. If we look at it from the standpoint of the services they can render, there can understandably be no escape from the conclusion that these can be maximised only when they are prepared to work together, though they may not merge their individual identities in the common pool. Progress of welfare

work therefore depends on the systematic promotion of this co-ordination, where possible through mutual agreement among the organisations themselves and where necessary, under the guidance and with the assistance of the State organisation.

CENTRAL SOCIAL WELFARE BOARD

Voluntary social welfare activity has had a long tradition in India and the number of organisations engaged in it has always been quite considerable. In the course of the past few decades, a number of all-India organisations, interested in one aspect of welfare or concerned with the welfare of one particular section of the population or the other have sprung into existence. There are child welfare organisations, youth welfare organisations, organisations for the welfare of women, organisations interested in the welfare of the physically handicapped like the blind, the deaf and the mentally handicapped, organisations for rehabilitating delinquent children, community welfare organisations and so on. While this doubtless represents a commendable and welcome development, in a number of cases, the financial resources of such organisations are not adequate to enable them to undertake programmes of welfare on any extensive or sustained basis. This deficiency has been sought to be eliminated for the first time through the constitution by the Government of India of the Central Social Welfare Board, in pursuance of a recommendation in the Report of the Planning Commission, and the provision of Rs 4 crores made for the implementation of its assistance and co-ordination programmes during the First Five-Year Plan period.

The Board's activities have lent point to the concept of social welfare in India, invested it with meaning and significance, and demonstrated the need for and the potentialities of purposeful co-operation between the public and the private sectors in that field. The significance of the Board's work consists principally in that it has been given to it to infuse life and vigour into a number of voluntary organisations which, starting with highly laudable intentions, have in course of time



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begun to decay due to financial difficulties and become completely or partially defunct. Financial assistance has been given to 1,700 such organisations, many of which are situated in urban centres, to resuscitate themselves and to extend their scope of usefulness. These organisations, representing the private sector in social welfare, may not in all cases have responded to the effort to inject life into them; but, by and large a vast proportion of them, so far given grants to the extent of Rs 35 lakhs, have been helped to extend their social service activities in their respective fields and to that extent, have relieved distress and provided relief to a number of needy persons.

SAFEGUARDS AGAINST ABUSE

That is an aspect of the work of the Central Board, the significance of which can be properly evaluated only in course of time. If the voluntary welfare organisations which have received grants utilize the money to the best advantage, it will have automatically augmented the sum-total of the resources available in this vast country for social welfare work and relief of distress. There is, indeed, need for vigilance against the grants being badly utilised or remaining unutilised. The Central Board's inspectorate system and the supervision of the work of aided institutions by the State Welfare Boards are a safeguard against such mispending or waste of public funds.

That co-ordination in the provision of relief and assistance to the socially down and out sections in the rural as well as urban areas is an essential ingredient in producing satisfactory results is now accepted. While it is attained at the policy-making and directional level at the centre by the Central Social Welfare Board, it is achieved at the implementation and execution level by the State Social Welfare Advisory Boards set up in the various states and by their subordinate bodies. It is no longer so much private charity or endowments, hedged in with conditions on the utilisation of funds provided that sustain voluntary welfare organisations as state grants and assistance from public revenues. Hence co-ordination is all the more necessary. Extravagance on the one hand or dissipation of resources over a widely scattered field on the other can now be avoided by, say, child welfare organisations in a particular area or child welfare and women's

welfare organisation in another area, coming together first to pool and then to share their funds and the personnel they employ in their institutions for the common good.

WELFARE EXTENSION

In the rural areas, where the welfare services are few and far between, the Central Social Welfare Board as is well-known has introduced a scheme for welfare extension projects—one in each district in the country, totalling 352 projects—covering more than 35,000 villages in the First Plan period. The welfare extension projects do not duplicate the work in the national extension service blocks or the community development blocks, in which the accent is mainly on food production, agricultural development, and economic development. They concern themselves at present with provision of welfare services for women, children and the handicapped, which do not trench on the jurisdiction of the national extension service blocks. There is, however, the hope that, as the area covered by the NES expands and as, simultaneously, the area under the welfare extension projects also expands, as it is expected to do during the Second Plan period, the two schemes will become increasingly complementary to each other, despite the different auspices under which they will function. To the extent that the programmes under the two schemes are identical in some respects—such as in the provision of maternity or child welfare services—duplication and overlapping can be avoided by earmarking a specified number of projects for the operation of the programmes of each organisation.

The two principles of co-ordination of the activities of voluntary organisations as well as utilisation of the agency of the private sector in the social welfare field are clearly evident in the execution of the welfare extension projects. In the project implementing committees at the district level, all—or almost all—the private welfare organisations operating in the fields of women's or children's welfare are generally represented and function in a co-ordinated manner in formulating work programmes and implementing them. In the State Welfare Boards themselves, representatives of the State Governments sit side by side with private welfare workers under non-official chairmen appointed by the Central Board in consultation with the different State

ernments. The State Boards screen the institutions within their respective areas for the distribution of the Central Board's grants and formulate the over-all programmes of work in the welfare extension projects, for spending the Rs 25,000 grant made by the Centre to each one of the projects for the First Plan period.

GRANT MAKING BODY

It will be seen that the function of the Central Board, representing the public sector in social welfare is presently more or less restricted to the making of grants to private or voluntary organisations, giving directions to the State Governments or State Boards, drawing up of the over-all plan of schemes of welfare, arranging for the training of personnel like the *grama sevaks* or village level workers and maternity assistants and other health personnel for employment in the project centres, and inspection and auditing of the accounts of the voluntary organisations accorded aid. It is also directly handling the family welfare programmes which at the moment is limited to the establishment of a match factory on a factory-cum-cottage industry basis in Delhi.

It is, however, inherent in the scheme of aiding voluntary organisations that, whenever any particular service provided by these develops into such a magnitude and size that it cannot be effectively executed by such organisations, it will be taken over by the State agency to be executed directly by itself or through a non-official agency competent to carry it out if financially aided by the State. A comprehensive scheme for the provision of after-care and correctional services for a number of needy groups which the Central Board has approved for implementation during the Second Plan period is thus proposed to be put through in co-operation with voluntary agencies.

Though the most important in that field, the Central Board is not the only State agency which provides for social welfare services. A number of such services are either directly sponsored or aided by the Central Ministries of Education and Health, Home Affairs, and Rehabilitation, in the sphere of welfare of industrial workers, the Scheduled Tribes and the Port labour is to be permanent basis, there

these various services is vast and continuously growing, even as the Central Board's field of work is growing, thereby revealing the great leeway that has to be made up before India can develop a sizeable welfare service. These welfare services represent in their cumulative effect the contribution which the public sector is making and will continue to make to social welfare work and invariably they are put through with, wherever possible, the co-operation of voluntary organisations. It is a two-way traffic, and it postulates a readiness on the part of voluntary agencies to extend their co-operation to the State agency.

The field for social welfare work in India is vast, what with the large number of people whose problems call for the demonstration of human sympathy and exhibition of an understanding of human needs, particularly of those sections of the population, who have remained so far unblest by the benefits of education or of healthy life. It is a field in which the State agency should play an increasingly import-

ant part; it is also a field for which the vast reservoir of private funds and voluntary efforts could be tapped to the maximum possible extent. An increasingly fruitful partnership between the public and the private sectors should be developed in this sphere, and it is to be hoped that that is the direction in which things are in fact moving.

There is a growing movement, sponsored by the Indian Conference of Social Work, to secure the establishment of Social Welfare Ministries and departments in the Centre and in the various states, which has borne fruit to the extent that in three states, Departments of Social Welfare have been constituted. Further developments along this line in other states should be welcomed as a concession to the demands of the times and as representing the enlargement of the principles of extension of the scope of welfare services, fruitful co-ordination between the State agency and voluntary welfare agencies and as affording greater scope for private and voluntary effort to enter the field of social service with the

assurance that it can draw on the financial assistance of the Government or a Government sponsored organisation for their programmes. This postulates that substantially larger appropriations should be made in the Second Plan period for these services.

Smooth co-ordination between the public and the private sectors in the field of industry is yet to be attained. The growing importance of the public sector in industry, however, is not regarded by all as a happy augury promising harmonious relations between the two. Fortunately, co-ordination between the two sectors in the field of welfare work does not give rise to such conflicts, it can be and is being pursued with the prospect of extended responsibilities devolving on the public sector in course of time. Nevertheless at no foreseeable time in the near future is there any prospect of the private sector being eliminated from the picture in the social welfare field; rather it is possible to visualise the continued occupation by it of an honoured and honourable place.

The Simla Conference of Asian Nations

B N Ganguli

THE first plenary session of the ten-nation conference of the Asian members of the Colombo Plan Consultative Committee which recently met at Simla gave top priority to a discussion of the utilization of the \$200 million Asian Development Fund allocated by the US Congress for the development of intra-regional trade and setting up of machinery to provide credit to enable Asian countries to tide over short-term balance of payments difficulties.

This new variant of American economic aid deserves more careful examination than it has received so far. It is based on the recognition of the fact that economic aid received on a bilateral basis is not enough. Secondly, it is felt that emphasis on regional needs and interests would tend to counteract frictions and misunderstandings generated by discriminatory aid. Thirdly, the emphasis on regional needs and interests emphasises the need for economic co-operation conducive to intra-regional trade and stable and final settlement of disputes. Finally, it puts on a large volume of intra-regional trade as an aid to

economic development and not as the basis of economic development. It may be pointed out that these basic principles are in accord with what may be called the Colombo Plan approach. President Eisenhower's special fund operating through, or in conjunction with, the Colombo Plan agency is, therefore, calculated to put external aid to Asia on a new and more effective footing.

What broad purposes is the special Fund likely to serve? The purposes mentioned in this context are:

- (1) Development of intra-regional trade, and
- (2) Provision of credit to enable Asian countries to tide over short-term balance of payments difficulties.

Asian economies are said to be competitive, and not complementary, economies and, therefore, the scope for intra-regional trade is naturally small. But the extent of diversity of production which already exists and which can form the basis of a large volume of intra-regional trade should not be underestimated. Before the war South-East Asia had a large volume of intra-regional trade in tropical products, particularly

rice and fish, the total value of which was estimated at \$400 million. There has been a certain degree of primary industrial development in this region over the years. Some countries have also developed their secondary industries. But there is no reason why intra-regional trade should not develop while South-East Asian countries are passing through a process of concurrent economic development. In fact there is every reason why it should be possible to utilise the proceeds of foreign loans or foreign economic aid for the purpose of stimulating sales and purchases, within the Asian region, of essential light capital goods, consumer goods and foodstuffs which Asian countries would need in order to develop their economies without internal inflationary pressures and serious balance of payments difficulties.

Clearly President Eisenhower's special Fund is not meant for financing economic development in Asian countries and thereby raising the volume of intra-regional trade to a high level. What it seeks to achieve is to provide credit by means of which primary producing countries of Asia will be able to meet their

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short-term balance of payments deficits which bring about a contraction of markets for one another's exports and thus inhibit intra-regional trade.

It is the balance of payments problem which is held to be the crux of the economic problem in South-east Asia. It is well known that sharp cyclical fluctuations in the export earnings of these countries have been a serious obstacle to economic development on the basis of stability. Export earnings of these countries had been falling since the first half of 1951 and were still declining in the first half of 1953. Most of them have been facing a fall in government revenues as the result of the lower levels of private incomes and foreign earnings. Their tax structure is not adapted to raising resources for development, and since private savings are inadequate, there is recourse to budget deficits unless investment outlay is drastically cut. Since the latter alternative is politically undesirable, there is always a danger of inflation. Clearly the ability of these countries to sustain budget deficits depends partly on foreign currency reserves either accumulated earlier, or received as US aid or as import of private foreign capital. Several countries of South-East Asia are at the dangerous borderline where balance of payments deficits tend to lead to an undesirable kind of dependence on foreign aid. The US Congress seems to recognize now that foreign aid should be what it is: an aid to economic development and not the basis of economic development. What is then the solution? Countries of South-East Asia have been moving in a vicious circle. Economic development is sorely needed to escape from the paralysing effects of violent fluctuations of export earnings. And it is these violent fluctuations of export earnings which, in their turn, create serious balance of payments difficulties and inhibit sound economic growth. How is this vicious circle to be broken?

One way of breaking it is to form a payments union on the lines of the European Payments Union which has solved the payments problem of Western European countries during a very difficult period of inflation. Asian countries could form a Bank of Intra-regional Settlements. If a bank of this kind cannot be started now, a beginning may be made with a bank which can be a lender of the last resort to Central Banks of Asian countries provided that there are proper safeguards against risk of default. It does not appear that the Simla Conference could tackle these problems of organisation in a realistic and co-operative spirit or make a significant contribution to economic development in South-East Asia.

be safeguards against piling of deficits in so far as they are due to heavy uncontrolled internal inflationary pressures. Such an organisation will discourage the tendency for any country to have credits or debits in any particular currency. It will also discourage discriminatory exchange arrangements. It will thus unblock the channels of intra-regional trade without exposing the member countries to the recurrent threat of balance of payments deficits.

Theoretically, an Asian Payments Union is an attractive solution. But several conditions have to be fulfilled if such a union can be regarded as operationally sound in the Asian context. In the first place, \$200 million is clearly inadequate and has to be supplemented, I imagine, by some kind of 'standby credit' to be provided by other agencies like the International Monetary Fund and the Central Banks of Asian and other countries. In the second place, commodity agreements, such as those concluded in 1953 for stabilizing the prices of tin and sugar, must contribute substantially towards preventing extreme fluctuations in export incomes. Otherwise too severe a strain will be imposed on the Payments Union by violent and simultaneous fluctuations in the prices of primary commodities produced in South-East Asian countries and in their export incomes. In the third place, members of such a Payments Union must undertake to pursue rational domestic economic policies to offset, as far as possible, the fluctuations in export earnings which cannot by any means be avoided. Lastly, like the members of the European Payments Union they must agree to liberalise intra-regional trade to the extent that such liberalisation is not inconsistent with the basic domestic and external equilibrium of a particular country.

What is needed, it seems, is an Asian OEEC (Organisation for European Economic Co-operation)—a broadbased organisation built on the foundation of the Colombo Plan machinery. It must eventually turn round the pivotal institution—the Bank of Intra-regional Settlements. If a bank of this kind cannot be started now, a beginning may be made with a bank which can be a lender of the last resort to Central Banks of Asian countries provided that there are proper safeguards against risk of default. It does not appear that the Simla Conference could tackle these problems of organisation in a realistic and co-operative spirit or make a significant contribution to economic development in South-East Asia.

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Economics of Dockyard Labour

THAT there has been a marked deterioration in the output of dock labour, both in Bombay and Calcutta, is not disputed. It is about the factors responsible for the present state of affairs that there is, as usual, wide divergence of opinion between labour leaders on the one hand and the spokesmen of shipping companies and stevedores on the other. Dock Labour blames the Port Trust and the stevedores, stevedores blame labour, while shipping companies suffer from slow clearance of ships, reduced voyage days, increase in expenses, etc. This problem assumes special importance in view of the need for and the accepted goal of expanding Indian shipping. And it will remain, when the storm presaged by the threat of foreign shipping companies to impose a surcharge on freights has blown off.

A lasting improvement in the situation can be brought about only when the deep-seated defects in the working of docks—be they on the part of the labourers, stevedores, shipping companies or port authorities—are brought to light and remedied.

The only hard facts that are not open to dispute are those relating to the performance of dock labour. There has been a steep fall in the output of dock labourers; the average rate of discharge of bagged cargo, which varied between 159 and 206 tons per hook during pre-war, was fixed at about 90 tons by the Chief Labour Commissioner, after the introduction of the decasualisation scheme in 1952. But the actual output has fallen short of this low datum line figure by 30 to 40 per cent. On the other hand, the cost per ton of cargo has gone up in the last three years by about 40 per cent; ships are held up at ports much longer than before, their voyage days are reduced, as also the total ton miles of cargo carried—and all these have adversely affected their freight earning capacity. Again, ship held up in port not only means heavy loss to the shipping company concerned, it also means that the capacity of the port is reduced.

How far are all these due to deliberate go-slow tactics practised by dock labour and how far to general labour indiscipline and other factors? Before the decasualisation, conditions of dock labour were wretched in the extreme. Now that their rights are conceded, is labour shouldering its

share of responsibility? The present system of wage payment may not be held against labour, but wages not being related to output, may tend to encourage slackness and lower output. Since a quick turnaround of ships at ports is of the utmost importance, this system of wage payment is obviously not suited to dock labour.

Even more important is the system of employment on the docks. It has several peculiar and unsavoury features. In the first place, there are different types of labour, recruited and controlled by different employers: cranemen are engaged and controlled by the Port Trust authorities, who also employ a large number of casual labour depending on the volume of work; then there are the so-called "pool-gangs" recruited and paid by the Dock Labour Board, but who serve the needs of the

stevedores; and, finally, the stevedores themselves maintain labourers—though small in number—on a monthly basis, known as the "monthly gangs".

The maintenance of the pool-gangs by the Dock Labour Board for serving the stevedores makes for divided responsibility. Since the pool gangs are managed and paid by the Board, they are not as loyal as they should be to the stevedores who have no effective control over them. Hire and fire is the only principle which works in the docks as well as outside. Unless, therefore the system is changed and effective control of labour by the stevedores is ensured, output is not likely to improve.

If the above analysis is correct, labour cannot singly or directly be held responsible for the poor output, not to speak of being accused of delaying tactics. Another factor responsible for slower handling at the docks, though perhaps a minor one, cited by labour, is the longer time now taken for customs examination. The Chairman of the Bombay Port Trust, it is stated, has taken up this matter with the Customs authorities. How far this is due to the change in the pattern of trade and to the issue of numerous licences for small consignments resulting from import control is to this day an indeterminate quantity. But it is doubtful if the delay in customs examination can explain the fall in the output of labour.

Among the negative factors could be cited the reluctance of the Port Trust Commissioners—altogether inexplicable, it would seem—to introduce modern mechanical devices which would make handling of cargo easier and quicker. But this complaint, surprisingly enough comes from the spokesmen of labour who usually oppose the introduction of labour saving machinery. Another contention of labour is that the employment by the Bombay Port Trust of a large number of casual labourers, (whose output is lower than those of permanently employed) makes for delay. This argument, however, does not take account of the fact that the very nature of the work on the docks—the volume of work fluctuates from time to time—makes it necessary for the Port Trust to have a large number of casuals. If all the labour is to be employed in a permanent basis, there



BENGAL WATERPROOF WORKS. (1940) LTD.

377, Hornby Road, Bombay-1.

would be slack periods when many of the labourers would be idle but would have to be paid, whether they worked or not. If all workers are to be placed on a permanent basis, either there should be a reduction in the level of wages or dock administration will have to be heavily subsidised. Moreover, the alleged lower output or efficiency of casual labour has yet to be proved since all dock labour was casual before the war and yet the output was very much better, judged by present standards.

The crux of the problem appears to be the ineffective supervision of stevedores. There is delay in starting work, and stevedores, labour complains, are inclined to slacken as the datum line output is approached in order to avoid payment of bonus. Again the complaint about, lack of basic amenities for labour such as canteens, shower baths, drinking water, etc., are at best negative factors in the situation and cannot explain the present fall in the rate of output. The standard of amenities in the docks could not have deteriorated so seriously as to affect efficiency of labour. On the contrary, the last enquiry conducted by the Ministry of Labour in 1952 regarding the conditions of labour in the dockyards, showed that most authorities provided all reasonable amenities such as canteens, free medical aid, facilities for sports and games, etc.

So all that one can say is that there is an urgent need for concerted effort on the part of all concerned—labour, the Port Trust, the stevedores and the Government as well—to find a workable solution to improve the present 'situation'. The Dock Enquiry Committee is now studying the problem. The committee will have to explain why decasualisation has produced results quite the opposite of what could be expected. As indicated earlier, the present system of labour management makes for divided responsibility. The stevedores who are required to provide quick service to shipowners need an efficient and responsible labour force. This can be ensured when the control of labour passes on from the Dock Labour Board to the stevedores. However, this is to be effected is the problem, for obviously the "pool gangs" employed by the Labour Board cannot be broken up and taken over by the stevedores individually. The 'pool gangs' could be collectively employed and managed by a Stevedores Association, if one could be run suc-

cessfully, which would then allot labourers to their members according to their requirements. A change along these lines can alone combine security of employment with regulated supply of labour to the stevedores according to need. Along with this change in management, the system of wage payment will also have to be modified. A streamlined incentive wage system should replace fixed wages unrelated to output. This is a complex, technical problem and the solution will have to be sought in a reasonable minimum wage related to output up to a datum line, and for results above the line, payment should be made on the basis of fixed schedule of piece-rates. Needless to say, a properly devised incentive wage system would also have as its complement some disincentive against perform-

Insurance Notes

Fire at Limbdi

THE fire which broke out last week in the Fateh Singhji Cotton, Ginning and Pressing Factory at Limbdi, in the State of Saurashtra, caused the loss of 42 lives and completely gutted the factory with the stock of 10,000 bales of cotton. It was one of the most disastrous fires not only in Saurashtra but in the whole of Western India for many years. The fire broke out on the 20th instant and rapidly spread and enveloped the factory and godowns where bales of cotton were stocked. The intensity of the conflagration was such that fire brigades had to be requisitioned from the neighbouring towns to cope with it and the only fire fighting vehicle of Limbdi was totally destroyed in the fire. The military and police were summoned to assist the fire-fighting squad. The Chief Minister of the State rushed to the scene. The fire was finally brought under control on the evening of the 21st instant after it had taken heavy toll of life and property.

The insurance companies who covered the risks of building and contents of the factory and the stocks of cotton deputed their officers and two well-known surveyors to assess the risk. The estimates made by the surveyors place the fire loss at about Rs 22 lakhs, though the total loss was reported in the press at Rs 50 lakhs.

The fire at Limbdi has created a

THE ECONOMIC WEEKLY

ance falling below the minimum.

It has been suggested that the Port Trust authorities themselves should take over both the recruitment of labour and the stevedoring services; this would mean that the Dock Labour Board will be concerned mainly, as it should legitimately be, with the welfare of labour. The problem of stevedore labour relationship will also be eliminated. The suggestion, however, is too impractical to be worth serious consideration. Stevedoring is a technical job which the Port Trust authorities are not equipped to undertake. Moreover, neither shippers nor shipowners would welcome the idea of the Port Trust, a semi-Government agency, being entrusted with this work. Port Trusts are not particularly known for quick despatch of business or satisfactory public relations.

consternation among several insurance companies who are perturbed at the frequent outbreak of fire in the recent months in the cotton growing areas of Saurashtra, Madhya Bharat, Punjab and other States, resulting in heavy losses. Fires in cotton ginning factories are not uncommon and the experience of the insurance companies of this class of risks is not satisfactory.

There are inherent risks of fire in the process of ginning cotton, which is itself highly combustible. Further, most of the ginning factories are ill-managed, and the atmosphere prevailing in them is one of strained relationship between the owners and workers. Therefore the moral hazard of such risks is not good from the underwriter's point of view. Apart from difficulties experienced in probing into the causes of incendiarism or the doubtful origin of fires, the lack of fire-fighting equipments with trained personnel to handle them in the ginning factories and in the localities where such factories are located, is directly responsible for the heavy losses which result in mofussil fires. It is high time that fire prevention measures were taken by the factory owners themselves and municipalities even of small towns maintained up-to-date fire-fighting equipment. But it is not a matter to be left to them alone. The insurance companies have a vital stake in fire prevention

THE ECONOMIC WEEKLY

and they should inaugurate a campaign through the press, lectures and broadcast talks and through distribution of publicity literature to stress the economic factors and to show that even under normal conditions, the amount recovered under insurance policies does not cover the loss sustained from fire. They should arrange for periodical and close inspection of the properties insured and insist on factories taking fire prevention measures.

According to the press reports, the

Around Calcutta Markets

Equities Marking Time

EQUITIES have been marking time throughout the current week. This week's behaviour of the Calcutta Stock Exchange would indicate that last week's spurt in equities was a false start. There has not been any appreciable fall in equities. But the volume of business has diminished considerably. Investors show no interest in stock markets. Even professional speculators are less active. In the absence of activity, share values are gradually sagging.

There has been a gradual change in the stock markets' attitude to the second Plan. Some months ago, investors were apprehensive that, if the second Plan involved a relative enlargement of the public sector, there would not be enough scope for expansion of the organised sector of industry. This was the main factor which initiated the fall in equities, which started last October.

Later, it was being argued that an enlarged Plan must necessarily lead to rapid economic recovery; that, with economic progress, industry must prosper. As the budget did not include any appreciable increase in taxation, equities began to look up. With reduction or abolition of the proposed excise taxes, equities developed further steadiness. From the subsequent re-adjustments in excise duties, stock markets inferred that the Government will try to stimulate consumption.

Stock markets are impressed with industry's demand that, unless measures are taken to expand consumption, industrial production may not be maintained. Employment is the main aim of the second Plan. With more employment, money incomes may be expected to improve. As money incomes expand, consumption may be expected to go up. But industry argues that, as the en-

Union Government, while expressing concern over the extensive loss caused by a fire at Limbdi, has asked the State Government to make a full investigation into the cause of the fire, which is at present unknown, and ascertain if any mischievous elements were responsible for it. While carrying out this investigation, it will be worthwhile for the State Government to go into the question of maintaining adequate fire-fighting equipments in the cotton districts and making suitable provision for preventive measures.

larged money incomes are mopped-up through higher taxation, there will not be enough left for it to expand, or for the community to spend on consumption.

Stock markets are now repeating the arguments advanced by some bank chairmen in their recent annual addresses. Under the second Plan, there will be an undue emphasis on development in the public sector. Though the private sector is allowed to function fully within the limited scope, industry's ability to expand will be curtailed further as funds are diverted through taxation and loans for expenditure in the public sector.

Shri Chintaman Deshmukh's analysis of the financial aspect of the second Plan has only deepened the gloom in stock markets. He had occasion recently to indicate that the second Plan would involve annual deficit financing to the extent of Rs 200 crores and additional annual taxation of Rs 100 crores. Whether these financial targets can be achieved without inflation is an issue on which opinions differ. But the financial implications of the tentative second Plan have had a chilling effect on stock markets in the current week.

Behaviour of Tea shares has disappointed many optimists. Last week's steadiness in Tea shares was widely welcomed. It was hoped that the forthcoming final dividend payments will lead to a gradual improvement in Tea shares. Final dividend payments will start from the middle of next month. So, hopes of buying support in Tea shares in anticipation of dividend payments still persist.

Both the industry and investors in Tea shares are anxiously awaiting the results of the first export auctions in new crop tea. That will be

known next Monday. Current reports are that export auction prices will be appreciably lower. It will not be news to the industry or to the investors that tea prices will fall. But the immediate outlook for Tea shares will depend on the extent of the fall in export auction prices at next Monday's auctions. Meanwhile, Tea shares remain quietly steady at lower levels.

Raw jute and jute goods are behaving according to expectations. Both are falling. Weather and crop reports indicate a satisfactory raw jute supply position in the coming season. Even though prices are falling, mills do not seem to be in a hurry to replenish their stocks of the raw material. Absence of mill buying is accentuating the fall in raw jute prices. As is natural, the downward trend in raw jute is having a sympathetic effect on jute goods.

Jute shares have fallen considerably in the last six months. These shares remain dull and inactive at the current low levels. There is no longer any selling pressure in Jute shares. In recent weeks, speculative investors have more than once shown interest in testing the market. If the falling trend in raw jute and jute goods continues, investors may be tempted to re-enter the market. Whether, and if so when, Jute shares will resume the upward trend, is still a matter for controversy. But the feeling is spreading that it may be risky to sell at the current low levels.

For some weeks now, Miscellaneous and Engineering Shares have been relatively steady. There are special reasons for the current popularity of BIC. But a feature in Engineering shares in recent months has been consistent support of all popular scrips at set-backs. Some of these scrips are sound. In most of them, there have been, or there are, syndicated support. But the steadiness in some Miscellaneous and Engineering shares is not entirely due to cornering activities.

It is now widely realised that the second Five-Year Plan will have a bias towards heavy industries. Whether heavy industries are to be developed within the private or the public sector, is a question which is not without significance. But, whether heavy industries are developed within the private or the public sector, it is clear that expansion of heavy industries will stimulate secondary engineering industries. This explains why some selected Miscellaneous and Engineering shares at the receive investment consumer lative support, 15 and ated. Each publishers Ltd. cottage and

Manager: A. F.

CURRENT STATISTICS

BANKING RETURNS				
(Rs Crores)				
	Latest Week†	A Week ago	A Month ago	A Year ago
Reserve Bank				
1. Note circulation	1322.41	1331.09	1316.14	1215.56
2. Rupee Coin	104.16	103.9	105.84	96.47
3. Deposits				
a) Central Government's	55.23	51.93	53.11	97.59
b) Banks'	50.87	47.97	48.31	44.96
c) Other Governments'	14.99	19.24	30.42	20.11
d) Others'	22.11	22.34	22.70	46.94
4. Foreign Securities	661.98	661.98	661.98	688.15
5. Balances held abroad	53.58	52.07	58.23	65.30
6. Rupee Securities	533.71	533.71	533.75	421.22
7. Investments	41.28	41.47	46.63	75.70
8. Loans and advances to Governments				
	0.8	0.8	0.17	1.05
Scheduled Banks				
1. Demand liabilities (net)	573.82	572.72	581.62	528.62
2. Time Liabilities	385.89	383.80	380.98	328.60
3. Cash on hand	34.83	34.12	35.96	33.64
4. Borrowings from Reserve Bank	35.80	32.29	24.91	52.69
of which against Usance Bills	33.43	29.94	23.28	29.87
5. Advances and Bills discounted	588.69	588.70	585.09	560.36
of which Imperial Bank's	126.25	127.34	125.86	127.72
6. Investments	344.28	344.73	342.56	323.03
of which Imperial Bank's	90.94	91.61	92.57	82.64
Cheque Clearance	127.46	123.87	140.86	113.40
† For Reserve Bank and Cheque Clearance week ended 20-5-55, Scheduled Banks week ended 13-5-55.				
Bombay Money Rates				
	20-5-55	13-5-55	22-4-55	21-5-54
Inter-Bank Call Rate	2 7/8	2 7/8	2 7/8	2 7/8
3 months deposits	3	3	2 7/8	2 7/8
months deposits	2 7/8	3	2 7/8	2 7/8
26-5-55				
	94- 4	93- 5	95-11	90-13
	12	90- 9	95-11	88- 5
		163- 3	166-12	163- 2
		11	162-12	163- 2

TEA STATISTICS					
PRODUCTION IN MAIN PRODUCING COUNTRIES					
(exclusive of China and U.S.S.R.)					
Region	1934-38 (average)	1948-50 (average)	1951-53 (average)	1953	1954
('000 metric tons)					
India	178.0*	267.6	290.9	275.7	288.0
Ceylon	103.9	140.2	149.1	155.6	166.0
Indonesia	74.8	25.2	40.2	36.8	46.0
Pakistan	25.6†	21.9	24.5	25.3	24.0
Japan	49.3	33.4	52.7	57.0	—
Other Asia†	23.9	16.1	20.6	15.3	22.0
Total Asia	456.0	505.0	578.0	570.0	600.0
Africa	9.0	18.0	21.0	22.0	27.0
South America	—	2.0	3.0	3.0	3.0
Total World	466.0	525.0	603.0	595.0	630.0
* Provisional.				† 1936-38.	
† Including Viet Nam, Taiwan, Iran and Malaya.					
NET IMPORTS FOR CONSUMPTION, SELECTED COUNTRIES					
Country	1954	1953			
			('000 metric tons)		
United Kingdom	230.8	218.5			
Ireland	10.6*	5.2*			
Netherlands	7.4*	7.0*			
Germany, Western	4.3*	3.1*			
United States	48.8*	44.2*			
Canada	17.6**	17.4**			
Australia	22.5†	21.2†			
Egypt	16.3	20.2			
Net World Imports	470.0†	446.0			
* 11 months. ** 10 months. † 9 months. ‡ Estimated.			Source : F.A.O.		
CONSUMPTION OF TEA IN DIFFERENT STATES OF INDIA DURING 1953-54					
States	Population (Jan '54)*	Total consumption (in lbs.)	Consumption of tea per lakh of population (in lbs)		
Assam including Mainpur & Sikkim	10,051,839	11,168,003	111,104		
West Bengal (including Tripura and Chander-nagore)	26,264,224	33,183,153	126,344		
Bihar	41,432,725	7,825,291	18,887		
Orissa	15,085,324	1,277,973	8,475		
Uttar Pradesh	65,112,215	3,647,769	5,602		
Madhya Pradesh	21,884,959	5,162,325	23,588		
Punjab, H.P., Pepsu and Bilaspur	17,781,687	18,535,900	104,359		
Delhi	1,796,294	1,874,693	104,359		
Rajasthan and Ajmir	16,463,694	1,593,763	9,680		
Madhya Bharat, Bhopal and Vindhya Pradesh	12,736,278	1,796,749	14,107		
Bombay, Saurashtra and Kutch	41,880,948	42,807,839	102,213		
Madras, Andhra and Coorg	58,962,769	32,171,883	54,563		
Travancore-Cochin	9,558,837	5,215,592	54,563		
Mysore	9,347,221	3,710,711	39,698		
Hyderabad	19,214,762	5,705,318	29,692		
Total	367,553,878	175,676,962	47,796		
			* Estimated		
Source : Indian Tea Board					

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-group	Week ended 7-5-55	A Week Ago	A Month Ago	A Year Ago
I. Food Articles	272.4	274.9	286.4	370.5
Cereals	309	314	334	413
Pulses	212	212	219	369
Others	230	230	232	305
II. Industrial Raw Materials	395.9	393.1	400.4†	469.7
Fibres	421	425	440	454
Oilseeds	341	325	326†	527
Minerals	418	423	402	440
Others	441	445	473	410
III. Semi-Manufactures	328.2	328.5	326.9	364.0
Leather	395	396	393	373
Mineral Oils	221	221	221	221
Vegetable Oils	335	331	324	510
Cotton Yarn	430*	429	432	462
Metals	244	244	244	240
Oilcakes	278	300	285	444
Others	328	329	328	304
IV. Manufactures	376.9	376.0†	377.9†	382.6
Textiles	419	418†	422†	429
Jute	428	439	459	434
Cotton	411*	411*†	411*†	419*
Rayon & Silk	510*	484*	484*	562*
Woollen	310	310	310	313
Metal Products	344	340	340	340
Others	287	287	287	289
V. Miscellaneous	540.0	537.9	543.0	691.0
All Commodities	340.7	341.0†	346.9†	399.1

* Estimated † Revised

FOREIGN SEA AND AIR-BORNE TRADE OF INDIA

(Rs crores)

	Exports*	Imports	Balance of Trade
1950-51	606.81	581.17	25.64
1951-52	751.56	862.84	-147.28
1952-53	556.78	632.95	-76.17
1953-54	515.39	541.87	-26.48
1954-55	573.40	590.57	-17.17
1954-55†			
April	30.43	46.33	-15.90
May	38.07	49.53	-11.46
June	42.31	43.87	-1.56
July	46.21	53.22	-6.01
August	44.94	44.27	-0.67
September	49.35	46.66	2.69
October	46.75	51.91	-5.16
November	65.11	57.76	7.35
December	59.65	46.74	12.91
Jan	54.04	51.03	3.01
Feb	49.85	46.46	3.39
March	46.69	52.79	-6.10
1955-56†			
April	39.07	49.73	-10.66

* Includes re-exports

† Provisional

SECOND ESTIMATE OF GRAM

	1954-55	1953-54	% change
Area ('000 acres)	19,577	18,229	+7.4
Production ('000 tons)	4,559	4,095	+11.3

WORLD RICE STATISTICS

Preliminary Estimates of 1954 Rice Crop in Selected Asian Countries

Country	1952	1953	1954
('000 m tons paddy)			
Burma	5841	5616	5908
Cambodia	1471	1503	*750
Japan	12404	10298	11392
Malaya	711	658	*640
Philippines	3194	3182	3144
Korea, South	*2900	*3516	*3150
Taiwan	2050	*2042	*2164
Thailand	6602	8239	7700
Viet Nam, South	2633	2463	*2100

* Unofficial estimate.

SHIPMENTS FROM MAJOR RICE EXPORTING COUNTRIES

Country	Period	1952	1953	1954
('000 m tons, milled)				
Burma	Jan/Dec.	1261	970	1462
Cambodia				
Viet-Nam	Jan/Oct	203	176	279
Italy	Jan/Dec	275	243	165
Thailand†	Jan/Dec	1413	1342	1140
United States	Jan/Dec	791	696	534

* Excluding bran.

† Including rice flour.

EXPORT AVAILABILITIES AND PROBABLE GROSS IMPORTS IN 1955

Continents	Export availabilities ('000m tons milled rice)	Estimated imports
Africa	230	160
Asia	4280	2790
Europe	390	400
North America	930	340
Oceania	30	30
South America	220	50
World total	6090	3770

Source: F. A. O.

SECOND ESTIMATE OF RAPE AND MUSTARD

	1954-55	1953-54	% change
Area ('000 acres)	2,087	2,044	+2.1

FINAL ESTIMATE OF MAIZE

	1954-55	1953-54	% change
Area ('000 acres)	9,325	9,320	+0.4
Production ('000 tons)	2,944	2,964	-0.7

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Eight annas

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Cheap concessional return tickets are issued for I, II and III classes from April 1, 1955 at one and half single journey fares for the rail portion plus two single journey fares for the road portion wherever leviable from all stations on the Central & Western Railways to Pathankot (For Kashmir), Simla, Solan, Dharampore (Punjab), Dehra Dun, Kathgodam (For Naini Tal), Darjeeling, Kurseong, Shillong, Abu Road (For Mount Abu), Ootacamund, Coonoor, Kodaikanal Road, Kodaikanal Out-Agency, Kotagiri, Out-Agency and Pipariya (For Pachmarhi) stations provided the chargeable distance between the stations is 150 miles or more.

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Need of Perspective

DOES the making of bricks and tiles come under the category of village pottery industry? Making of country tiles does, but not the better type of tiles which calls for big kilns, heat control and other technical devices beyond the reach of the potter. Mangalore tiles on the West Coast and Raniganj tiles in Bengal, Bihar, Orissa and Assam are factory industries. Brick-making goes on all over India and surely there must be trained hands in the job who are better than others. But a small man in any part of India cannot afford to have a brick built house, not because the services of brick-makers are expensive or difficult to get but because in order to make bricks one must have coal. And coal is scarce, in out of the way places, besides being terribly expensive. So in the brick cement ratio, which determines the demand for reinforced concrete, the high cost of coal tilts the scale more and more in favour of concrete, which steadily displaces bricks. This is, in the simplest terms, the economics of building construction in the countryside and in the process of its working, cement is pushing out both wood and stone, much to the detriment of local architecture as can be seen in the course of a short walk through the bazaars of Almora or anywhere else in the Himalayas.

It is pretty obvious that techniques can be assimilated and absorbed, if the other conditions for its successful adoption are also present. So the attack has to be on all fronts. Opening of primary schools and teaching children to read when literature that is suitable for the boys and girls who come out, after two or three years of perfunctory schooling, is not being turned out, produces the familiar phenomenon of lapse into illiteracy. True, the social milieu changes and it can be changed more rapidly. But so long as the proper types of reading matter are not being produced, so long as the publishing trade does not create and catch up with the demand, there is inevitably a lot of wastage. It is the same with brick-making or teaching of arts or new techniques.

Since the Government of Bombay has decided to use, as far as possible, only country bricks and tiles for building construction in the community project and national extension service blocks, it may be presumed that making of bricks will not be stopped any longer by the lack of coal. The same applies to the scheme for setting up pilot projects for cottage industries in selected community project areas all over India. It is to be hoped that the co-operant factors will also be made available—skills will be matched with resources, materials will be supplied and finance as well as marketing arrangements provided so that the whole thing might go with a bang. The scheme is for setting up 26 pilot projects in various states. The location of the projects will be selected with due regard to the resources available—raw material, local skill and existence of communications and transport. Further, the Community Projects Administration has suggested that the area selected should be agriculturally advanced, so that consumer demand would be already there and need not be created. Each of the blocks selected for intensive development of cottage and

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small scale industries will be divided into 15 groups of every 20 villages and a group committee set up for each of these groups of villages in order to plan and assist the programme of cottage industry development.

As has often been remarked, though the development of cottage industry had been one of the objectives of community development from the very beginning, it has not so far received any systematic attention. The present scheme is, therefore, to be welcomed if only for its educative and exploratory value.

Classification is the first step in knowledge and it had been hoped that when the Ford team of experts examined the question of small scale industries, they would suggest the types of industries that have a reasonable chance of survival and should therefore be supported, what would be the most economic size of the unit, which processes would be the most economical or at least lay down the criterion for separating the chaff from the grain. This was the first reaction but on closer consideration, it became clear that the Ford Team could not have attempted to answer these questions. The Ministry of Commerce and Industry, following the recommendations of the Ford Team, have now invited Dr Eugene Staley as a con-

sultant Industrial Economist to help find the answers; they have also invited Dr Lincoln Clark, to act as Marketing Consultant.

Now let us try to piece together these bits: do they make a complete picture?—the type of industries that should be set up, the economic size of the unit and the economics of the process to be adopted, marketing of the product. Then comes the development of the huge potential market through survey of public opinion, securing orders from wholesalers and retailers and processing of such orders and so on. This is the empirical approach to the problem, feeling one's way and moving forward cautiously on the basis of experience gained.

Thinking in aggregative terms, one may forecast an increased demand for cottage industry products, resulting from the substantial increase in investment that is now being proposed in the next five years. It is also proposed that the bulk of this increased demand should be met through increased output of household and hand industries. On the one hand, to increase substantially the production of these industries raises questions of organisation and administration of a magnitude that has never been faced before. On the other hand—

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and this is probably the crucial point—much more needs to be known about the demand for these types of goods resulting from aggregate spending to be sure that additional production will be absorbed by the consumers. The difficulty of maintaining a balance between supply and demand, not in the case of a particular product, but of a whole range of them, is too great to warrant the comforting assumption that demand, wherever and however generated, will ultimately percolate to the village industries. Equally facile is the assumption that village industries will be able to deliver the goods, until much more is known about their requirements of raw materials, organisation, finance and transport.

It is only when the economic set up within which village industries are to function is clearly discernible that problems of technique, processes to be adopted and of marketing can be seen in their correct perspective. In the absence of such a perspective, we shall be perpetually groping in the dark. There is need for much exploration in this field. While the step now taken by the Community Project Administration is to be welcomed, it is to be welcomed only because it draws attention to the problems and not because of its adequacy as a solution.

India's World Status

PANDIT NEHRU is a statesman. Shri Krishna Menon is a diplomat. At his Press conference in New Delhi, Shri Menon left more things unsaid than said. Pandit Nehru was disarmingly frank in his informal talks with representatives of the Press. Shri Menon has just returned from his mission to Peking. He is on his way to Washington in pursuit of his half-finished mission. Pandit Nehru, too, will be visiting Russia soon. But he made it abundantly clear that he was not on any mission to Moscow. Even as Pandit Nehru expressed satisfaction that, in the world today, "there is less tension and there is a little more hope and a little more understanding", Shri Menon seemed hopeful that the relations between Peking and Washington were likely to improve. But, while Shri Menon created an impression that he had a formula for the solution of the Formosa dispute up his sleeve, Pandit Nehru gave no indication

that he was visiting Moscow to discuss a secret formula for world peace.

Both Pandit Nehru and Shri Menon were at pains to stress a significant aspect of India's foreign policy. Neutrality is an incidental aspect of India's foreign policy of peace through negotiation. But her foreign policy is not passive. She is actively interested in creating conditions under which the parties or Powers concerned are encouraged to enter into negotiations to resolve disputes through peaceful means. That was why Shri Menon visited Peking recently. That is why he is now on his way to Washington. This is also one of the main aims of Pandit Nehru's forthcoming visit to Moscow. He has expressed hopes that his visit to Moscow may be of some help in securing a lowering in world tensions. But it would be wrong to jump to the conclusion that India has any mission or ambition to act as mediator in world

disputes.

Shri Menon was at pains to dispel any impression that, in his efforts to reach a peaceful solution of the Formosa dispute, he was acting as a mediator between Red China and America. He went out of his way to emphasise that the four American airmen, known as the "Fischer group", had been released by Red China out of her own free will and initiative, and not at the instance of India. Pandit Nehru was more emphatic on this aspect of India's role in world affairs. India has no intention to act as a mediator in world disputes. But India is anxious to seize opportunities, whenever they come, in trying to put across one country's ideas to the other. With becoming modesty, Panditji claimed that sometimes such a policy helped to ease world tensions.

This was the role India performed at Geneva. This is precisely the aim of Shri Menon's visit to

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Washington after his talks with Red Chinese leaders in Peking. This is one of the underlying aims of Panditji's visit to Moscow. Such informal talks, Panditji expresses the hope, are likely to weaken the "rigidity" in the parties or Powers concerned, and make them more receptive. It is a tribute to Pandit Nehru and his foreign policy that both the rival power blocs now recognise that India is in a position to perform the role she is trying to perform in world affairs. Britain, some of the Western European Powers and Red China, among the Communist States, have long since shown proper appreciation of India's peaceful foreign policy. Panditji's forthcoming visit to Moscow, at Russia's invitation, emphasises Communist Russia's faith in India's peaceful role in world affairs. America alone has been suspicious of India's foreign policy. Even after Washington was compelled by circumstances to concede that India was not a camp-follower, it remained sceptical of New Delhi. But there are reassuring indications of a change in America's attitude to India. Mr Dulles was wise in sensing India's and the Colombo Powers'

initiative behind Mr Chou En-lai's Bandung offer to negotiate with America on Formosa. He has been gracious in acknowledging India's efforts in creating conditions which are likely to ease the tense relations between Red China and America. It is a welcome development that India's peaceful foreign policy is now better appreciated in America.

It was inevitable that the Prime Minister should discuss the situation in Goa at his Press conference prior to his departure for Russia and some other European countries. It was equally inevitable that he should discuss Goa in the wider context of India's foreign policy. Many would endorse Panditji's guarded assurance that the Goa problem was now nearer solution. There has been strong criticism in some quarters within the country against New Delhi's attitude to the developing situation in Goa. Panditji reminded his critics that India could not, in conformity with her peaceful foreign policy, pursue a militant policy to Goa. Nor could the Government actively support and encourage any movement of mass satyagraha by non-Goan Indians, though it had no objection to individual Indians join-

ing the satyagraha movement. Short of war, India was prepared to enforce all measures to force Portugal to quit her "possessions" in India. But even while Panditji warned Portugal about the implementation of economic sanctions, he assured Lisbon of New Delhi's willingness to enter into negotiations for a peaceful solution of the Goa problem. Goa and the other Portuguese "possessions" belong to India. Portugal's willing consent to integration of these "possessions" with the Indian Union is an essential condition of the settlement of the dispute between India and Portugal. Both Portugal and the Goans have the Prime Minister's assurance that Goa's merger with the Indian Union will not in any way prejudice Goan culture or the existence of Goa as a separate unit and entity. Portugal, like France, would be within her rights in demanding such assurances. Goa, like Pondicherry, has the assurance that India is pledged to preserve Goan culture and individuality. India's claim to Goa is now conceded by most of the member States of the United Nations. Portugal would be wise in learning the lessons of post-war history.

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SPECIAL NUMBER ON SECOND PLAN

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The next issue of *The Economic Weekly* will be expanded into a special number to feature the Draft Plan-frame for the Second Five-Year Plan and it will come out on June 18. In view of this special number, there will be no separate issues on June 11 and 25.

A great deal of confusion has been caused by the premature and partial disclosure of the financial and other targets of the Second Plan. Now that the papers relating to the Second Five-Year Plan have been released, a proper examination of the Plan-frame is obviously called for.

To stimulate informed discussion, the Draft Plan-frame prepared by Prof P C Mahalanobis, which has unfortunately not been made freely available, will be published in this issue in *extenso*.

All important aspects of the Second Plan—its employment potential, internal consistency, heavy industry, demand for and supply of consumer goods, financial provisions, etc, will be treated in separate articles.

A symposium of opinions on the Plan will be an additional attraction.

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Weekly Notes

Freer Exchange Rates

WITH the steady expansion of the transferable sterling area, freeing of gold and commodities exchanges, Britain's graduated convertibility programme for sterling has reached the stage from which one more hop will land her in full convertibility. This final step has caused much headache to Britain. Full convertibility at fixed exchange rate requires a strong foreign exchange reserve. Britain has not built up such a reserve. Even with all the assistance that the sterling countries may conceivably draw from the Monetary Fund, the reserves would not be large enough to withstand three bad years. And the burden of the present not so limited convertibility has to be borne without the compensating advantages that full convertibility may be expected to bring. Hence, the thoughts of those who look before and after, are turning increasingly to the possibility of convertibility with fluctuating exchange rates. Canada has shown the way. The Fund has climbed down from its original position and blessed her fluctuating exchange. With the return of bank rate to its old position as the arbiter of economic condition, the case for fluctuating exchange rates for maintaining internal stability is again gaining support.

Against this background has to be assessed the decision of the Reserve Bank announced this week that exchange rates of all currencies other than sterling, dollars, Canadian dollars and Pakistan rupees will be made free from June 15. It should be noted that the exchange rate will be made free, but control on exchange will remain as before. At present, the exchange rates of various currencies are determined by the Exchange Banks Associations in consultation with the Reserve Bank on the cross rates between sterling and other currencies. From June 15 onward, these rates will no longer be quoted by the Exchange Banks Associations, but each bank will be free to quote its own rates, based on advice received by it from its London office or correspondents.

Many new entrants in exchange banking will now have to make intricate calculation for quoting rates which are currently dished out to

them by the Exchange Banks Associations. The immediate result of the step may be, under the impact of completion, to narrow the spread between selling and buying rates of some of the currencies in which transactions are neither heavy nor frequent.

The long-run consequences, however, may be more far reaching. Though no official estimate is available, it may be presumed that more than 60 per cent of India's foreign trade and 50 per cent of the total international trade outside the iron curtain are transacted through sterling. Continental countries like Germany and Holland are enticing away some foreign trade from its sterling mooring by offering various facilities to it if such trade is transacted through the medium of their national cur-

rencies. If this trend gathers momentum, India may take advantage of such facilities provided the banks in India can afford such direct dealing instead of routing transactions through London. Though the possibility of an increase in trade through continental currencies is very limited, it cannot be entirely ruled out. Such direct relations presuppose the maintenance of a certain amount of exchange reserves at various centres to enable these banks to give ready service to their customers. In their enthusiasm for the new freedom, however, the banks should not lock up their liquid funds abroad at the expense of the local demand for credit.

Mitsui Bank Resumes

THE Mitsui Bank which resumes its operation in Bombay after a gap of 15 years, traces back its history to 1683 when the beginning of what was to develop over the centuries into one of the world's strongest financial institutions was laid by the opening of an Exchange House in Yedo. Mitsui became a private bank with its present name in 1876, and a partnership in 1893. It was finally incorporated as a Joint Stock Bank in 1909.

The Mitsui Bank has a network of 97 branches at home and abroad. The Overseas Branches are at London, Bangkok and now at Bombay and there is a Representative Office at New York. In addition, the bank has correspondents at all centres of the business world. It is therefore well able to attend to foreign exchange business extending to any part of the world.

The Bombay branch of the bank was active for nearly 20 years until the stoppage of trade with Japan brought its activities to an end. But that was some time before Pearl Harbour. Like other exchange banks, in addition to foreign exchange business, the Mitsui Bank intends to enter the field of domestic banking also in due course. For quite some time, before the opening of the branch, a representative of the bank had been functioning from Navsari Chambers, since July 1953, acting as a liason between the traders of Japan and India.

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People's Participation in Kosi Project

KOSI symbolises a new approach to the problem of flood control and river valley development. Here, for the first time, voluntary labour has been enlisted in the execution of a large sized project. Although less than half a year's work has been put in—work commenced only in January this year—official reports confirm not only that the progress made so far has been 'gratifying' but also that this new experiment holds out promise for the future. Whether this hopeful prognosis is based on actual experience and what the experience has been are, however, both matters of controversy at the moment. Conflicting reports have appeared in the press and though in view of the uniqueness of the experiment, one should have thought that Government publicity would have availed of the opportunity to invite as many independent observers and press representatives as possible to see things for themselves, nothing of the kind has been done. While the press may be accused of making a mountain of a mole-hill sometimes, Government publicity has so often tried to turn mole-hills into mountains, so that the case for objective study and independent assessment can hardly be over-emphasised. From the scrappy materials at hand, one can only try to piece together some of the data and struggle valiantly to understand the situation as best as one can.

A big project is not all earth work to be carried out by relays of workers with baskets on their head and spades in hand. The major components of the Kosi project are:

- (i) Construction of a barrage at Hanumannagar in Nepal three miles long, lying partly in Nepal and partly in Bihar;
- (ii) Construction of flood embankments on either side of the river;
- (iii) Diversion of flood waters into the old channels of Kosi; and
- (iv) Construction of a canal system.

It was only in the construction of the embankments, the first stage of which had to be completed before the monsoon set in, that people's participation was feasible and was asked for. Different types of labour have been employed and consider-

able reliance has been placed on voluntary labour supplied by several organisations like the Bharat Sewak Samaj, Auxiliary Cadet Corps, etc. Indeed, judging from the number of hands working from week to week in April and June, the part played by contractors' labour appears to be quite negligible.

Bharat Sewak Samaj has been the guiding spirit behind the formation of Gram Panchayats as well as the labour co-operatives which recruit and supply paid labour. These labour co-operatives are a novel experiment in rural co-operation. Long before Kosi became the watchword for voluntary labour participation, at least one such society had

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been registered in Bombay, but what happened to it? Only perhaps the Minister for Co-operation has an idea, and for the matter of that, talking about voluntary organisations to be drilled into disciplined bodies, what happened to Morarji's ambitious Home Guards, the formation of which was announced with the usual fan-fare of publicity, but of which little has been heard since? Behind Gram Panchayats sponsored by the Bharat Sewak Samaj are the *mukiyas* who are being officially 'built up' by the Bihar Government. Mukiyas, of course, are traditionally entrenched in the feudal village society of Nepal across the border. To these have been added the Shramdanis who have been enlisted for providing voluntary and unpaid labour, also organised by the Samaj. From the figures released by Shri Gulzarilal Nanda, the Minister for Irrigation, Power and Planning, it would appear that the solid phalanx of labour is supplied by none of these but by the Auxiliary Cadet Corps which forms the second division, or a sort of 'B' team to the National Cadet Corps. The relative strength of all these types of labour was as follows:

Period	Gram Panchayat Worker & Shramdanis	A.C.C. Cadets	Contractors
27-3-55 to 31-3-55	2,622	70	44
1-4-55 to 15-4-55	1,792	5,234	58
16-4-55 to 30-4-55	5,249	9,200	170
1-5-55 to 15-5-55	4,222	5,457	296
16-5-55 to 23-5-55	6,491	5,345	132

Output of Contract and Voluntary Labour

FROM the above figures it is not possible to read straight off the relative costs. For all kinds of labour, the Project Administration provides accommodation, tools and implements as well as such amenities as sanitary, medical and recreation facilities. Ration shops have also been opened at the work sites. To know the relative costs, however, one has to know, for instance, whether or not the expenses of the Cadets working on the project are being met in part by their own organisation, and how the cost of accommodation and amenities compares with the wages of hired labour.

However, obscure the position about relative costs, perhaps one can get some light on the comparison of the different

types of labour employed on the Kosi Project. An idea of the total performance made may be gained from the following table which gives the targets by a fixed date in terms of earth work measured in crores of cubic feet:

(in crores of cu ft)			
Date	(1) Target	(2) Progress	(1) as % of (2)
April 15	3.81	1.90	50
Eastern Embankment			
May 15	5.5	3.25	60
Western Embankment			
May 15	11.7	6.82	58

On the eastern afflux bund, there was some slowing down in the beginning but later things improved. Work on the eastern side of the project in Bihar—this is different from the eastern afflux bund—was delayed, because of difficulties encountered in the recruitment of labour; here work was also started late. On the western embankment, there were no such delays, but the pace has now to be speeded up in view of the fast approaching monsoon. From this general description, not much of an assessment is possible. But from the output *per capita* of different types of labour employed, some inferences appear to be warranted, assuming that the figures of output *per capita* are comparable, conditions of work being more or less similar. On the western embankment, the *per capita* output was 11.3 cubic feet for the Auxiliary Cadet Corps, 49 cubic feet for Gram Panchayat labour, but only 5 cubic feet for Shramdanis. On the western wing, the output for "contract", public co-operation and shramdan sectors

was 45, 40 and 10 cubic feet respectively. The categories under which information has been given, it should be noted, are not the same in the two cases. How are these quantity measures to be modified in order that comparison may be fair? In favour of the Shramdanis, it is remarked that the quality of their work was good. But since digging of earth can have little room for it, quality must apply to something else. For all classes of labour, it is complained that compaction was neglected and everybody was employing "the trick of dressing the side neatly". If by compaction is meant pressing down earth firmly, compaction by hand is not a substitute for mechanical compaction and machines will have to be used for this kind of work. This aspect of the problem, we are told, will be further examined by the Government.

The difficulty experienced in the recruitment of labour was due partly to the fact that labour was highly seasonal—large bodies of labourers went back to their villages for farm work—and partly to the fact that the areas adjoining the project are not populous. From these fragmentary data, however, it would be difficult to say that the experiment in public participation in the work has yielded conclusive results. What it has done instead is to raise a host of questions regarding the availability and supply of, and recruitment policy for, labour which are important and which have to be fully explored as well as successfully tackled, if the more ambitious Second Plan is to be executed with the lowest possible social cost.

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The Transfer Books of the Company will be closed from Friday, the 1st July to Friday, the 29th July, 1955, both days inclusive.

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East Wind, West Wind

Thursday, Morning

IT has been a Menon week in Delhi. His long shadow began spreading over this place, the moment he left Peking. Even the Prime Minister's voice became somewhat muffled in the expectation of what this magic trickster would bring in his bag from the great land of China. There was hush hush in the atmosphere, which lasted till Nehru's envoy returned. The two great minds of Indian foreign policy met. Krishna Menon gave Panditji his feel of the Chinese situation. He then went round the chancelleries or it may be more true to say that the diplomats of the great powers gathered round him. It is vain to guess what transpired between the Prime Minister and Krishna Menon or between the latter and the representatives of foreign powers. On Monday, our ambassador at large held a press conference. Immaculately dressed, he gave an impression, as though he had acquired the art of statesmanship through generations of experience! If ever there was a consummate politician, it is Krishna Menon. That was the general impression but the more sensitive among us were rather struck by his naivete and effrontery. What Krishna Menon said boiled down to very little in fact, but he said it with such art and skill that an act of clean bargaining—the release of only four US airmen—appeared more than an act of grace and generosity.

NEHRU'S PRESS CONFERENCE

The Prime Minister followed soon after. He held a long press conference on Tuesday, for he wanted to have the last word, before he left for the land of the Soviets. There was little fire in what he said. In fact there was such grace and mellowness about the man that it almost smacked of age. Pandit Nehru referred to the Second Five Year Plan and said that his mind was almost entirely full of it, though he talked of much else. He referred in commendable terms to the Plan-frame drawn up by Prof Mahalanobis and defended it against the charge of authoritarianism. He protested strongly against the ideological approach and was all for taking the good out of all systems. He was determined to combine political democracy with economic planning.

The Prime Minister dealt with the situation in Goa at some length. Despite his dynamism, he seemed to

attach great importance to the success of his basic principles of non-violence and non-involvement and was in fact very positive about it. The use of force or the threat to use it, implied, in his opinion, that we do not feel ourselves sufficiently strong and that in fact we are afraid. He made it clear, it was open to us to adopt any measure, but *within the ambit of peace*.

On Kashmir, however, Pandit Nehru said very little but said it in a manner that was so distinctive that it cannot but appeal to all decent men, in refreshing contrast to the filibustering of the Prime Minister of Pakistan, Mohamed Ali, during the last few days. It was a significant admission, however, that some new ground had been covered in the Kashmir talks and there appeared the hope of a satisfactory and peaceful solution.

A LITTLE MORE UNDERSTANDING

On the whole, the international situation appeared to Pandit Nehru to be less tense and his reading of it was that there was—how moderately he put it—a little more hope and a little more understanding in the world. He said nothing about himself or his contribution to this remarkable achievement.

Naturally Panditji was asked about his visit to the Soviet Union. He said that he was going there to learn, to get an idea of the shape of things in that great country. He added with marked humility *perhaps* to a slight degree his visit might help in the lessening of world tension.

On two matters—the sabotage of the 'Kashmir Princess' and the Akali Morcha—the Prime Minister became somewhat warmer. He paid a high compliment to the crew of the 'Kashmir Princess', particularly to Captain Jathar and the air hostess. His approach to the Akali Morcha was unusually reasonable and if that philosophy prevails, I don't know, why we cannot bring the problem to a satisfactory conclusion. Unfortunately, he will be leaving in a few days, leaving the field clear to men of inferior calibre. Already the whole thing has been thoroughly muddled. Reports vary as to how many Akalis have been locked up for shouting slogans, the estimates ranging from 700 to 1,400. Even the smaller of the two is a large

figure. In politics, there is never a question of right or wrong. What is of paramount interest is to get the matter amicably settled and give the Sikhs a place in the Indian polity that they themselves would consider satisfactory. At present that is not the position and therefore, there is something obviously wrong on the home front.

THE PLAN-FRAME

It is only natural that when two giants—Nehru and Menon—straddle across a limited canvas, people are not likely to notice any other figure emerging from the background. Prof P C Mahalanobis seems to have thoroughly superseded the whole tribe of economists and statisticians. He spoke on Tuesday here on his approach to the Second Five-Year Plan. It must be confessed, there was something distinctive in this approach. He is for re-imposition of the salt tax, thereby bagging some 20 crores for the exchequer. He is also for heavier taxation on luxuries, and is not very particular about prohibition. Government was in his opinion entitled to make profits from its own undertakings. His priorities for Planning are (i) solution of the problem of unemployment and (ii) a steady expansion of the economy. While he had little belief in the philosophy of the handloom and the like as a long-term proposition, he thought—and he brought forward a formidable array of statistics in support of it—that it was possible to increase employment opportunities substantially through cottage industries. He believed that the justification of a socialistic pattern of society lay in the inability of the private sector to carry out, at a sufficiently fast rate, the development of the country. Prof Mahalanobis called it a wholly indigenous approach to Planning; that it will be entirely indigenous by the time the Plan finally emerges from the Planning Commission, no one need have any doubt about it.

DELHI ON RAJAJI

For quite some time, C R has been speaking to Delhi from Madras; and it is time that we took note of it. I will be excused for faithfully recording the actual impression these speeches and letters have created. I flatter myself for being severely objective in saying that these have been rather badly received here. These speeches are too pontifical.

Rajaji is trying to imitate Gandhi. He is lecturing too much to others what they should or should not do. All this is being said fairly widely in intimate, private conversations. Pandit Nehru's references, however, to Rajagopalachari and what he has said, were polite and graceful, but they do not represent the views of the common man in Delhi. The Prime Minister praised the high moral stand of CR, but he thought that it was unwise to mix up a high moral issue with a slightly political one of the acceptance of American aid. So, while he respected CR's opinions and ideas, it was obviously a different matter, when he had to decide issues as the head of the government.

While all this was being said, the officials of Nehru Government were in fact signing agreements for getting US financial assistance amounting to Rs 3.6 crores for four projects for augmenting steel supplies, water resources and irrigation works, assistance to home science, agricultural research and to institutions imparting technical education. Our share of expenditure in these projects would amount to Rs 55 lakhs only. These agreements were signed only yesterday.

An event of importance was the creation of a separate ministry for Iron and Steel, put in charge of the Minister for Commerce and Industry. While entirely right in principle, it would be difficult to justify the manner in which these changes have been made. The selection of Shri T T Krishnamachari for the job, for example, is liable to the interpretation that the battle between the private and the public sectors within the Government has been privately settled in favour of the former. It is being openly said that the expectation of the private interests, present as well as prospective, have gone up: on the other hand, the chances for the Russian Steel Plant visibly dimmed when TTK was put in charge of the Ministry of Iron and Steel set up on the Soviet model. It is, however, in the national interest to emphasise—this is also the universal impression among officials and engineers—that the only party likely to deliver the goods in time and is very serious about it—is the Soviet Government. Not only have they accepted the terms which are internationally the most favourable to us, they have signed the contract on a most tenuous basis. At any time the Government may ask them to walk off. The Indian officials and engineers, meanwhile, are being actually activated by

their Russian comrades who waste no time and insist that others must not. At the moment of writing, a team of Soviet engineers headed by Kratenkov is on its way to Delhi, and for all I know, might well have arrived at Delhi and proceeded to Bhilai.

Government has also set up on the Soviet model a Cabinet Committee on Heavy Industry, and a corresponding Committee of Secretaries to bring about close co-ordination at all levels of Heavy Industry in the public sector. The Cabinet Committee will consist of the Prime Minister and the Ministers for Home Affairs, Finance, Iron and Steel, Production, Railways and Defence. The Steel and Production Committees of the Cabinet have been abolished. There was a time when the Government of India functioned closely on the British model. Not that the technique of administration has changed but some other terminology is now coming into vogue. This practice is likely to gather strength, when the Prime Minister returns from the Soviet Union.

On Saturday last, the clerks of the Government of India met and gave the Government 75 days' notice to satisfy their demands, failing which they would resort to peaceful, direct action. Their basic demand is for a revision of the pay grade from 55-3-120-5-130 to 100-10-300. On the face of it, the figure does not appear unreasonable, but the impression among officers, ministers and the gen-

eral public is that the clerks of the Government of India don't work. It would be too much to lecture to the clerks that their demands would become stronger, if they were to suggest a certain minimum efficiency test. Probably Government would throw at them another Rs 10 and ask them to keep quiet.

Pandit Pant has been making history in his own way. He wants some method to be devised by which the press could be associated with the Government in the sphere of policy-making. Apart from getting information and putting it in the correct perspective, the Government should seek assistance of the press in the solution of difficult problems, which come up from time to time. I am sure that the assembled journalists must have felt grand when Pandit Pant called on them to feel in reality that they were co-adjutors with the ministers in serving and advancing the larger interests of the country! They would, if they functioned in this manner, acquire a more constructive character and help in policy-making at its formative stage, for they have a vast fund of information, opportunities of rubbing shoulders with all classes of people and thus gaining an intimate appreciation of the happenings that mark the progress of events! Pandit Pant paid a tribute to the Indian Press for its high standards. I do not think at his age, he has any ambition to be the next Prime Minister of India. Shri Deshmukh is younger and has better chances, if he plays his cards well.

From the Calcutta End

Portuguese Pimples

AT the Students' Hall, College Square, the all-Parties Parliamentary Committee on Goa held the Second Convention last Saturday. May 26 is observed in Portugal as a day of commemoration for the Salazar regime. Outside Portugal, the Salazar Government is widely suspect for its leanings to fascism. It was in the fitness of things that May 26 was observed in Calcutta as the Goa Liberation Pledge Day. Goa is part of India. Goa and the other Portuguese pockets must be integrated with India.

These were the predominant demands expressed at the Second Convention. There is nothing new in that. But the Second Convention, held in Calcutta, has been wise in presenting the Goa situation in its proper perspective. Bombay and Poona are now reverberating with war cries against Portugal. Bombay's militant mood is provoked by the brutal atrocities perpetrated by the Portuguese authorities on the first batch of satyagrahis to Goa. There will be sympathy with Bombay's militant mood. But it is neither wise nor diplomatic.

There has been a lot of loose talk in Bombay and Poona. Senapati Bapat has issued a call for "home Satyagraha" against New Delhi to

force the Government to take military action against Portugal. Acharya Kripalani has challenged Pandit Nehru to suggest an alternative to war for the solution of the Goa problem. Many leaders are urging the Government to start "police action" against Goa. In the Calcutta Convention, too, many speakers accused New Delhi of inaction. But the Calcutta Convention was wise in not issuing a call for military action.

MASS SATYAGRAHA

India is committed to peaceful solution of disputes among nations. She cannot, therefore, settle her dispute with Portugal through forceful means. India's demand is just. Britain has quitted India. Through protracted negotiations, the future of the French "possessions" in India has been solved satisfactorily. India is willing to enter into negotiations with Portugal on the future of Goa and the other Portuguese pockets. Colonial rule in Goa must go. Portugal must negotiate with India on the question of peaceful transfer of Portuguese pockets to India.

Those who exhort New Delhi to take direct action are unaware of the practices and conventions of international diplomacy. It is not for Pandit Nehru, Prime Minister of the Republic of India, to lead a satya-

graha movement against Goa. But it is right and proper for the all-Parties Parliamentary Committee on Goa to issue a call for mass satyagraha for liberation of Goa and other Portuguese pockets from colonial domination. What the Prime Minister cannot say or do, the people of India can do or say.

So far, the anti-colonial and anti-imperialist freedom struggle has been carried on by the Goans themselves. With this movement, the people of India are in full sympathy. It, therefore, logically follows that the people of India must take the initiative in launching mass satyagraha for liberation of Goa and the other Portuguese pockets. It was wise of the Calcutta Convention to issue such a call for mass satyagraha by the Indian people instead of goading New Delhi to take direct action against Portugal in Goa.

War is a failure of diplomacy. But it is open to New Delhi to take all measures short of war to end Colonial rule in Goa and the other Portuguese pockets. It would be unwise of New Delhi to issue an ultimatum to Lisbon. But New Delhi would be justified in warning Lisbon that, unless Portugal agrees to a negotiated solution of the dispute, India will be within her rights to enforce "suitable sanctions". Many will

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endorse the Calcutta Convention's call to New Delhi to pursue such a policy promptly and energetically.

Calcutta must be congratulated in placing the problem of the Portuguese pockets in its proper perspective. Even Communist and PSP leaders who participated in the Convention were less militant in their attitude. There was wider realisation that the solution lay in adopting the Gandhian technique of mass satyagraha. If this technique succeeded in forcing Britain to quit India, it could not possibly fail in compelling Portugal to enter into negotiations with India for a peaceful solution of the problem of the Portuguese pockets.

PRESIDENCY COLLEGE

Presidency College is unique among educational institutions in Calcutta or in West Bengal. Most of Bengal's famous men are from this College. They are proud of Presidency. And Presidency is proud of them. By the middle of this month, this College will be celebrating its centenary. Elaborate arrangements are being made for the centenary celebrations. Many illustrious past students, including Dr Rajendra Prasad, the President, Dr Mookherjee, West Bengal's Governor, and Sir Jadu Nath Sarkar, the famous historian, will attend the centenary celebrations.

One had heard complaints that Presidency College is no longer so august an institution as it was. Many years ago, St Xavier's College came to be patronised more than the Presidency by science students. It may be a mere coincidence, but in this centenary year Presidency College boys seem to have done exceedingly well in IA and ISC examinations. There are more Presidency College students among the first ten in ISC than those from any other institution. There are many Presidency College boys among the first ten in IA. But there are more boys from the Belur Ramkrishna Mission Vidyamandir among the first ten in IA than from any other institution. One gathers that Ramkrishna Vidyamandir has now an established reputation as a first-grade institution.

EDUCATION SYSTEM

Calcutta, its inhabitants claim, is not only a literate but an educated city. In this city, such topics are matters for live discussion among parents who are eager to give their sons and daughters facilities to receive education at the best possible institution. There is much that is wrong with education and with the Calcutta University. There is much that is wrong with West Bengal and

the Bengali. But even those who disapprove of this State and its people concede that Calcutta is, perhaps, the only city in this country where the University dominates the city's life and society.

This writer does not claim any competence to discuss the present system of education in this State. Educationists claim that the present system is far more advanced and scientific. But one may be excused if one has gained the impression that the students these days have to

do a lot of cramming. Does that explain why the average college student seems to lack common sense? One is, all the same, satisfied to discover that the proposed reforms in the system of education conform to theories which one has espoused for many years. There is a strong case for raising the age-limit for the school leaving certificate, for extending the scope of SLC, and utilising this examination for branching-off the less promising students to technical and vocational education.

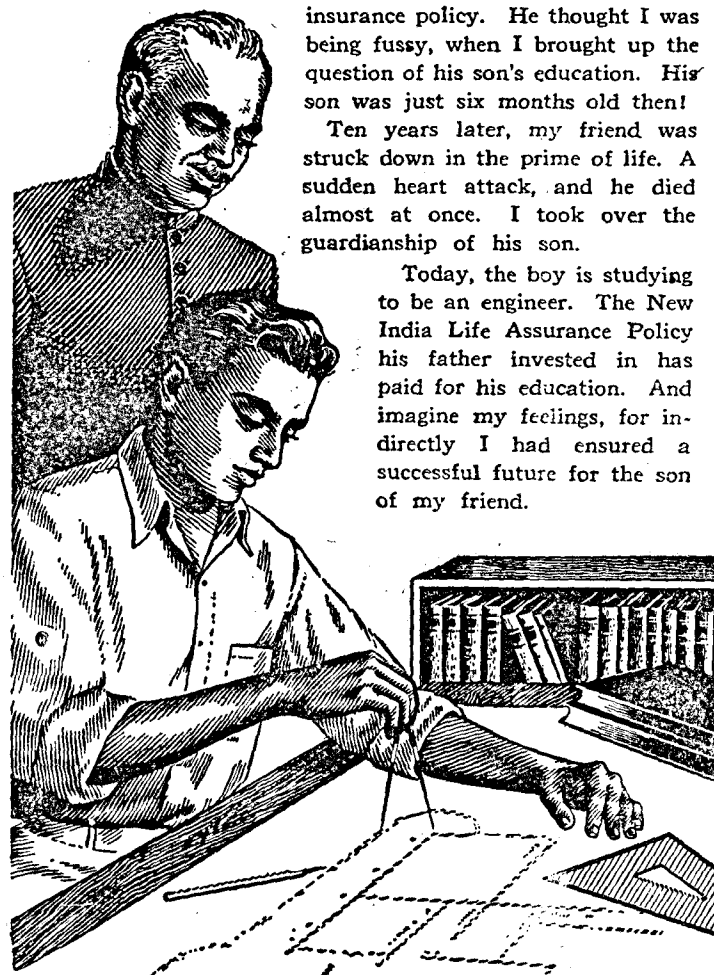
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Election Apathy and Strike Fever

AFTER an election campaign notable for the absence of heat and fundamental controversy, the favourite has won "comfortably", and for the first time in some 100 years the voters have sent the same party back to Westminster with an increased majority. The apathy of the electorate to what is supposed to be the supreme event in the democratic process reached almost disgraceful proportions. If these elections indicate any thing, surely they indicate the political disinterestedness in the attitude of the average British citizen. This must certainly be a serious problem for any democracy and more particularly for a democracy which persistently holds up its way of life as an example and, as it is sometimes put, as a "challenge" to the outside world.

The absence of heat and hubbub in a general election (in the context of British history) is not so much a reflection of political maturity on the part of the electors as many apologists are bent on arguing. It reflects rather, the absence of suitable choice for the voter, either between candidates or policies. This was certainly brought out in an alarming manner in the last elections. The virtual identity of views between Tory and Labour on almost every crucial political issue; the lack of any sustained enthusiasm among the Labour leaders to establish to the electorate how different they are from their rivals; the absence of concert and visible purpose in the parties both with regard to ideology and immediate programme—none of these gave the voter any opportunity for working up his political partisanship to fever heat.

This larger problem contains within it a number of smaller though no less important problems. The first is surely that relating to the future of the Labour Party. Almost every result recorded in the elections go to show one thing: the reduced votes cast for the Labour candidates compared with those in 1951. This is not accompanied however by any increase in the votes cast for the Conservative candidates. The number of active Labour supporters dropped by about 1.5 million while that of the Conservative supporters dropped by about 0.4 million compared to 1951. In other words, that section of the electorate which exhibited political indifference or apathy (by not bothering to vote) had in the

1951 elections mainly voted for Labour. The Labour Party is therefore the main victim of the current wave of apathy among the electorate.

The Way the Votes Went (in millions for each party)

	1955	1951
Conservative	13.313	13.718
Labour	12.393	13.949
Liberal	0.711	0.731
Others	0.296	0.199
Electorate: 1955—34,852,469 (76.82 per cent voted).		
1951—34,914,912 (82.3 per cent voted)		

LABOUR'S FUTURE

The first Labour reaction to the

election results came from Mr Morgan Phillips, the general secretary. He said that the situation gave the "Party a chance to revive". This could not have provided much comfort to those countless political workers who from a deep sense of mission gave their whole time to the Party during the elections. But nevertheless the reaction was an honest one—it is now patently clear that if Labour is to remain a force of some consequence in British politics and not slide down the slippery path of political decadence (as appears the fate of the Liberals) it has to regain the sense of purpose and of a mission which in the '30s and early post-war years was its hall-mark. More than



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that, it must provide an alternative to the policies being pursued by the Tories and close its ranks under a united leadership. The question of leadership in the Labour Party is certainly going to assume considerable importance in the near future. There is little doubt that only because of age, the current Parliament will be the last for both Mr Attlee and Mr Shinwell. Mr Herbert Morrison is fast approaching his seventies and Mr Dalton has already talked of retirement. These old stalwarts have to be replaced sometime in the near future and unless the younger Labourites are given opportunities to come up in a united party with an agreed long-term programme which evokes enthusiasm among the rank and file, the replacements are not likely to enhance the power and influence of the party.

The Labour movement as a whole appears to have come to a parting of ways. The sad lack of enterprise in the Labour leadership, both before and during the elections, resulted in a profound apathy among Labour supporters to exercise the vote. These Labour supporters have however taken to new paths of activity—principally through unofficial action on the industrial front. The past three months have witnessed the growth, at a rapid rate, of general industrial unrest. Official, and as is more often the case, unofficial labour strikes on the docks, in the railways and in the electrical, engineering, mining and newspaper industries persist despite the exhortations of the Labour Party and the Trades Union Congress leadership for industrial peace. The unrest is going to assume wider proportions unless the leadership of the Labour movement as a whole rethink and rework their policies and attitudes. The industrial unrest is already so serious (with a railway strike pending) that the *Times* has called upon the Prime Minister to "invite the Labour leaders to confer with him on this grave matter".

THE STATISTICIANS DELIGHT

The 1955 general elections has proved to be a particularly happy hunting ground for the statistician. On the basis of the Gallup Poll and so-called "Cube Law", electric computers were supposed to show that a 2 per cent swing in the vote meant a majority of 100 seats for the Conservative Party. And each week as the Gallup Poll statistics of the *News Chronicle* was published, the computers went to work. As the swing in the people's loyalty varied from week to week, so did the anticipated "seat-

majority" of the Conservative Party. Before long, even the layman began talking in terms of "swings" in the poll rather than the usual commonsense guess-work—the instinctive feel of the sway in the opinion of the public. In an important sense this reduction of people's views to statistical "laws" is dangerous. It contains within it an element of suggestion—once the statistician works out his lot and has it splashed in all the dailies, the readers tend to conform in their views to the expectations of statistical forecasts. But once again as the *Times* put it, "commonsense has blinded science".

People have a knack of being unpredictable. The refusal of the country to submit to absolute uniformity, local variations, the tough-

ness of so many Labour seats in refusing to yield at least a hundred votes to make the "law" come true, the triumph in certain areas of personality instead of policy—all these will yield various explanations. One thing, however, is clear. The 100 seat majority which the 2 per cent swing in the vote was supposed to yield has not materialised, in spite of the fact that the *News Chronicle* Gallup Poll was only 0.1 per cent out, compared to the actual votes cast for each of the parties.

State of the Parties

	1955	1951
Conservative	344	319
Labour	277	293
Liberal	5	6
Sinn Fein	3	—

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Book Review

Role of Consumer Credit in US Economy

Studies in Consumer Credit by Clyde William Phelps. (1) *The Role of Sales Finance Companies in the American Economy*. Pages 87; (2) *Instalment Sales Financing: Its Services to the Dealer*. Pages 99; Commercial Credit Company, Baltimore. Prices not mentioned.

THE tremendous and rapid expansion of the American economy since the turn of the century has been traced by some writers to the development, among other things, of the institution of consumer credit. Considerable attention has been devoted by American economists to the part played by fluctuations in credit-financed consumer buying in fluctuations in economic activity but relatively little to the role of consumer credit in stimulating economic growth and in particular, the rapid expansion of the durable consumer goods industries and even less to the organisation and functioning of the system, and to the services it provides to manufacturers, dealers and consumers. The Commercial Credit Company, one of the three largest sales finance companies in the United States, must, therefore, be congratulated on its initiative in publishing these studies in consumer credit specially written by an independent economist.

The two studies under review deal specifically with sales finance companies, a special form of institution to be distinguished on the one hand from small loan or consumer finance companies, which engage primarily in lending money to consumers, and on the other, from banks and other institutions, which perform some of the functions performed by sales finance companies as a small fraction of their total activities. A sales finance company engages in two basic activities:

- (1) The purchase from retail merchants of retail paper (the promissory notes signed by consumer buyers) and the collection of instalment payments due thereon; and
- (2) "The provision of floor planning for retail dealers (the financing of wholesale purchases by dealers from manufacturers)".

These two functions are in fact of very great significance. The first, usually known as retail financing, implies that consumer credit is afforded through the medium of the dealer and yet, the dealer is relieved of the responsibility of collecting the instalments and carrying out other legal formalities that may be involved. But the second function, it is quite clear, does not amount to consumer credit at all. It is really financing the dealer, providing him with the working capital necessary

for the maintenance of a large stock of items, which are by their very nature bound to be fairly expensive. An appreciation of the role of the sales finance companies is not possible without understanding that they provide credit and connected services to facilitate the flow of durable consumer goods from the manufacturer to the ultimate consumer. The sales finance companies have recognised that the provision of credit to consumers is not really enough and that the difficulties of finance faced by dealers in durable consumer goods must also be solved if consumers are ultimately to buy these products in large numbers.

It is the basic feature of the durable consumer good, its relatively high price, that makes it difficult for the ordinary financial institutions to serve the needs of the industries concerned. The consumer is not in a position usually to pay for the commodity in cash, nor is the ordinary consumer credit for a thirty-day period of any use. What the consumer requires is a plan for payment of the price in monthly instalments spread over more than a year. If substantial sales are to be made by any dealer, he must allow a volume of credit to his customers which it is impossible for him to find from his own resources, since he has to pay the manufacturer in cash.

One of the major advantages claimed for the sales finance companies is that they provide a complete service to the dealer as well as the consumer. As has been pointed out above, these companies provide wholesale as well as retail financing. The former is relatively less profitable as such but is provided because it attracts the latter. In retail financing, the companies accept what are described as "marginal" as well as average and high-grade "paper", thus enabling the dealer to sell to the marginal risk buyer as well and in that way to expand total sales substantially. By financing used car dealers also, these companies help the new car dealers who receive used cars in part payment of the new cars they sell.

In addition to this, sales finance companies provide for insurance cover from the moment of purchase, an efficient but sympathetic collection service, advice to dealers on sales promotion and to buyers on adjust-

ment of their family budgets to permit payment of instalments and provision of capital loans to dealers for expansion, renovation, etc.

The author, therefore, considers that sales finance companies have the advantage over their competitors. They have long experience in the field and the technical knowledge required. They enjoy all the advantages of specialisation and have therefore introduced many innovations into the field. They operate on a risk capital base which is much larger proportionately than that of ordinary lending institutions and are, therefore, willing to take greater risks.

It will be seen from this that the sales finance company is a special institution which serves a special need arising out of the manufacture of durable consumer goods, the value of each unit of which is necessarily relatively high. By the provision of its services, large numbers of individuals are able to purchase automobiles, refrigerators and other durable goods which otherwise they would not have been in a position to purchase. The rapid expansion of these industries has been made possible by the existence of these sales finance companies which have tapped a large and expanding market for them. The fact that in 1950, 96 per cent of American homes had radios, 94 per cent electric light, 80 per cent refrigerators, 12 per cent television sets, and 66 per cent had at least one car, is a testimony to the role played by the sales finance companies. The author points out that "... even in the case of families having incomes of less than \$2000 per year, almost half (46 per cent) are car owners."

Consumer credit, through the sales finance companies, played a substantial part in the development of the United States economy. In Europe today, consumer credit is helping to bring about rapid expansion of the durable consumer goods industries, though it has also introduced an unstable element into the economic situation. Could consumer credit be the key to economic development in this country? Many would demur, but it is a question to which it would be worth devoting some attention in the light of the facts contained in the present studies.

Recession Fighter—the US Consumer

(From Our American Correspondent)

WHEN the US economy started "dipping" after the middle of 1953, prognostications about the future were equally divided between the optimistic and the pessimistic. The Administration and the business world believed that the decline was a temporary but necessary adjustment, while economists saw in it the beginnings of a true recession, of even a severe slump if corrective measures were not taken. The former put their faith in built-in stabilisers, while the latter were frightened by the implications of increasing unemployment.

Before the end of 1954 the economy had resisted further fall, and early this year it resumed its upward movement which may take it even above the peak of 1953.

The pessimists have proved wrong in their prognosis; but the optimists can hardly congratulate themselves on their diagnosis. Built-in stabilisers of the economy have played a relatively minor role in stemming recession and promoting recovery, while non-automatic factors like deliberate reversal of hard money

policy, liberalization of dividend payments and mortgage terms, reduction of taxes and personal saving and stimulation of investment in housing and foreign assets have been far more decisive.

But probably the most interesting feature of the recovery has been the role of the American consumer. He has been the hero in the drama of recovery. Built-in stabilisers and action by the Treasury and the money market helped to increase his disposable income at a time when the gross national product was contracting, and unemployment expanding, and he responded to the challenge by spending more than the increment of his disposable income. This is supposed to be the result of high pressure propaganda. If so, the American economy seems to have lifted itself out of a recession by its vocal chord.

What about the future? The consumer is still spending freely the increment of personal income generated by the expansion of the gross national product. During the first three months of this year, the gross

national product ran at a record annual rate of \$370 billion. He has ample supplies of liquid assets; but he is spending as much as 92.5 per cent of his income after taxation, and is faced with the highest level of debt in history. The construction of new homes, however, the most important single factor in the recovery, is likely to run ahead of the rate of family formation, while manufacturers of cars do not expect the demand to measure up to the current rate of production. Moreover, farm income and farm prices have failed to share in the recovery while expenditure on defence is declining. On the other hand, there are indications of a broadening of the recovery. The strong consumer demand is being supplemented by a rise in investment demand, which is expressing itself in increased orders for producers' durable goods, in a high level of construction activity and in a moderate tendency towards inventory expansion. Non-agricultural employment as well as the manufacturers' payroll have risen in recent months, and though defence expenditure is on the decline, state local expenditure is likely to increase.

State Associated Banks

D L Gupta

THE Committee of Direction of the All India Rural Credit Survey suggested in Volume II of their report, Government control over the Imperial Bank of India and the amalgamation of the ten State Associated Banks for the following reasons:

- (1) Integration of financial administration of the country,
- (2) Handling cash work of the Government treasuries throughout India by one bank, and
- (3) Extension of credit facilities in rural areas, particularly to agriculturists.

Although the amalgamation was proposed in the larger interests of the country and it will be a statutory amalgamation, yet it deserves a careful consideration on the part of the higher authorities before implementing these recommendations.

In this country of 5 lakh villages having a population of about 38 crores, the centralisation of banking to such an extent would not be beneficial to rural India as it is hoped. The distant control over the banking affairs of the country has its own disadvantages:

1. First and foremost, contact between the banker and the customer will be less personal and there will be a tendency to fall back on routine which militates against the individual problems of the customer being fully considered.
2. Secondly, the very size of the institution may result in loss of efficiency.
3. Thirdly, the centralisation of resources may work out disadvantageously to the local trade and commerce through a drain of funds to money centres.
4. Fourthly, there is a potential danger that carried to its logical conclusion, the proposed amalgamation must mean the formation of money trust in a few hands under political influence.

On account of the above disadvantages in Great Britain, where a series of important mergers just after the World War I reduced the large number of banks to big five,

further amalgamation without the sanction of the Treasury was stopped. In South Africa also, in the 1942 Banking Act a clause has been included forbidding the amalgamation of banking institutions in the country without the consent of the Minister of Finance.

In a vast country like ours, to meet the needs of small traders, small industry and small agriculturists of small places, the regional banks should be strengthened and both the Government and Reserve Bank should extend to them reasonable support instead of amalgamating them with the State Bank. The managements of regional banks, on account of their close working relationship with the local people, are in a better

position to know the businessmen, small agriculturists, their problems and their aspirations. They, therefore, can accommodate them according to their genuine requirements on sound banking lines.

NECESSITY OF CO-ORDINATION

For this purpose there is necessity of confidence and co-ordination. If the Government, Reserve Bank and the State Bank of India extend their support to the regional banks and a link is established between the State Bank of India and the State Associated Banks, for all purposes, i.e., remittance of funds, issue of drafts, sharing in advances, etc., all the virtual advantages of amalgamation can be secured without the disadvantages of banking centralisation.

In America, this sort of co-ordination exists between Treasury, Federal Reserve Bank and Commercial Banks of the country. Mr Edward F Bartelt, Fiscal Assistant Secretary of the Treasury of United States of America describes it as follows:

"The 12 Federal Reserve Banks are now the principal fiscal agents of the United States Government. Each Reserve Bank maintains an account in the name of the Treasurer of the United States. Into these accounts virtually all Government receipts eventually are credited and from them all payments are made.

"Complementing the Treasurer's accounts at the Federal Reserve Banks is a nationwide network of deposit accounts in commercial banks. Most of the money collected by the Government feeds into the US Treasurer's accounts at the Reserve Banks through the banking system of the country. Any incorporated bank is eligible to qualify as a Government depository.

"Like any large business, the Treasury must maintain bank accounts. The big difference is that it has more of them—many more. It would be utterly impossible for the Treasury to carry on its extensive business efficiently without the use of this vast network of commercial banks throughout the country. Even when the Government's operations were much less extensive

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than they are today, experience proved that the Independent Treasury System was inadequate. It was fortunate, therefore, and indeed very helpful to the Treasury when it was faced with the great financing burdens of World War I that the country was equipped with a well organised Federal Reserve System consisting of 12 regional Federal Reserve banks and several thousand commercial banks.

"In World War I, and again in World War II, commercial banks played a big part in the War loan drives. They composed the largest single group of sellers of war bonds. Three quarters of the dollar volume of war loan campaign sales were made through commercial banks. They took bond subscriptions, issued savings bonds, delivered securities to purchasers, made payments of interest coupons from Government bonds, and carried on countless other functions in the interest of the Government.

THREE TREASURY PRINCIPLES

"In handling the money and securities of the Government the Treasury is guided by three basic principles—safety of the public funds, efficient service to the public and economy of operation. There is another factor, as important as all three of these combined. It concerns the effect of Treasury operations on the economic stability of the country. This, among other things, includes proper control of the ebb and flow of money from the banking system into the Treasury and back again to channels of trade through Government disbursements. The use of bank accounts helps the Treasury in meeting all these requirements." (*Banking*—November 1953).

Besides the co-ordination between the Treasury and the commercial banks for the transaction of Government business, there is in United States of America a close co-operation between the big city banks and country banks to provide all the banking facilities equally at every place in the country, which has been commended by Mr Robert M Hens, President of Association of Reserve City Bankers as follows:

"Correspondent Banking is the core of the independent banking system. The Banking system of United States is a system only by virtue of the voluntary co-operation of the 15 thousand independently owned and independently managed

banks that supply the banking facilities of this country.

"The Reserve City Banks derive strength and diversification from their country correspondents. Country Banks attain support and flexibility from their city correspondents. Between them they devise means of supplying loans, of guarding deposits, of meeting the constantly shifting demand for financial services of a great and varied economy."

If the Government continue their cash work of the Treasuries with all the State Associated Banks and appoint them as agents to the Reserve Bank as well as the country correspondents of the State Bank of India, the 11 banks would prove more serviceable and useful not only to the Government but to the public also and their services will be comparatively more economical.

PUBLIC DEPOSITS AND STATE BANK

The conversion of the Imperial Bank of India into the State Bank has already created doubts and suspicion in the minds of people and they have begun to think about withdrawing their monies from the Imperial and State Associated banks. The Imperial Bank of India's deposits have fallen from 230½ crores on January 15, 1955 to 211½ crores on May 20, 1955 in other words 19 crores of rupees have been withdrawn by the public after the announcement by the Government of the setting up of the State Bank while the total liabilities (excluding borrowings from banks) of Scheduled Banks increased by 36 crores during the same period.

This indicates that the increase in the deposits of the scheduled banks excluding Imperial Bank of India is over 45 crores, which reflects the opinion of the people against the proposed Government control and the amalgamation of the Banks. In view of the above, it is certain that the Government will not be able to derive all the cherished advantages from a single fiscal agent whatever its size may be.

AGRICULTURAL CREDIT

As regards credit facilities to agriculturists, it has been complained in the Report under reference that the commercial banks could not extend credit facilities to agriculture. It is not the fault of the

commercial banks that they follow the British banking pattern. The Government of India or the State Governments did not like that the commercial banks should extend credit facilities to the agricultural industries. They always preferred the co-operative banks as a suitable agency for the purpose. On the other hand, the co-operative banks in spite of all sorts of patronage and support from the State and Reserve Bank of India could not extend credit to the agricultural industry for more than 3 per cent of its requirements. In my opinion if the same sort of facilities are extended to the commercial banks, they may be able, without depending too much on the Government, to provide more credit to agriculturists than what is done by the co-operative banks and with greater efficiency and security, just as commercial banks in Canada and America are doing. Even today if the State Government and Reserve Bank of India are prepared—(1) to place the necessary funds in a certain proportion at the disposal of the commercial banks to finance agriculture, (2) to grant subsidies for deficit branches, and (3) to guarantee the bad debts to a certain percentage of the total advances, the commercial banks would prove the better agencies for providing finance to agriculture industry. That is why in 1925, Sir Basil Blackett, the then Finance Minister of India, remarked in the course of his address before the Delhi University:

"If banking in rural areas is to be developed to the extent required, it will, I think, have to be by the recognition of the indigenous banking system, and its adaptation, rather than by its supersession by Joint Stock banks managed on western lines. It would be desirable also if some method could be found, as for example, has been done in the American Banking System, for linking up the small rural banks from below with the Imperial Bank System from above." (italics mine).

In these days the general opinion is in favour of institutional credit. So for this purpose, the suggestion regarding indigenous bankers may not be acceptable any longer but the second suggestion of Sir Basil Blackett is a wise one and deserves favourable consideration even today.

In entrusting the cash work of

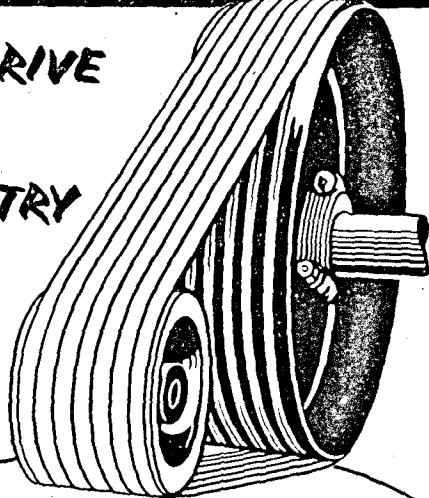
Government Treasuries to a number of agents, the Rural Banking Enquiry Committee have raised fears and objections, the principal was being (a) the capability and resources of the banks, and (b) the difficulty of reconciliation of accounts. So far as capability of handling the Government work is concerned, the State Associated banks are transacting Government business for a long time and their Governments are well satisfied with their services. The existing arrangements are most advantageous, convenient and economical to them. The State Governments, therefore, were not inclined to appoint Reserve Bank of India as their bankers on the suggestion from the Government of India because the disturbance in the present arrangement is a costly affair to them. The Patiala State Government have refused to appoint the Reserve Bank of India as their bankers as it was not advantageous to them. This shows that the exist-

ing banks are quite capable and possess sufficient resources to handle the work of their Governments as also to meet their requirements.

As regards security, the Rural Banking Enquiry Committee have stated in their report that in America the Government depository banks lodge Government securities with the Federal Reserve Bank to the extent of Government deposits with them. In Canada a prior charge over the assets of the banks has been given to the Government for the recovery of Government dues under the Canada Bank Act.

All this is true but these conditions were imposed on the banks concerned under particular circumstances in which those banks were working there. The US Government required the lodgement of Government securities from depository banks after sustaining considerable losses on account of interference with the depository banks by politicians of the States, before the

PUT DRIVE INTO INDUSTRY WITH

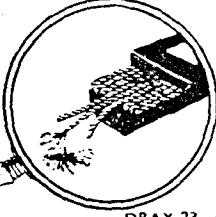


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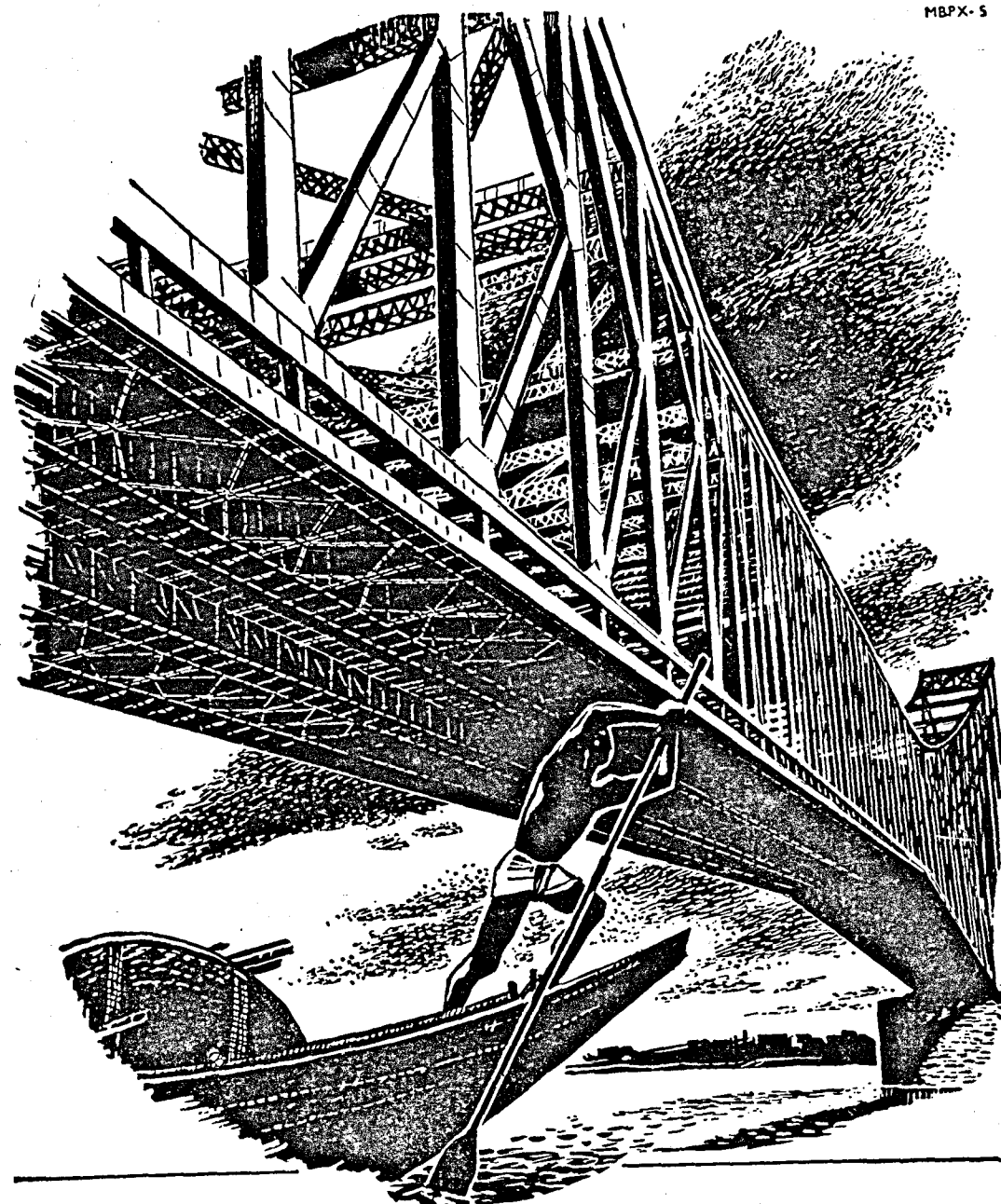


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Federal Reserve System proposed this precautionary measure. The Canadian Government's prior charge over the assets of the bank is nothing new or peculiar. Every Government has prior charge to recover its dues. In India under the Government Dues Recovery Act, the Government have prior charge under certain circumstances which can be extended to the banks also. It will not affect the banks in any way as it has not affected the Canada Banks.

Again, the above conditions apply to all banks irrespective of the size. Here in India such conditions were imposed neither on the Presidency Banks nor on the Imperial Bank of India, because there is a vast difference between the system of handling Government balances in the abovementioned countries and in India. In USA and Canada, Government balances remain with the banks as banks' deposits, free of interest, which they utilise as their earning assets. Here in India the Government maintain their own separate currency chests and only its control in sub-divisions has been entrusted to banks. Government balances cannot be treated as bank deposits. True, the banks may withdraw money from the currency chests for Government requirements as well as their business requirements, but subject to its telegraphic adjustment by next day positively through Central Accounts. Thus the agent of Reserve Bank at one branch utilises money out of currency chests against the disbursements on Government account or cash deposited in currency chests at the places of its other branches. The para No 71 of the Rural Banking Enquiry Committee report confirms it as under:

"All payments on behalf of the Central and Provincial Governments are initially made by the Imperial Bank from its own cash balance and subsequently adjusted through its Central Accounts Office with the Central Accounts Section of the Reserve Bank at Calcutta where the main accounts of the Central Government and the Provincial Governments are maintained. Similarly all receipts on behalf of the various Governments are initially taken into cash balance of the Imperial Bank and later on adjusted by the Central Accounts Office of the two banks at Calcutta. Payments or Receipts by the Provinces on behalf of the Central Government or by one province on behalf of another are also adjusted through Central Accounts Section of the Reserve Bank at Cal-

cutta, which acts as a Clearing house for all inter-governmental transactions."

"These arrangements for the reconciliation of accounts between the Reserve Bank and the Imperial Bank are highly organised so that the major part of transactions are brought into account and the necessary adjustments made through the Central Accounts Offices of the two banks on the working day immediately following that on which the transactions occur. Nevertheless, there are occasions when transactions remain unadjusted for several days during which the Imperial Bank remains out of pocket to the extent of some crores. Such a position usually arises during the periods when revenue is slow to come in and during the early days of the month when disbursements on account of Government are heavy and the bank is required to carry large amounts in transit."

This system, therefore, requires no lodgement of Government securities or other protection to the Government except the general soundness of the bank to which Treasury work may be entrusted. So far as the class 'B' State Associated banks are concerned, they have been bankers to Government and to the people of their respective states for a long time and both the State Governments and the public have demonstrated their confidence in them. There is no instance of failure of any such bank resulting in a loss to any Government. Today the Reserve Bank of India has sufficient control over all the banks under the Banking Companies Act. The Government of India can entrust their business to these banks without any hesitation as a sound bank deserves confidence from all quarters.

As regards the difficulty of adjustment of transactions, it is not an insurmountable one; it is manageable. In the USA the treasury transactions of 11,000 banks are reconciled with ease and efficiency. So there cannot be any difficulty in reconciling the Government transactions with 11 banks.

The above discussions adequately support the view that:

- (i) The Government treasury work may be entrusted to the existing State Banks by appointing them agents of Reserve Bank of India and by co-ordinating the services of State Bank of India and the other State Banks.

- (ii) The work of providing agricultural credit may also be entrusted to these banks with all the facilities that may be reasonably required.
- (iii) To provide remittance and other facilities, these banks may be appointed correspondents of the State Bank of India where it has no branch but the State Associated Banks have.

DIFFICULTIES OF AMALGAMATION

The Imperial Bank of India had its own tradition and standard. It did not allow interest on current deposits, neither did it accept call deposits. On Savings and Time Deposits it allowed interest at 1 per cent and 1½ per cent respectively while other big scheduled banks allow 1½ per cent to 2 per cent on Savings Bank Deposits and 3 per cent to 3½ per cent on Time Deposits. In spite of such a difference in the rates of interest, the Imperial Bank used to hold 25 per cent of total deposits of scheduled banks.

Similarly the Imperial Bank of India charged interest on advances at 3½ per cent to 5 per cent when the other banks were charging 4½ per cent to 7 per cent.

The State Associated Banks are at present following the big scheduled banks in offering rates on deposits and charging on advances.

After amalgamation of the State Associated Banks with the State Bank of India, the problems of allowing interest to depositors and charging interest from borrowers that will arise may be solved in the following three ways:

- (1) By lowering the present rate of interest of State Associated Banks.
- (2) By continuing the present separate rate.
- (3) By increasing the rate of interest at Imperial Bank of India Branches.

So far as the immediate reduction in rate of deposits is concerned it will unfortunately affect depositors and borrowers alike:

- (i) (i) It will penalise the accumulation of savings and practice of thrift in 'B' Class States.
- (ii) The deposits of the State Bank will decrease in 'B' Class States instead of increasing.

(iii) The lowering of interest on advances will make credit unnecessarily cheaper in view of the risk and labour involved in rural areas and this, in its turn, will create further problems like over-expansion of credit, etc.

(2) The continuance of the present separate rates may not be feasible:

- (i) It will not have a uniformity in the institution.
- (ii) It will be unfair for the same institution and particularly for the nationalised bank to pay or charge differential rates for the same services.
- (iii) It will encourage the shifting of the deposits from the places of low interest rate to the places where higher interest is paid.

(3) The increase in interest rate on deposits and advances will be unthinkable for the State Bank of India. It means deviation from the sound tradition of the Bank. Economically also, it will be a wrong step as the deposits of the Imperial Bank of India are more than twice of the State Associated Banks. If, under any pressure, interest rate on deposits is increased it will create many problems and affect the whole credit structure of the country.

- (i) The Bank then will be obliged to increase rates on its advances to the business concerns which are paying low rates at present. It will increase the cost of production and affect trade and industry adversely.
- (ii) It will further increase undesirable competition among the private banks to retain their present business.
- (iii) It will tend to reduce the volume of bank credit as industry and trade would try to get direct credit from the public.

Moreover there will be other problems like adjustment of salaries of staff and seniority and juniority of the officers, the solution of which will take considerable time and energy. If the Imperial Bank standard is adopted, establishment cost will rise to an unbearable extent.

The varied regional economy and diverse ways of business require different treatment at different places from the bank. At present the local institutions with their local know-

ledge and close association are providing credit facilities suited to the local conditions. After merger, local interests may not get the same sympathetic consideration and so the quality of banking services may deteriorate, affecting the interests of the clientele adversely.

SYSTEM OF SUBSIDIARY COMPANIES

To avoid all these difficulties and inconveniences, there is another alternative—System of Subsidiary Companies.

It is popular in Europe where it has proved quite successful in achieving all the benefits of big bank without amalgamation of the banks.

Some of the English banks own the capital of a few banks in Scotland and run the latter as their subsidiaries. The banking systems of Scotland and England are in many respects very much alike but there are certain differences. On account of this, the English banks prefer to allow their owned Scottish banks to work as separate units in Scotland. For instance, there is a group of three banks, viz, Royal Bank of Scotland, Glyn Mills & Co and William Dea-

cons Bank Ltd. The Royal Bank of Scotland holds all the shares of the other two institutions in exchange for its shares. The former bank preferred to allow the other two to serve their respective areas as separate entities, because the goodwill created with all the local traditions and affections of the people by the latter banks are assets to the parent bank which could not be sacrificed in the best interest of the parent institution. Thus all the three institutions are working separately in their own names and under the management of their independent Board of Directors. Under this arrangement, shareholders have gained and so have the communities served by the three banks in their respective areas with little or no disturbance to the arrangements which have existed over a very long time.

Under this system one bank acts as agent for the other. Generally this is done free of charge although in cases involving exceptional outlays of time and labour, reimbursement is made, if desired.

The transactions and balances of accounts between the three are adjusted usually by transfers on the accounts maintained by each of the

three banks with the Bank of England. This system has proved very useful to the parent bank and the people of Scotland as well. Mr Thomson, General Manager of the Royal Bank of Scotland recognised it in the following words:

"In our case it was decided that the size of the units was well suited to the efficient individual management and then the business of the three units could better be conducted and developed separately; though in close associa-

tions. In practice, the arrangement has been found to work very efficiently and very smoothly."

Here in India also it will be very convenient and suitable. In this way all the advantages of amalgamation and large resources and facilities of a big bank with hundreds of branches can be retained without disturbing the local relationship between the bank and their clients, without disregarding the local sentiment, without loss of efficiency and without sacrificing the benefits of

local knowledge and experience of the management of the respective banks which is the most valuable asset of the parent bank. I believe that the authorities concerned will give their careful and close consideration to this system also. It is the best way to achieve the cherished object without many changes. The purpose of the amalgamation is to provide complete, convenient and courteous banking service in rural areas and it is certain that it can be served better by this system.

Reorganisation of States

N A Shah

"SHOULD this (the linguistic division of India) happen it would mean two things: one, the end of Indian nationalism and two, the end of joint multi-lingual living. It is the greatest deception to declare that we will have linguistic states and there will be no weakening of nationalism nor victimisation of linguistic minorities in linguistic states. Honesty, humanity, justice and equity demand that people should not be subjected to such bluffs," says Prof Mukerji in his book—*Reorganisation of Indian States**—written in collaboration with Mrs Ramaswamy.

The first part of the book deals with the general problems of states reorganisation in about 48 pages. It is the most important part of the book and is the work of Prof Mukerji. In part two Mrs Ramaswamy deals with the special problems of Bombay State in about 32 pages. In an appendix the problems of Hyderabad are discussed by K Satyanarayan.

In another appendix the questionnaire which was used for this study is reproduced. It was sent to some 235 different persons and bodies. Only 15 replies were received. Prof Mukerji draws attention to this fact and says that it gives an indication of a particular attitude among responsible persons namely "of reticence". The replies received were mostly from men of standing and importance such as mayors, officials of Congress Committees, advocates, MLA's, etc. In addition, a number of persons were interviewed which

included MLAs, mayors, officials of Congress Committees, ministers and editors of journals.

The method of handling the subject has come to be known as "communication research" in USA. Such studies reveal social "attitudes" rather than facts and confirm the sociological fact that human nature in politics, in a vast majority of cases, is guided by irrational motives whose importance in a democratic set-up can be ignored by the statesman only at the greatest peril to his career and to the stability of social life.

Statesmanship at the top level must, however, be able to curb the forces of unreason which are disruptive and destructive; and enthuse in the people a spirit of unity based on a sense of fair-play and reason. The most pressing demand with which the country is faced at present is the demand for linguistic division of the country and calls for unrivalled courage and vision on the part of our statesmen.

In the first few pages, Prof Mukerji traces the history of the linguistic movement and shows that the Congress leaders' alternate encouragement and denunciation of linguism is responsible for the present confusion in the minds of many. He then enumerates the views of some of the ardent supporters of the linguistic movement.

It is interesting to note that Lanka Sundaram, one of the crusaders of the movement for linguistic states, has said that the demand for redistribution is predominantly economic . . . that the movement has arisen as a revolt against the prevailing exploitation of one area by another and of one group by people of another.

Dr Ambedkar admits that ultra-linguism may result in political insubordination and administrative confusion. He insists that the official language must be the language of the Central Government and not the local language, so that every unit will have two languages.

Prof Mukerji then turns to consider the 'rationalistic' approach and states that by far the ablest exposition of the rational approach is to be found in the concluding pages of the Dar Report. All this discussion takes up nearly half the portion of Prof Mukerji's writing. The remaining half is devoted to his comments and suggestions.

Replying to the oft-repeated assertion that the Congress is committed to the creation of linguistic states, Prof Mukerji says that it can be an argument only if we accept that Congress has never erred and that it has the divine sanction to determine the destiny of the nation as it pleases.

As regards the second argument, that considerations of national unity should not stand in the way of linguistic states as national unity has no historical sanction, Prof Mukerji jocularly remarks, should we abolish the all-India railway system, the army, the press, the inter-universities board, etc., on the same ground? As a matter of fact, if the philosophy of history has anything to teach us it is this, that the development of the Indian polity of the future should avoid the European pattern of linguistic sovereignties, competition and war.

As regards the third argument that the cause of democracy will be better served by a federal form of government with autonomous linguistic

* *Reorganisation of Indian States* by Dr Krishna P Mukerji and Mrs Suhagini Ramaswamy. Popular Book Depot, Bombay. 1955. Pages 91. Price Rs 3-4.

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states as the units, Prof Mukerji replies that the Unitary principle is inherent in the Indian constitution. It is, therefore, futile to try to strengthen the cause of separatism on the basis of federalism.

Then Prof Mukerji goes on to discuss the question whether a federal constitution is essential for success of democracy. "Success of democracy" means success in making the common man aware of the forces that mould social life . . . and the atmosphere of freedom in which the ordinary individual may bring to bear upon public questions his instructed mind. For achieving this kind of success, what is needed is local self-government and devolution of power as far as it is possible to grant these, consistently with national unity and safety. No one has so far shown that the cause of local self-government suffers under a unitary government. And it is quite possible to have most centrally dominated local bodies with no local autonomy under a federal constitution. A federation is no guarantee of the success of democracy or local self-government.

That the demand for linguistic states has no basis in culture, nor is it spontaneous, being trumped up mostly by middle class politicians who are benefited by the establishment of a linguistic state, are some of the other points made by the author. But it is not in these that Prof Mukerji is at his best. Many have stated the case against linguistic division but they have all argued for the retention of the *status quo*. Prof Mukerji certainly does not. He does not agree with those who in the name of a rational approach desire to maintain the *status quo*. For the victimised minority of any state is the most fanatical proponent of a linguistic state. In short the *status quo* is irrational and linguism is fanaticism.

Turning the table on his adversaries, Prof Mukerji argues that rational reorganisation must promote the political unity of India and as Indians, people must learn to live in multi-lingual states which do not permit any political or economic advantage to any language group and which are created with a view to promoting administrative efficiency and economic prosperity of the country as a whole. Bearing these considerations in mind he has divided India into five units only—geometrically—north, south, east, west, and centre. Whatever may be the reaction to such violent

zonal groupings in the other parts of India, the proposal for an eastern state—Purvachal Pradesh—has been anticipated and taken up quite actively though only by a handful of thoughtful people.

Insurance Notes

An Insurance Journal

THE Insurance Press in India has not been able to keep pace with the rapid progress of insurance business of the country, with the result that about half-dozen journals published in English language and a couple of periodicals published in vernacular languages comprises its entire strength. Of these, *Jeeban Beema*, a monthly insurance journal published in Bengali, is perhaps the oldest, having completed its 25 years of publication. The slow and feeble growth of the insurance press is mainly due to lack of encouragement and support by the insurance companies and their workers to these publications. That a well-edited journal devoted to the cause of the industry can be a valuable aid in spreading the gospel among the people and in solving the difficulties of this business for the workers engaged in it, it seems, is not fully appreciated even today. Apart from giving active support, the Indian insurance executives and experts often turn down requests for contribution of articles on the subject. The result is that editors of insurance journals are forced to fill their pages by reprinting articles published in foreign journals, thereby diminishing the usefulness of these publications to a considerable extent. The non-Indian insurance companies as a class consider it *infra-dig* even to advertise in the Indian insurance journals. In spite of this these journals have, during their struggling existence of last 20 years, materially assisted in propagating the cause of insurance in India.

Insurance Underwriter (Editor: Mr Sukumar Lahiri) is comparatively a new-comer in the field. A monthly publication, this well edited journal is somewhat different from the rest in that it regularly publishes useful and informative articles from well-known experts on the problems of life and general insurance. The April 1955 issue of the monthly contains a symposium on Staff Insurance by well known actuaries and managers which may be considered an outstanding contribution on a subject which evoked a lot of criticism in insurance circles. A detailed report of the 10th Indian Insurance Conference held in

The book should rank high among text books for politicians but it should have been published earlier so that it could have made its proper contribution to the discussion on the subject.

Madras in March last, with a brief summary of the technical papers read, has been included in this issue. Mr S S Ali's article "Selling oneself" written in his inimitable style, containing many practical suggestions, will be found useful by the field workers. The lecture delivered by Mr G T Foster FIA at the Insurance Institute, London, on the underwriting of Life Insurance, reprinted in this issue is a valuable contribution on the duties and responsibilities of the underwriter in assessing life insurance risks. In addition to these, there are usual features such as Legal Section, News Reel, etc, which enhance the usefulness of the publication. *Insurance Underwriter* has a distinctive appearance and is neatly produced.



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Obituary

NARAYAN MALHAR JOSHI, known to his friends, advisers and co-workers as Nana-saheb Joshi passed away peacefully and suddenly on Monday, 30th May. A noble life devoted and dedicated to labour movement came to an end. An Indian trade unionist of international repute left the world with a record of selfless service for half a century in many a noble cause.

Nanasaheb was born on June 5, 1879 in Goregaon—now a suburb of Bombay—in a Brahmin priest's family. In order to prepare him for the family calling, he was set to study the Samhita, but his elder brother, Mahadevarao persuaded him to have English education in Poona. A similar example, where priesthood was discarded for English education, was that of Shri R P Paranjapye, the noted educationist and politician. India must have lost a good many leaders, because many brilliant persons continued their hereditary professions and thus led a narrow, isolated life. After graduation, Shri Joshi took up teaching as his profession, and spent eight years of his youth in teaching. Another accident led him to join the Servants of India Society which had then been set up recently by Shri G K Gokhale.

Poona of that day was a beehive of intellectuals, social reformers and political agitators. Youths were drawn to leaders and teachers like Ranade, Gokhale, Tilak, Agarkar, Fulay, Bhandarkar and many others. Young Joshi became Gokhale's follower and joined him in 1909. After that, it was a life of uninterrupted service and continuous sacrifice, all for the cause of working classes. The Servants of India Society was a nursery of scholar-workers, well up in their specialised subjects and sincere in their thought and action. After spending the first two years in Poona, in 1911 young Joshi moved to Bombay where his social work brought him in contact with industrial workers. He founded the Social Service League and developed a number of educational, social reform and social welfare activities amongst industrial workers in Bombay.

Social welfare slowly but inevitably

led to labour welfare and labour organisation. Nanasaheb played an important role in the establishment and development of many organisations—the Workingmen's Institute, the International Labour Organisation, the All-India Trade Union Congress, the Indian (now National) Federation of Trade Unions, the Bombay Textile Labour Union, the Mafatlal Gagalbhai Textile Technical School and many other associations for and of labour. He also played an important part in the cause of civil liberties, co-operative movement and social reform. His

work on the Royal Commission on Indian Labour and the Indian Pay Commission is well-known. His public life was marked by his tremendous zest for work, sincerity, integrity, respect for the opponents and deep knowledge of the subjects he had to deal with.

Those who came in personal contact with him found Nanasaheb the man more lovable than Joshi the public worker. His paternal advice was available to all—from ministers to research students. Labour Ministers, Government officers, trade unionists, social workers, students and many others used to seek his advice on a variety of subjects. The last 15 years of his life he spent mostly in a small room, 12' x 12', which served as his bed room, study and conference room. In one corner was his bed, in the other a big shelf piled with blue books, pamphlets and labour literature, in the third a small table full of papers, while in the centre was a stout easy chair for him to recline on and discuss. Every evening he spent an hour at the Social Service League and at the Chowpatty Band Stand. The familiar figure in a long coat, *dhotee* and round brown cap will be missed.

Nanasaheb was an ideal family man; but his integrity did not allow his close relatives to get cushy jobs. His eldest son secured a labour officer's job in the Defence Department, but not without some embarrassment to his father. His other son managed to have an ordinary job in a private firm.

He treated his opponents with fairness and consideration. Though he received rough treatment from the Communists during the 'thirties, his relations with Communist trade unionists remained cordial throughout. He had high regard for leaders like Hariharnath Shastri, who belonged to the other camp.

His mature advice and guidance may not be there now. We may, however, take some inspiration from his noble life and try to achieve some of the goals for which he fought—trade union unity, social security and economic equality.

S D P

N M Joshi

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Uncertain Trend

DULL conditions continue to prevail on stock markets. Investors remain apathetic. Even speculators seem to lack courage either to push up, or hammer down, prices. There has been a considerable decline in the volume of business. In the circumstances, it is not surprising that equities are gradually sagging. Even at the current low prices, there is not much of even replacement buying. On the contrary, whenever equities tend to move up, holders enter the market as sellers.

It is evident that stock markets are disturbed about the developing events on the economic front. Financial implications of the framework of the second Plan are having an adverse effects on stock markets. Irrespective of the scope for expansion in the private sector, it is now being argued that the tentative financial estimates of the second Plan suggest that the private sector may find it difficult to secure the finances for undertaking expansion projects.

Nationalisation Fears

Recently, the Finance Minister indicated that the second Plan would involve additional taxation of Rs 100 crores per year. It is now being argued in market circles that, if such substantial amounts are to be withdrawn annually through increased taxation for expenditure in the public sector, there will not be enough resources left for exploitation by the private sector. Stock markets seem to have jumped to the hasty conclusion that indications are that the organised sector of industry will not have much scope for expansion in the second Plan.

More than the financial implications of the tentative estimates of the second Plan, stock markets are disturbed over inspired reports that ambitious nationalisation plans are under contemplation of the Government. According to recent reports emanating from New Delhi, the Government is considering plans for nationalisation of banks, insurance companies, coal, steel and heavy chemical industries and the trade in jute goods. A prominent firm of brokers here recently expressed the opinion that the existing iron and steel industries would be nationalised after the completion of their expansion projects.

Weakness in Indian Iron is

mainly due to these reports. Other factors are aggravating the downward trend in Indian Iron. As investors will not reap any benefit out of the higher retention prices in the shape of enlarged dividend disbursements, they feel no inclination to lend support to iron and steel shares. Besides, there is the possibility that, due to the expansion projects under execution, this year's iron and steel output may be lower than that of last year.

Lower Steel Output

Investors are, therefore, concerned that, with a lower steel output, the existing iron and steel companies may not even be able to maintain dividend disbursements. No such possibility is widely apprehended, though it is now taken for granted that there is no possibility of any increase in dividend disbursements in the near future. Even so, it may be of interest to note that both TISCO and IISCO are reported to have plans for raising capital through issues of ordinary shares to the existing shareholders. If these reports are true, the downward trend in Iron and Steel shares may be halted.

Cornering in Shares

Though not falling, Tea shares have developed an irregular trend. Both investors and the trade are anxiously awaiting the results of the first export auctions to be held next Monday. Meanwhile, the Government's decision to lower the tea export duty has had a sustaining effect on Tea shares in the last few days. New Delhi has been wise in announcing the cut in the tea export duty prior to the first tea export auctions of the season. This decision is being favourably interpreted in market circles as indicative of the Government's anxiety to maintain tea exports.

Incidentally, an interesting feature in this week's price fluctuations in Tea shares may be noted. Though buying of Tea shares in anticipation of dividend payments has not yet started, there has been a partial revival of interested buying of some selected Tea shares. There is some evidence that cornerers have re-entered the market. If that be so, some speculators are arguing, the prospects of Tea shares

cannot be as gloomy as gloomy prophecies would seem to indicate.

Jute Shares Steady

Jute shares remain inactive. But both raw jute and jute goods continue to fall. There has been a considerable decline in the prices of raw jute and jute goods in the last few weeks. Even so, the price trend remains downward. Mills do not seem interested in buying raw jute even at the current low prices. Nor do foreign buyers seem interested in purchasing Indian jute goods, though the fall in jute goods prices has been heavy in recent days.

Both raw jute and jute goods are being confidently "talked down". It is now evident that the new crop would be heavy. Lower raw jute prices should lead gradually to lower prices for jute goods. Cheaper jute goods may stimulate exports. These are developments which are being anxiously watched by market operators. Jute shares still remain featureless. But the downward trend seems to have been halted. In recent days, there has been occasional buying support for some selected Jute shares.

Irregular Trend

One of the disappointing features of the behaviour of the Calcutta Stock Exchange this week has been the irregular trend in Miscellaneous and Engineering shares. This is a possible disturbing development, but its significance should not be over-emphasised. It is only natural that BIC and Indian Copper should tend to attract occasional liquidation after the recent spurt in these shares. Nor is it unnatural that the irregularly lower trend in equities in general would occasionally have psychological repercussions on these groups.

That apart, there is nothing yet to suggest that investors have revised their views on the prospects for Miscellaneous and Engineering shares. There is growing doubt about the future scope of expansion of heavy industries in the private sector. But investors are inclined to the view that, as the second Plan involves rapid expansion of heavy industries, the future of secondary engineering industries would seem to be moderately "bullish".

Larsen and Toubro

THE impressive and steady performance which has marked the progress of Larsen and Toubro for the last ten years is fully maintained in the accounts for the year ended March 31, 1955. There has been an all round improvement in the working of the company as compared to the previous year. Total sales amounted to the record figure of Rs 314 lakhs showing an increase of Rs 62 lakhs over the previous year. Trading profits are higher at Rs 44 lakhs as against Rs 39 lakhs in the earlier year; the net profits before and after providing for taxation remained more or less steady at Rs 12 and Rs 7 lakhs respectively. Dividend of 10 per cent on ordinary shares is proposed to be maintained for the sixth consecutive year.

Important orders were received for paper making machinery, blast furnace plant, dairy and electrical plant; substantial increases were also recorded in the sale of caterpillar earthmoving machinery and tube well drilling equipment. The firm has obtained a contract for drilling tube wells in North Gujarat from

the Government of Bombay. A large number of orders are on the books of the company to be executed during the current year. The company needs a new factory building without which it cannot cope with the evergrowing demands from customers; it is also needed in order to enable the company to expand its manufacturing activities. The outlook for the year appears to be very bright with a sizeable stock of machines and spare parts and an unprecedentedly large number of orders under execution.

A steady progress has been registered in the volume of sales and manufacturing activity of the offices of the company in Madras, Bangalore, Cochin, Calcutta and New Delhi. Two of the companies for which Larsen and Toubro hold managing agencies, viz, Engineering Construction Corporation Ltd and Alu Capsules Ltd, suffered a drop in turnover during the year while two others, viz, the India Crown Cork Company Limited and Viking Transport Limited maintained an upward trend in sales.

It is to the credit of the company that within a short span of time, it has not only come to occupy an enviable position, but is able to embark successfully upon new manufacturing activities.

Bharat Line

THE Bharat Line maintains steady progress though for the year ending Dec 31, 1954, there was a slight decline in gross profits. During the year under review, the company earned Rs 2.60 lakhs by way of freight and charter hire of ships and a gross profit amounting to Rs 35.2 lakhs as against Rs 2.20 lakhs and Rs 39.6 lakhs respectively in 1954. Delays at loading and discharging ports and high maintenance costs and an all-round reduction in freight rates probably explain the fall in gross profits, despite a sizeable rise in the total earnings of the company.

The company appears to have obtained a fair volume of business on the Persian Gulf—India/Burma Trade line, which it entered recently. It has also been making steady progress with its schemes of expansion, and during the year under review, three cargo ships were added to the company's fleet. One of the company's ships was transferred from the UK Registry, to the Indian Registry during the year. Depreciation set aside during the year amounted

to Rs 29.3 lakhs on ships and Rs 75.115 on other assets of the company. Depreciation Account at the end of 1954 stood at Rs 1.80 lakhs, constituting 40 per cent of the fixed capital, after adjustment for the loss of one of the company's ships. The fleet replacement fund amounted to Rs 16.7 lakhs at the end of 1954. Despite a drop in gross profits, maintenance of dividend at 5 per cent has been recommended by the directors.

The company has two subsidiaries at Bombay and at Calcutta primarily for the servicing of its ships. Of these, the one at Bombay which runs a workshop, incurred a loss of Rs 30,000 during the year and the outstanding loss carried over now stands at Rs. 2.9 lakhs. The subsidiary at Calcutta registered under the name "The Ships Repairers Ltd" will soon have its workshop ready. Construction work on it is proceeding satisfactorily.

THE CENTRAL BANK OF INDIA LIMITED

(Established December, 1911)

Head Office: Mahatma Gandhi Road, Fort, Bombay 1.

	Rs.
Authorised Capital	6,30,00,000
Issued Capital	5,77,50,000
Subscribed Capital	5,76,66,125
Paid-up Capital	3,14,54,250
Reserve Fund and other Reserves	4,00,55,696
Deposits as at 31-12-54	1,24,21,26,680

Directors:

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

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H. C. Captain, Managing Director.



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CURRENT STATISTICS

BANKING RETURNS
(Rs Crores)

	Latest Week†	A Week ago	A Month ago	A Year ago
Reserve Bank				
1. Note circulation	1316.09	1322.41	1310.77	1217.19
2. Rupee Coin	104.41	104.16	106.24	98.08
3. Deposits				
a) Central Government's	54.63	55.23	51.02	86.77
b) Banks'	49.46	50.87	48.66	40.05
c) Other Governments'	14.16	14.99	35.00	28.31
d) Others'	21.77	22.11	22.80	45.06
4. Foreign Securities	661.97	661.98	661.98	678.15
5. Balances held abroad	48.45	53.58	53.19	74.05
6. Rupee Securities	533.71	533.71	533.75	421.34
7. Investments	41.78	41.28	41.57	66.70
8. Loans and advances to Governments	0.8	0.8	0.89	0.75

Scheduled Banks

	Latest Week†	A Week ago	A Month ago	A Year ago
1. Demand liabilities (net)	578.56	573.82	581.93	533.32
2. Time Liabilities	387.63	385.89	382.14	328.95
3. Cash on hand	34.32	34.83	34.55	33.04
4. Borrowings from Reserve Bank	31.96	35.80	26.49	45.65
of which against Usance Bills	30.05	33.43	24.76	25.37
5. Advances and Bills discounted	588.66	588.69	585.40	558.82
of which Imperial Bank's	122.31	126.25	125.05	126.07
6. Investments of which Imperial Bank's	344.29	344.28	342.69	324.28
of which Imperial Bank's	90.85	90.94	92.45	82.59

Cheque Clearance 111.59 127.46 128.35 124.11

† For Reserve Bank and Cheque Clearance week ended 27-5-55. Scheduled Banks week ended 20-5-55.

Bombay Money Rates 27-5-55 20-5-55 29-4-55 28-5-54

Inter-Bank Call Rate	2 7/8	2 7/8	2 7/8	2 7/8
3 months deposits	3	3	3 1/16	2 7/8
6 months deposits	2 7/8	2 7/8	3 1/16	2 7/8

Bombay Bullion

	2-6-55	A Week Ago	A Month Ago	A Year Ago
Gold Spot (per fine tola)	93-9	94-4	95-11	86-15
" Forward " "	92-1	91-12	95-11	85-10
Silver Spot (per 100 tolas)	160-13	165-9	166-12	159-9
" Forward " "	161-3	160-1	162-12	159-13

COTTON STATISTICS

MILL CONSUMPTION

(in '000 bales of 400 lbs each)

Description:	Feb '55	Jan '55	Dec '54	Nov '54	Oct '54	Sept 1954 to Jan 1955
Indian	322.5	348.7	363.4	349.0	311.3	1700.4
Foreign	50.0	57.3	59.5	62.1	55.0	294.7
of which						
American*	13.4	14.8	14.8	27.3	19.2	86.4
Egyptian	15.1	17.8	19.2	19.4	16.9	92.7
E African	18.3	20.5	22.4	19.0	16.5	96.3
Sudan†	3.1	2.6	3.0	2.3	2.0	12.5
Pakistan	0.1	0.1	—	2.8	0.1	3.7

TOTAL 422.5 406.0 422.9 411.1 421.0 1995.1

Consumption in corresponding periods

a year ago:

Indian	311.3	348.1	347.4	305.6	326.6	1638.4
Foreign	56.3	55.6	55.0	50.1	61.2	284.7

TOTAL 367.6 403.7 402.4 355.7 387.8 1923.1

* Includes both United States and Peruvian cotton.

† Includes both Sudan Egyptian and Sudan American cotton.

MILL STOCKS OF COTTON

(in '000 bales of 400 lbs each)

	Feb	Jan	Dec	Nov	Oct
Indian:					
1954-55	1161.1	1043.9	942.3	850.2	861.1
1953-54	1032.1	907.3	778.8	701.2	733.8
Foreign:					
1954-55	135.3	135.7	152.3	161.7	173.9
1953-54	146.0	157.3	173.5	195.1	228.9

Source: East India Cotton Association

COTTON IMPORTS

(in '000 bales of 392 lbs each)

Source:	Feb '55	Jan '54	Dec '54	Nov '54	Sept '54 to Feb '55
USA	19	19	6	4	65
East Africa*	12	9	11	15	84
Egypt and Sudan	34	12	19	14	97
Other countries	1	2	2	—	5
Total	66	42	38	33	251

Total imports in corresponding months of the previous year

* Includes Kenya, Tanganyika and Uganda.

Source: Indian Trade Journal

COTTON EXPORTS

(in bales)

Exports from 1st Sept to 28th May

Destination:	1954-55	1953-54	1952-53
United Kingdom	25,979	12,961	13,576
Continent	42,057	22,959	90,921
China			
Hongkong	3,679	251	318
Japan	77,320	60,221	137,522
USA	16,248	12,455	34,186
Other Foreign countries	1,621	1,552	5,286
Total all Foreign countries	166,904	110,399	281,809
Coast Ports	114,856	128,945	109,340
Total	281,760	239,344	391,149

Source: East India Cotton Association

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-group	Week ended 14-5-55	A Week Ago	A Month Ago	A Year Ago
I. Food Articles	276.5	272.4	282.4	370.3
Cereals	316	309	325	414
Pulses	222	212	216	364
Others	230	230	235	305
II. Industrial Raw Materials	393.9	395.9	396.9	462.2
Fibres	419	421	436	450
Oilseeds	343	341	317	518
Minerals	412	418	421	424
Others	420	441	467	393
III. Semi-Manufactures	328.3	328.2	327.7	362.4
Leather	402	395	393	374
Mineral Oils	221	221	221	221
Vegetable Oils	342	335	326	498
Cotton Yarn	427	430*	433	462
Metals	244	244	245	240
Oilcakes	273	278	282	436
Others	328	328	328	304
IV. Manufactures	377.5	376.9	377.0†	380.0
Textiles	420	419	420†	425
Jute	435	428	450	424
Cotton	411*	411*	411*†	419*
Rayon & Silk	510*	510*	484*	520*
Woollen	310	310	310	313
Metal Products	344	344	340	340
Others	287	287	287	289
V. Miscellaneous	542.9	530.0	539.8	690.4
All Commodities	342.2	340.7	344.5†	396.8

* Estimated † Revised

FINAL CROP FORECAST FOR ALL PAKISTAN

(Figures in thousands)

	Area (acres)	Percentage change over the previous year	Current Forecast	Percentage change over the previous year
Cereals—				
Rice	24,533	+ 6.6	9,151	+ 12.3
Jowar	1,504	+ 20.3	280	+ 34.6
Bajra	2,585	+ 16.1	455	+ 68.5
Maize	1,067	+ 10.0	437	+ 16.5
Wheat	10,651	+ 12.0	3,683	+ 51.1
Barley	613	+ 17.7	156	+ 39.3
Pulses—				
Gram	2,767	+ 24.0	645	+ 74.3
Sugarcane	982	+ 10.6	1,239	+ 15.3
Tobacco	181	+ 1.7	—	—
Oilseeds—				
Sesamum	216	+ 4.9	36	—
Rape & Mustard	1,631	+ 5.6	272	+ 19.3
Linseed	74	+ 4.2	12	—

SECOND ESTIMATE OF TOBACCO

	1954-55*	1953-54	% change
Area ('000 acres)	838	818	+2.4

* Relates to the period end of February 1955

FINAL ESTIMATE OF BAJRA

	1954-55	1953-54	% change
Area ('000 acres)	27,350	30,094	— 9.1
Production ('000 tons)	3,555	4,459	—20.2

Source: Ministry of Food & Agriculture

COAL PRODUCTION AND DISTRIBUTION

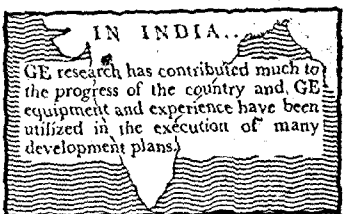
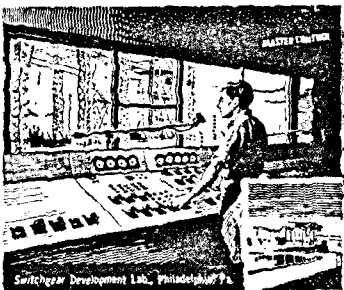
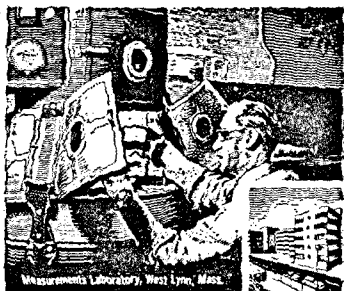
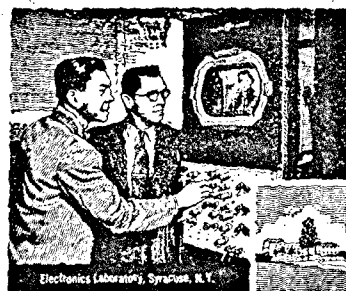
(Monthly averages or calendar months)

(in '000 tons)

DESPATCHES

	Raisings	Total	Indian bunkers & exports	Railways	Electric supply companies	Iron & steel works	Cement	Cotton mills	Jute mills	Engineering	Paper mills	Chemical industries	Brick burning	Stock at pit-heads
1948	2,485	2,155	146	796	160	239	56	156	53	19	34	12	57	2,262
1949	2,621	2,339	127	841	174	279	62	150	48	23	36	12	102	1,427
1950	2,666	2,235	140	825	187	302	77	139	48	30	38	16	143	2,008
1951	2,859	2,626	213	865	195	320	100	134	41	28	40	14	112	2,646
1952	3,019	2,625	221	940	207	298	109	144	45	25	45	17	88	3,020
1953	2,987	2,563	148	956	232	290	121	146	43	29	44	19	134	3,411
1954	3,064	2,662	146	941	223	314	121	147	40	22	44	21	152	3,501
1954:														
Jan.	2,903	2,424	132	911	214	310	126	158	42	21	32	22	23	3,474
Feb.	3,056	2,444	120	827	168	304	96	124	39	18	31	19	68	3,902
Mar.	3,071	2,594	131	927	204	300	115	145	29	16	38	18	181	4,003
April	3,037	2,599	137	963	191	309	116	150	30	21	46	15	199	4,051
May	2,977	2,621	148	948	237	297	111	150	43	20	45	17	196	4,093
June	2,885	2,576	181	902	222	302	116	148	29	17	44	17	117	3,950
July	2,966	2,810	171	985	247	331	129	162	47	22	46	23	144	3,693
Aug.	2,958	2,926	163	1,050	254	336	133	150	46	24	57	25	179	3,380
Sept.	3,171	2,887	136	997	248	324	143	147	49	28	37	26	138	3,210
Oct.	2,921	2,787	140	944	238	306	132	134	44	26	56	24	223	2,914
Nov.	3,323	2,728	116	941	227	321	119	144	43	28	50	22	150	3,161
Dec.	3,503	2,747	174	896	230	328	120	149	38	28	48	19	196	3,468
1955:														
Jan.	3,155	2,672	80	967	226	329	129	137	37	27	49	24	118	3,482
Feb.	3,251	2,502	—	—	—	—	—	—	—	—	—	—	—	3,783
Mar.	3,304	2,764	—	—	—	—	—	—	—	—	—	—	—	3,945

Source: (i) Monthly Abstract of Statistics.
(ii) Chief Inspector of Mines.



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The Economic Weekly

A Journal of Current Economic and Political Affairs

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July 2, 1955

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Eight annas

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Mobilising Savings and Insurance

THE postman versus the milkman argument for socialism has never been put forward in support of nationalisation of insurance, at least never very seriously. Hence the telling figures put out by Shri A. D. Shroff of the comparative performance of postal insurance and insurance business in the private sector, to refute the case for nationalisation, did not really tell so very much. More impressive, however, was his presentation of the magnitude of the problem of insurance, of mobilising the savings of the community. If life insurance in force is to amount to a sizeable percentage of the national income here too, as in the UK or the USA—no reason is given why it should, but that is a different matter—insurance will have to collect some 8000 crores in the next 10 years and this will call for an army of 5 lakhs of agents, field workers, inspectors and so on, all trained for the job and working in disciplined, stream lined organisations. No Government agency that we can now think of could possibly rival the right type of insurance agents who have come up the hard way through a process of natural selection. So, when it is merely a question of the better agency for the job, no Government department will stand a chance, if the choice is on merits.

The case for nationalisation, however, has usually been advanced on an entirely different ground, namely, that of the supposed undesirable alliance between insurance and big business on the one hand and that of banking on the other. A more effective answer, therefore, to this sort of argument will be to establish that there is, in fact, no such unholy alliance in this country, whatever may be the case elsewhere, and that concentration of financial power through insurance companies will not jeopardize whatever programme of development people may have, that, on the contrary, the resources collected through insurance do, as a matter of fact, flow into the most desirable of productive channels and that planned development could be helped much better by insurance companies than by any alternative agency that could be thought of.

That insurance companies mobilise the savings of the community and invest the bulk of their resources in Government and other approved securities and that the pattern of investment of the balance of their funds also conforms to the investment priority laid down for planned development will any day be the stronger argument against nationalisation, if the business is carried on in a manner such that no cause is given for any suspicion such as that of extravagant expenditure or of playing with insurance funds for purposes other than those which are socially desirable.

There is, however, another point. The nationalisation of banking and insurance has been a common demand of all socialist parties, partly in order to break the hold of financial concentration on economic life which these parties do not like, but partly also, the demand arises from the naive belief that once financial control is acquired by the State in this manner, the problem of finding resources for development would be easier. Whether the socialistic pattern of society envisaged in the Avadi resolution implies extension not only of control but also of ownership to financial institutions has been a debatable point. The immediate pro-

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vocation for Shri A. D. Shroff's attack on nationalisation could not be the nationalisation of the Imperial Bank of which he was no great lover in his younger, fighting days. Probably it lies in the following paragraph in Prof. Mahalanobis's Draft Plan:

"The public sector must be expanded rapidly and relatively faster than the private sector for steady advance to a socialist pattern of economy. In order to make available large capital resources for investment and national development and to facilitate the implementation of the Plan, Government will be prepared to enter into such activities as banking, insurance, foreign trade or internal trade in selected commodities."

It cannot be interpreted as a doctrinaire argument for nationalisation for the sake of nationalisation; on the contrary, the language of the paragraph suggests extension of the public sector to the field of banking and insurance as also to that of trade, to supplement rather than to supplant existing institutions. For the present, the question, therefore, need only be treated on merits. And on merits, perhaps State undertakings in some lines of general business would have a fair case.

Writing in these columns a few years ago on the subject of nationalisation of insurance, a contributor had observed: "The question of nationalisation would not have loomed so large, nor would it have cropped up so soon after the achievement of independence, had the business not been invaded by a number of persons who had nothing but selfish interests as their aim. A few such black sheep have spoilt the good name of Indian insurance in such a way and have done such damage to its reputation that the insurance business has lost the confidence of the public as well as that of the Government". This was in the context of the bill then in Parliament, to amend further the Insurance Act, the purpose of which was to extend control on this line of business.

In support of his contention, the contributor strung together some authoritative opinions. One was that of Shri L. S. Valdyanathan, on the "race for the acquisition of the shares of one company with the life funds of another with a view to gaining control." Another was from Sir Purshottamdas Thakurdas: "There is a tendency on the part of Insurance Companies in general to

make illicit gains from insurance business. Can we overlook the cut-throat competition of acquiring business? ... Still worse is the dishonest practice of dressing up of accounts." The third was from Shri A. D. Shroff: "Have we been fair in our dealings with the public and have we tried honestly to reduce the cost of insurance to the public?"

These were the views of men who could speak with authority on the subject. Things have changed quite a lot since then, and as Shri A. D. Shroff's own company has shown, so successfully and so much to its own profit, the cost of insurance could be and has been reduced without the blessings, so to say, of the controlling authorities! It is no longer on this sort of issue alone that the future of insurance is being judged.

With the prospective changes in the structure of incomes and distribution of savings, the mechanism of mobilising savings will also have to be changed. But when the insurance companies are doing their part so well and bringing so much grist to the mill, why hurry? The situation, of course, would be altered and the issue precipitated if, what could be interpreted as forestalling action on the part of the insurance companies lent added strength to the case for nationalisation. This, it is good to find, Shri A. D. Shroff, is determined to resist. Opposing the shareholders' demand for a bonus issue at the annual general meeting of New India Assurance Co. Ltd., he said that the company was not inclined to do so at the cost of the sound policy of building up the necessary reserves, which were ulti-

mately in the interests of the shareholders, merely because of fears of the proposed nationalisation. He pointed out that he would rather leave as legacy a soundly managed industry than frittering away its present strength, even if it was decided ultimately by the Government to nationalise it. In thus presenting his case, Shri A. D. Shroff has also put a challenge to the Government. Vested interests are not supposed to surrender voluntarily, that is the text book case; the type of social transformation we have undertaken commits the Government to devising means of resolving conflict of interests that are different from the text book variety, but that conflict exists has to be established first. It is not yet proven.

But is the difference really so very sharp and clear cut? Think again of the army of agents and field workers "working in disciplined, streamlined organisations". Change the plural into singular, but the picture will not change perceptibly and will not be very different from the usual one, so often conjured up, of flags fluttering and an army on the march to mobilise savings, whenever one hears about organising the enthusiasm of the people. True, selling cover is a tailored job and cannot be made into a slot machine affair, but this is true only of the discriminating clientele who want technical service calling for much skill; but that clientele should be thinning out as the pattern of society goes progressively 'socialistic'. That way, some day, there would be little to choose between the two but that day is not yet.

Four - Power Talks

AMERICA'S Secretary of State has the unenviable distinction of being in the minority of one in his emphatic denial that there has been any change for the better in the international situation. America's NATO allies do not share Mr. Dulles's pessimism. Russia has made repeated gestures in recent weeks to indicate her eagerness to reach an understanding with the Western Powers. Her overtures to Yugoslavia have encouraged hopes in the Western European Communist States that they may have opportunities to pursue policies without undue interference or control from Moscow. Asian statesmen have welcomed the gradual easing of world tension. Russia's recent

contributions to creating a climate of peace have been widely appreciated. She has concluded a treaty with Austria. She has invited the West German Chancellor for talks in Moscow. She has assured Tito of non-interference in Yugoslavia's internal social and political affairs. She has committed herself to basing her relations with the world on Panch Shila. M. Molotov has proposed a seven-point peace plan which has been favourably received by America's allies.

Even as Washington's reaction to Mr. Chou En-lai's Bandung offer was unhelpful, Mr. Dulles's response to Mr. Molotov's seven-point peace plan was unduly aggressive. Mr.

Dulles is suspicious of the designs of international Communism. There is need for caution. But Mr. Dulles reveals the ultimate design of America's foreign policy in mistaking suspicion for caution. If Mr. Dulles is suspicious of Cominform, Moscow is equally suspicious of the American bases in foreign countries. If Mr. Dulles is suspicious of the designs of international Communism, Moscow is equally suspicious of Dulles's foreign policy of "liberation". Activities of the Cominform may not be above suspicion. But many thinking persons are equally convinced that the creation and fortification of American bases in foreign countries are menaces to world peace. It is inevitable that any Russian peace plan, as the latest Molotov proposal envisages, will insist on dismantling of American bases in foreign countries. Few will deny that the mutual security pact between America and the Chiang regime in Formosa is an obstacle to peace in the Far East. Even those who do not accept neutralisation of Germany as the best possible solution admit that withdrawal of troops by all the four Powers is an essential pre-requisite to a solution of the German problem. Many thinking persons will concede that military pacts like NATO and SEATO can only provoke the Communist States to create parallel military organisations.

To these arguments, Mr. Dulles will probably retort that it is Americas', as well as her allies' policy to negotiate from positions of strength. Aggression must be resisted. Even as the Western Powers are entitled to build positions of strength to deter Communist aggression as well as to compel the Communist States to maintain peace, Russia and the Communist States have an equal right to pursue a similar policy for those two identical purposes. This has been the strategy of the "cold war". Experience has taught that peace cannot be ensured through a policy of building positions of strength. If the "cold war" is to be resolved, both the rival power blocs must abandon the race for armaments. On this basic issue, Russia has made progressive amends since her original refusal of the Western Powers' proposal for world disarmament. Sometime ago, Russia relented on her original insistence that any plan for disarmament must be preceded by international control and inspection of atomic weapons. In proposing the

seven-point peace plan to the United Nations, M. Molotov has indicated Russia's willingness to accept the Western Powers' proposal for reduction and international control and inspection of conventional armaments. This fundamental aspect of the world problem, it is not without significance, was also stressed in the Nehru-Bulganin communique.

An agreed plan for phased disarmament is a preliminary condition to world peace. Russia's willingness to accept the Western Powers' disarmament plan, as reflected in M. Molotov's seven-point peace proposal before the United Nations, indicates that Mr. Dulles's fears and suspicions about the militant aspect of international Communism have no longer any basis. Ideological implications of Communism persist. Such associations are inevitable and are implicit in peaceful co-existence. Mr. Dulles has no right to insist that Russia or China should abandon Communism, even as Russia has no right to demand that America should jettison Democracy. Peaceful co-existence involves competition in peace between Democracy and Communism. Only those who lack faith in Democracy can be concerned or perturbed over any such peaceful competition among different ideologies. Developments since the "cold war" lend weight to the suspicion that, unlike India and the small, newly-independent Asian and African Powers, America and the older democracies are apprehensive of any possible ideological competition in peace. India is in favour of peaceful co-existence as a means to world peace in her conviction that, in a peaceful world, she, a democracy, can achieve as much progress and plenty as any Communist country. Mr. Dulles's aggressive retort to M. Molotov's peace plan deepens the suspicion that the American Secretary of State lacks the Indian Prime Minister's robust faith in Democracy.

From Mr. Dulles's reply to the Molotov peace proposal, it is clear that the American Secretary of State has strong mental reservations against verbal Russian commitments to maintain peace. Such an attitude loses much of its relevance with repeated Russian gestures towards disarmament. Besides Russia's willingness to accept a plan for world disarmament, Mr. Dulles has now the assurance that Russia accepts Panch Shila as the basis of relations between nations. At

Belgrade recently, Russia assured Yugoslavia that the development of different forms of social ideologies in the various countries were internal affairs of those countries. In the Nehru-Bulganin communique, Russia pledges herself to non-interference in the internal affairs of any country "for any reasons either of an economic, political and ideological character". Though Cominform has not yet been liquidated, Russia has recently offered repeated assurances that she will not pursue or encourage subversive ideological activities in other countries.

These are welcome indications that Russia is prepared to make concessions in order to come to an understanding with the Western Powers. Her recent gestures have had a good response among America's NATO partners. Britain and France have repeatedly expressed hopes that the forthcoming four-Power talks would hasten world peace. There are many world issues in dispute. It is evident that Russia will have to make concession to reach an agreed solution of the German problem, even as America will have to relent on the Formosa issue to ease the tension in the Far East. But the settlement of the issues in dispute depends mainly on the rival power blocs' acceptance of the principle of peaceful co-existence. Mr. Dulles's latest statement that there has been no basic change in the international outlook raises the question whether America is prepared to accept peaceful co-existence. In his reply to M. Molotov's seven-point peace plan, Mr. Dulles creates the impression that he does not expect anything substantial out of the four-power talks. America's allies owe a heavy responsibility to the world to convince her that the alternative to peaceful co-existence is world destruction through an atomic war.

Now Out

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Weekly Notes

The State Bank Takes Over

THE State Bank of India has been launched quietly and surprisingly, without the fanfare which is usual on such occasions. Though launched quietly, its stewardship is in the firm hands of Dr. John Matthai. The State Bank is to do so many things—it has to reverse the course of history by reversing the flow of resources, from urban to rural areas, meet the needs of agricultural credit to the full, and at the same time carry on extensive commercial banking, the responsibility for which it has inherited and assumed. Then, in due course, it will have to extend credit to small scale and rural industry also and bring about decentralisation of economic power which is demanded by Congress ideology and which has been accepted as a definite policy by the Avadi resolution. Banking nowhere breeds so much inequality as it does in this country; to put all the blame on the British model, which Indian banking is supposed to follow, is not quite fair if one thinks of the earlier traditions of British banking. How many people in this country are entitled to an overdraft? If decentralisation is to be effected by making bank credit easily accessible to all the latent enterprise that is here, the magnitude of the problem will stagger imagination. The State Bank has to do all these and more.

Those who know something of the caste system in our administrative hierarchy and of the prestige that attaches to particular jobs and posts, should pay a humble tribute to the steward who has undertaken to shoulder all these responsibilities. Dr. Matthai has gone through the entire gamut of this hierarchy and gone up to the top. The sense of public duty he has displayed by accepting this position which, neither in emoluments nor in status, is in keeping with the positions he had held and continues to hold, should not go unnoticed. He would not have undertaken all these, had he not been in tune with the spirit of the times and been moved with a high sense of duty.

Goa is Now Indian Territory

WHY did the Portuguese administrators have to do such a mad thing? Goa is Indian soil. It will be Indian territory. No power on earth can blot out facts, facts of

geography and of history. Who can resist nature and man? The outcome of the Goa struggle was not in question at any time; it is the fate of the poor devils who have invited disaster on themselves that gives cause for grave concern.

The sacrifice of Amirchand will not be in vain. But why had the Goa brass hats to condemn themselves to perdition by drawing the blood of the martyr? For India now to step in and take over will be an act of mercy to save those unfortunate, benighted and pitiable wretches who know not what they do. The thought that medieval minds are not capable of living in modern times and tackling the problems of modern times is poor consolation. One has to do something about it and find a home for the mentally afflicted, even if one may not find a ready cure for minds diseased.

Liberalisation: Exports and Imports

SELECTIVE liberalisation remains the key note of import policy to which has been added the new feature of channelling the import of certain essential raw materials through Government approved agencies in order to enable end users to benefit from it. A surprisingly large part of our import now consists not of capital goods but of raw materials of industry, the imports of which rose from Rs. 288 crores in 1953 to Rs. 329 crores in 1954 and is likely to reach Rs. 340 crores during the current year. This compares with imports of plant and machinery of Rs. 80 crores in 1953 and of Rs. 76 crores in 1954. Essential consumer goods come in between, their imports being Rs. 188 crores in 1953 and Rs. 159 crores in 1954. The latter perhaps includes food items and so these figures should not lead to the conclusion that there is wasteful or extravagant consumption of foreign exchange.

The liberalisation of exports announced during the week, however, arises more from changing conditions in international markets than from any perceptible change in policy. As usual, the Government has been tardy in adjusting export duties to changed market conditions abroad, but sooner or later it has to yield. In the case of short staple cotton, the export duty has been reduced

from Rs. 300 to Rs. 250 and the export quota has been raised from 1 to 1½ lakh bales. Trade estimates of exportable surplus being 2 lakh bales, perhaps further extension of quota might be in the offing, if demand responds to the cut in export duty.

Faced with similar resistance in foreign markets for Indian coffee and non-absorption of allotted quota, the Commerce Ministry has removed the export duty altogether.

The coffee crop this year will be much smaller, but unless domestic consumption suddenly shoots up, there will still be a problem of disposal of surplus stock. With the carry over of 3,000 to 4,000 tons, and the estimated production of 24,000 tons this year, export market has to be found for about 5,000 tons. As the bulk of the coffee crop would have been gathered by the end of May 1955, the announcement has come none too soon. There is no immediate prospect of prices shooting up as a result of this announcement for Government retains quota restrictions both for internal releases as well as for exports and T T K can be relied upon to wield the big stick, whenever coffee prices misbehave. A fuller examination of the situation should, however, await the findings of the Plantation Inquiry Commission which is fully aware of the problem.

Draft Plan-Frame

A Correction

In the Draft Plan-frame Number, issue of June 18, 1955 the full text of Professor Mahalanobis's 'Draft Recommendations for The Formulation of The Second Five Year Plan 1956-1961' was reproduced from the printed copy of the text released by the Press Information Bureau, Government of India. In Table VI in the Draft Recommendations, there is a mistake in the figure of percentage increase. This was reproduced faithfully on page 720 in June 18 issue of this paper. The estimated volume of employment in 1960-61 in agriculture and allied pursuits is shown in this table as 41. The correct figure is 1.4.

The same correction should be effected in the table which is also reproduced on page 735 along with the article 'Employment in the Draft Plan'.

Trend and Progress

IN contrast to 1953 which was a quiet year, 1954 proved to be a very active year for the Indian scheduled banks. Over the year, between January and December, their advances increased by Rs. 79 crores. It was only in 1951 that advances recorded such a rise (Rs. 88 crores.) but the achievement is more spectacular in view of the fall in prices that occurred in 1954. The rise in advances in 1951 could be largely explained by the rise in prices in that year.

Between January 1 and May 14, advances rose by Rs. 117 crores. From the busy season high—the highest level ever recorded by Scheduled banks—figure of Rs. 592 crores on May 14, advances declined to the slack season low of Rs. 535 crores by October 15. Despite the decline of Rs. 57 crores, advances were still on the high level for a slack season. By the end of the year, the lost ground was recovered by Rs. 19 crores and advances stood at Rs. 554 crores.

Financing of this enormous increase in advances, however, does not appear to have given the bank managers as severe a headache as in previous years, thanks to the Bill Market Scheme of the Reserve Bank. Between January 1 and May 14, scheduled banks' total borrowings from the Reserve Bank increased by Rs. 51 crores. With the rise of Rs. 15 crores in deposits, banks' total resources increased by Rs. 66 crores. After drawing down their cash and balance with the Reserve Bank by Rs. 7 crores, and their investments in Government Securities by Rs. 5 crores, scheduled banks' liabilities increased by Rs. 105 crores between January 1 and May 14, while their assets showed a rise only of Rs. 66 crores. How is this disparity in the movement of assets and liabilities to be explained, is the puzzle presented to the readers in the **Trend and Progress of Banking in India during 1954**, in the Statement III, to the solution of which a perusal of the report provides no clue. How did scheduled banks bridge the gap of Rs. 39 crores between their assets and liabilities?

The table on the next page brings out the gap between assets and liabilities. This is a continuing situation, though the gap fluctuates erratically, as will be seen from the variations noted, from the previous period. Obviously changes in capital and reserve which are rarely appreciable in short

periods cannot explain either the size of this gap or variations in the gap. Exchange Banks' tapping of resources outside the banking system, like short term capital in-flow from abroad, may throw some light. There must be other factors also at work. But what they are, the Department of Banking Research is not willing to disclose. There is no indication in the explanatory note for the guidance of the layman who may stumble on the statistics in the **Trend and Progress of Banking**. This particular report is in pursuance of Section 36(2) of the Banking Companies Act, 1949 under which the Reserve Bank collects data from the scheduled banks in a particular form. The data, required for a specific purpose, are supplied in a form, under the direction of the Reserve Bank, which does not apparently enable a balance to be struck between assets and liabilities. There is nothing, however, in the Act to prevent the Reserve Bank from straightening out the figures and presenting them in an intelligible form a pre-condition of which is that assets and liabilities should balance. Or is this too big a demand to make on the Department of Banking Research?

Cost of Deposit

A NOTABLE feature of banking in 1954 was the trend of deposits. During the busy season, 'net liabilities' (total deposits plus payable suspense accounts etc.) increased by Rs. 15 crores while during the slack season, they increased by Rs. 46 crores, rising further by Rs. 31 crores between October 15 and December 31. Increased industrial production on the one hand and resumption of trading in food stuff after removal of control may explain the rise of Rs. 77 crores in deposits between May 14 and December 31. The rise in deposits, however, was not an unmixed blessing as it made inroads on the banks' profit earning capacity. The table below will show how banks attracted deposits by offering higher interest rate.

	Deposits at interest between 0 and 1½ %	Deposits at interest over 1½ %
	(Rupees Crores)	
March	539	295
June	542	311
Sept.	539	329
December	562	342

Thus, of the deposits gained totalling Rs. 64 crores between March and December, 23 crores carried interest

at between 0 and 1½ per cent and Rs. 47 crores at above 1½ per cent. As a result, scheduled banks paid Rs. 9 crores as interest in 1954 as against Rs. 7.8 crores in 1953. Interest paid on deposit constituted 29 per cent of the total gross earning in 1954 compared with 27 per cent in 1953. Banks, however, recouped their position as much by charging higher rates on advances and discounts as by increasing the volume of their business. Scheduled banks' earnings from interest and discount amounted to 24 crores in 1954, compared with Rs. 22.2 crores in 1953.

The rise in deposits was not in the same proportion among the different sections of banks. While deposits of the Indian scheduled banks rose from Rs. 674 to Rs. 733 crores, between March and December, in the same period the deposits of the Exchange banks rose from Rs. 160 crores to Rs. 171 crores. Thus the rate of increase was 6.8 per cent for exchange banks and 8.8 per cent for the Indian scheduled banks.

Composition of deposits was also different as between Exchange banks and Indian scheduled banks. For the latter demand deposits constituted 60 per cent of total deposit in 1954 as against 59 per cent in 1953. In the case of Exchange banks, on the other hand, percentage of demand deposits declined from 67 in 1953 to 65 in 1954.

What Size Cash Balances?

THE total volume of cheques cleared, which had dropped during 1953, recovered last year though it was far below the 1951 level. The latter, however, was inflated by post-Korean boom, as the undernoted figures will disclose.

	Cheques cleared (in lakhs of rupees)	Velocity of circulation
1951	7,877.99	13.0
1952	6,853.40	12.3
1953	6,603.25	12.5
1954	7,064.27	13.0

Investment portfolio of the banks showed only a small decline of Rs. 5 crores between January 1 and May 14 compared to the decline of Rs. 20 crores during the same period in 1953. With the assistance given by the Reserve Bank under the Bill Market Scheme, banks did not have to take recourse to liquidating their investment in order to meet the increased demand for bank credit.

During the slack season, the scheduled banks increased investment by Rs. 24 crores. This reflects the banks' participation in the National

Plan Loan made possible because of the increased deposits. Maturity pattern of scheduled banks' holding of Government securities has also undergone a significant change.

While advances were going up rapidly, cash balances remained almost throughout the busy season below 9 per cent of total liabilities. But with the rise in deposits, cash balances stood over 10% almost throughout September to December. For many weeks during November and December, cash balances went above 11 per cent. Excess of cash balances over the statutory minimum amounted to Rs. 13.2 crores on January 1, 1954 but it touched the level of Rs. 31.8 crores at the end of the year—the highest point being reached at Rs. 33.2 crores at the end of October. To many, this is a most distressing feature in our banking statistics—such a large amount lying idle for want of proper scope of utilisation. It supports the demand for developing a bill market which seems to be as far away as ever. While the case for better utilisation of funds will be readily conceded, it may still be pertinent to ask, how much of the excess balance is a real excess in the sense that the banking system could work smoothly enough without it? Surely the statutory minimum is not the reserve that all banks could work on. The operational minimum must be somewhat higher than the statutory minimum but how much higher still remains an undermined quantity.

Small Savings and Prices

"WHEN a farmer buys a Savings Certificate, there is no difficulty; he gives the money and gets a certificate", Lala Shri Ram had written to the Planning Commission in January 1951, "but when the time for

repayment comes, he has to knock from door to door, and also spend some money (which, in fairness he should not be made to spend) on getting his own money back. This justifiably leaves a bitter taste in his mouth. Facilities should be provided for prompt repayment when the time comes. The administrative difficulties in prompt repayment in villages are not insuperable."

Patience and persistence has at last been rewarded. It is not of course Lala Shri Ram alone who found the lack of imagination on the part of civil servants—particularly of the Finance Ministry—shall we say—irksome? Others also doubtless must have in their own humble way tried to bring these difficulties to the knowledge of those who are responsible for drawing up and enforcing the financial procedure and it must be glad news to them that at long last difficulties hitherto found insuperable have been resolved. This has been done through the simple means of allowing payments to be made by money order. Perhaps some day the villager would even have the privilege of having the interests due remitted to him by the same means. Who pays for the money order? We will not go into that here. But even to agree to money orders must have wrenched the hearts of those who have been brought up on the belief that payments should be made through the treasury alone. The treasury system held the British empire together. Will not Free India collapse, if that system is tampered with?

Lala Shri Ram's major crusade for lowering of the price lever however awaits a major encounter when the Industrial Advisory Council meets in the last week of this month. He is sceptical about price support to agri-

culture. It will not help the small peasant—their number is legion—who has to supplement his own production and buy food grain for cash. In the case of cash crops prices support will store up trouble for the future, as it has done in America, or plague both the buyer and the seller, as in the case of sugar. But if agricultural prices are not to be supported, industrial prices must be brought down. Almost alone among industrialists, Lala Shri Ram concedes this.

Now there is an Agricultural Prices Variations Enquiry going on. The terminology both in the naming of the committee and in drawing up its terms of reference is not over-refined, but the purpose is reasonably clear, viz., to do the necessary preparatory work for administering price support by studying inter-state and intra-state price variations and the variations in the same market through the year. Narrowing down the range of these variations will be an object of this committee. Working out a price parity will be another. One may grumble that this is putting the cart before the horse, but in the world of affairs, the sequence of events is not always that of logic. In fact, it is not possible to talk about price support in agriculture without begging a number of questions. As currently viewed, it is an attempt to forestall the future and meet it half way. For the presumption is that declining agricultural prices can only be temporary, pending such time as planned investment on the larger scale gathers momentum. And when it does, things will be different. The high cost economy to which the country would be heading under the Second Plan should provide sufficient provocation to Lala Shri Ram to continue his crusade.

Needed: More Information About Handicrafts Board

THE All-India Handicrafts Board held its seventh meeting in Bombay to consider the second Five Year Plan of the Board where the Chairman, Shrimati Kamaladevi, was very critical about the lack of sympathy of men in key positions regarding handicrafts and observed that if we believed that our country should follow the industrial pattern of the West, it was sheer waste of time and money to bolster up handicrafts.

The Chairman is perhaps right in her indignation at the general callous attitude of the people concerned, but the blame is not entirely of the public at large, if it takes such a view, more so because unlike the Khadi and Village Industries or Small Scale Industries Board, the functions and activities of the Handicrafts Board have not been very clear, nor are they publicised either by books or reports.

The Handicrafts Board was set up in November 1952 in order to bring together unofficial advisers to suggest ways and means of development. The Board enjoys the status of an autonomous body within the Ministry of Commerce and Industry (now the Ministry of Production) which provides funds for the various projects sponsored by it. The Handicrafts Board announced that as a starting programme, it had undertaken the items (1) toy making, (2) mat making, and (3) pottery for intensive development. It held an exhibition of toy, mats and pottery in Delhi in 1953 and also started a museum. In 1954 the Handicrafts Board organised an exhibition of textile printing and a very costly brochure was published.

The public, however, has not learnt anything about how the development project was worked, what the results are, and what the process of this intensifying development is.

If the object of the Handicrafts Board is to absorb more people into the crafts, or increase the income of individuals occupied in this work, it is necessary to make known these facts. Instead, we are told—this is a peculiar feature of all our nation-building activities—how much money has been spent in these projects, but hardly anything about the achievements.

We have inherited a tendency of looking abroad for appreciation. We even claim to have sold goods worth huge amounts in exhibitions held abroad without trying to ascertain at what cost or how much of the expenditure is due to the salary of the officers or their travelling and other expenses, and how much was spent on the purchase of handicrafts products or how much money went to the craftsmen in question. The Minister for Production, Shri K. C. Reddy, remarked about the lack of co-ordination of various agencies concerning handicrafts and rightly so. People should be taken into confidence and it should be explained what the relation is between the Indian Co-operative Union with the Handicrafts Board, and what control the Board has over it, when it granted Rs. 80,000 to the Co-operative Union for a marketing survey or entrusted the union with arranging an exhibition at Kalyani where Rs. 60,000 were spent, and how much money was received by way of sales, thereby showing how far these exhibitions justified its participation, apart from enlightening the people

attending the Congress about the crafts we are capable of producing. The same is the case with the various exhibitions held abroad in America or England or Brussels on which the Government spent Rs. 2.7 lakhs in 1953-54.

The average man also does not know the relation between the Handicrafts Board and the various State Cottage Industries Departments. It will serve a useful purpose to show how many emporiums are opened by the Board directly and how many are State organisations.

In fact, a Hand Book published by the Board giving these details would help a better understanding of the problem of development and organisation, and would remove some of the causes of annoyance both to members of the Board and the outside public. It will help young enthusiastic elements or societies to take more interest in these projects and their activities.

"Interested"
Bombay, June 28, 1955

Variation in Assets and Liabilities of Scheduled Banks

	1952				1953				1954			
	Jan. 4	May 16	Oct. 17	Dec. 26	Jan. 2	May 15	Oct. 16	Dec. 25	Jan. 1	May 14	Oct. 15	Dec. 31
Liabilities												
Demand and Time Liabilities	868	847	857	847	845	847	853	848	848	865	914	941
Borrowing from Reserve Bank	21	35	2	4	11	25	2	2	6	52	5	9
Borrowing from Imperial Bank	—	8	5	5	5	11	5	7	6	10	5	3
Variation												
Assets	889	890	864	856	861	883	860	857	860	927	924	953
Cash balance	—	+1	—26	—8	+5	+23	—17	—3	+3	+67	—3	+29
Balance with other banks	87	78	96	78	81	72	86	76	82	75	98	103
Investment	13	10	12	11	11	11	10	10	14	11	10	14
Total Scheduled Bank Credit	293	294	311	323	320	300	338	336	328	323	348	347
Variation	570	573	486	485	492	547	472	473	475	592	535	554
	963	955	905	897	904	930	906	896	899	1,001	991	1,018
	—8	—50	—8	+7	+26	—24	—10	+3	+102	—10	+27	

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AKOLA

Off the Record

Encouragement to Develop —but not to Electricity

DRAFTING of a bill is a matter of considerable technical complexity. Time and again, in actual working, the effect is found to be different from what was intended when a bill was passed into law. But no Act, however competently drafted, can hope to achieve its purpose if those who have to do the drafting are not fully apprised of and carefully briefed about the variety of cases it has to cover.

Now take the familiar case of capital replacement when the cost of such replacement has gone up as a result of rise in prices of capital goods. However prudently and dutifully the companies might have set aside funds for replacement in the depreciation reserve, the reserves are no longer adequate to pay for the cost of replacement, with prices of capital goods rising substantially as has been the case in recent years. The resulting problem has exercised the Finance Ministry wherever there is a problem of replacement to be met. Much ingenuity has gone into the solution of this problem, which, however, remained intractable in the end. To alleviate the situation, a way out was found in allowing a high rate of initial depreciation on new plant and equipment. It did not need much ingenuity or insight into accountancy however, to realise that this could be at best only a pis aller—an interest free loan from the income-tax. For when companies were allowed higher initial depreciation they could treat the additional allowance as expense, but once an item of capital had been written off—and this could be done as quickly as in 5 years—the company had to pay tax of a higher amount than would be the case if the depreciation had been spread over a longer period. Therefore, to meet this familiar situation the Finance Minister introduced in the last budget a more substantial measure of relief. This was in the form of a developmental rebate the purpose of which was to encourage investment in fixed capital by offering exemption from income-tax of 20% of the capital value of the new assets acquired. That is to say, it was to be an outright gift with no unfavourable projection into the future as was the case with additional initial depreciation.

However different their effects on the ultimate fortunes of an enterprise, the point that needs to be emphasised here is that the intention of both the measures was to encourage capital investment, no matter where capital might be invested. The Act did not say that encouragement was to be given to some undertakings and not to others. In actual working, however, the effect turned out quite differently, e.g. in the case of electricity undertakings. There is a separate Act which prescribes a different rate of depreciation for the purpose of determining the rate to be charged for the supply of electricity on which, needless to say, ultimately depend the returns on their investment. When it was additional initial depreciation, the electricity companies had to take it, whether they wanted it or not. The benefit that was meant to help them to recover the cost of equipment, however, had to be passed on to the consumers! For the Electricity Supply Act laid down that all benefits beyond a certain point were to be passed on to the consumers. What if the Finance Act wanted the electricity companies to retain some of it? The Electricity Companies might have prayed for exemption from this relief! but who listens? The law is an ass. Until the Electricity Act is amended or the Finance Act carries a Special clause extending the relief to Electrical undertakings notwithstanding the provisions of the Electricity Act, whether they wanted it or not, electricity undertakings had to take the allowance given by the Finance Minister in his kindness.

The electricity undertakings are in no better plight now that there is a developmental rebate since the benefit of it, too, goes to the consumers. True, at some future date they may be able to recover the higher charges. But that is not here and now. A bird in hand would be preferable any day and that is clearly the object of the developmental rebate. They are not allowed to retain the rebate to pay for development and yet the country needs development at as fast a rate as it can and nowhere is development more sorely needed than in the supply of electricity, judging from the high priority given to power production in the First Plan,

and the allocations proposed for it in the Second. Despite all these schemes of power generation in the public sector, it need hardly be added here that distribution has still to be handled by the electricity supply companies which buy power in bulk where possible and carry it to the homes and factories.

The fair rate of return is quite another matter. Whether it should be 5 per cent or more, or whether it should be linked in some way to the bank rate, should not be mixed up with the simple and straightforward issue of giving relief which the Finance Act intends to give but of which electric undertakings are deprived, thanks to the Finance Ministry—or is it the Ministry of Irrigation and Power?—not being able to grasp that between the idea and reality there are intervening barriers and these have to be cleared. It is surprising this omission has not been noticed and rectified so far. Could it be because someone tripped somewhere and mixed it up with the question of fair return?

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From the London End

Wage Rates and the Level of Exports

THE once accepted tenet that wage rate increases could only be countenanced in conditions of rising productivity now appears to be under severe attack. A new and somewhat novel doctrine linking wage rates with the international competitiveness of exporting countries is being gradually introduced as an argument against (and for) meeting wage demands in industrial negotiations. It is true that in the standard theoretical models of international trade, relative wage levels in different countries are among the more crucial determinants of the flow of trade and further, there is a strong presumption for believing that wage rates in different trading areas tend towards equality. But to suggest that these abstractions have immediate relevance at the industrial negotiating table is certainly a new development. The Financial Times, taking its cue from the statistics published recently by the Economic Commission for Europe, has come down to stating the new truth in the following terms:

"the truth is, of course, that a rise in industrial output per man-hour creates no more than a prima facie case in favour of a higher wage rate per hour. The issue can only be decided finally by reference to what is happening in wages, productivity and prices in competing industries abroad".

Germans Getting Less, so...

The reason for the introduction of this somewhat new negotiating point arises most certainly from the current economic situation in Britain. The upswing in activity is being rapidly confronted with various inflationary symptoms, but more by a number of crucial bottle-necks in the supply of productive resources, and one of these is the shortage of manpower, particularly skilled manpower. In this situation, labour has a relatively strong bargaining power, but even apart from this, it has a fairly strong claim for a higher share of the output of industry. It is estimated, for example, that between the last quarters of 1953 and 1954 output per man-hour increased by 4.3 per cent (in the metal-using industries) while real hourly earnings rose in the same period (and in the same industries) by only 3 per cent. Between 1950 and 1954 output per man-hour rose by 1.7 per cent while real

hourly earnings for all industries rose by 1.2 per cent. How then are these claims to be rebutted and, more so, how can the share of capital in the form of profits be excluded as a consideration in industrial negotiations? Ingenuity on the employers' side has found a new answer: "the Germans are receiving less in wage rates and are therefore winning more export contracts—in the national interests we have to do the same".

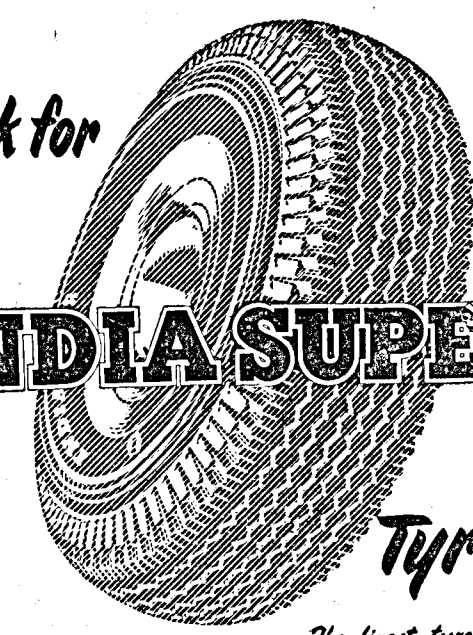
Sweated Labour Argument Reversed

This argument is nothing more than a twisted version of an older argument, which in pre-war years was effectively used to justify the pushing up of tariffs and other barriers against the import of Japanese goods. The "sweated labour" policy which, in those years had given Japan a decided advantage in international trade, was roundly condemned by the Western exporting countries. Now, if these same countries are to remain at all consistent, it would be expected that they would attack the wage policies being pursued in Western Germany, rather than the claims now being made by their own Trade Unions. Of course, the present situation is different from

that prevailing before the war. Then, both national and international economic activity was in the 'doldrums', and mass unemployment was the first among a series of virtually intractable problems. Profit margins were low and in Britain at least, wage rates had reached the irreducible minimum level. Now, however, as the Economic Bulletin for Europe of the E. C. E. puts it "the improved employment situation and the high profits make labour less and less inclined to show restraint in wage demands".

The situation in Western Germany is well worth looking into. As in all other European countries, employment in Western Germany increased between 1953 and 1954. After having a large reserve of unemployed in 1953, the rate of increase in employment was among the highest in Western Europe (6.5 per cent compared to 2.5 per cent in Britain) and while unemployment has not been completely solved, the average working week is long compared to that in Britain and France. In Britain, the working week is three hours shorter and in France four hours shorter than in Western Germany. While it is possibly true that the lengthening

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of the working week is partly explained by the shortage of skilled labour, it is likely to be more true that this lengthening in Western Germany has been governed by the need to maintain a reserve of unemployed and so reduce the power of labour to bargain for higher wage rates. In this situation, it is understandable that while the productivity of the West German worker has increased by 6½ per cent between 1953 and 1954, real earnings have risen by only 2 per cent. With the exception of Italy, this increase in real earnings is the lowest for all the West European countries.

It may no doubt have been possible that in these circumstances Western Germany could find itself with a cost structure which gave it a clear advantage in international trade. As the Economic Commission described it, "increases in earnings in West Germany lagged so much behind increases in output that the competitive position must have improved considerably compared to that of the United Kingdom". But to deduce from this a remedy which calls for a reduction in British wage levels to a position which makes them compare favourably with those prevailing in West Germany, can by no means be the answer to the general international trade problem. Apart from the fact that the British Trade Unions

will not accept such a remedy, it is clear that the problem lies not so much in Britain's wage structure, but more in the wage policies prevailing in Western Germany. As long as Western Germany fails to give to the German workers their fair share of the rising output of their labour, so long will European wage differences persist.

Britain's export prices and the level of her exports are not, however, so heavily dependent on relative wage rates as is generally supposed. The E. C. E. report cites a number of arguments which support the contention that international wage differences were not the decisive factor leading to Britain's disadvantage in international trade. When the 1954 boom commenced, unlike her European competitors, Britain had an unusually small amount of unused capacity in industry and very little stock of basic materials. Moreover, British export prices are more dependent on the level of import prices than in any other country in Western Europe. With regard to unused capacity and small stocks, the case of coal is a pertinent one. While Germany was able to cut down her purchase of coal from abroad, Britain had to become a net importer of coal at prices which were some 5 per cent higher than those prevailing in 1953. The position is no less differ-

ent with regard to steel. In Britain, the upswing in engineering industries began with a much smaller margin of spare steel making capacity than that on the Continent of Europe. In other words, Britain did not have the advantage of being able to build up her engineering boom from the same strong basis as the various Continental countries. The pressure on basic materials was therefore more marked in Britain and consequently, led to a necessary upward price movement.

Upward Trend of Profits

Arguments like the one that is now being advanced, i.e., wages have to be steadied to make exports competitive, sound particularly hollow when account is taken of the trend of profits in industry, as well as of the boom on the London Stock Exchange. Profits have been assessed as being some 13 per cent higher in 1954 compared to 1950, and, while it is true that this estimate largely excludes requirements for depreciation reserves, the speculative boom in a number of British industries is associated with quick profits. The profits realised on capital values as a result of the Stock Exchange boom have been so large that it is more likely than not that the current industrial unrest in the country is a direct consequence of it.

From the Calcutta End

An Unseemly Quarrel

ON July 1, Dr. B. C. Roy, West Bengal's Chief Minister became seventy-four. On that day, the West Bengal Pradesh Congress Committee presented him a cheque of Rs. 74,000. It all depends. Some do not like to be reminded that they are growing old. One would presume Dr. Roy falls in this category. Two years ago, there were whispers that he might retire as he was ageing. He could not deny that he was growing old. But he resented the hint that he was getting infirm or unfit for arduous work.

He is alert and agile. He acts as if he has a mission to fulfil. And he behaves as if he will continue to be this problem State's Chief Minister as long as the mission is not achieved. Many will wish him a longer and more fruitful life. But it will take many years before West Bengal ceases to be a problem State. It, therefore, ill becomes the Chief Minister of such a State to behave as if he does not worry or bother much if after him the deluge comes.

Plan-frame

Dr. Roy is now front page news in this State's Press. That is not because he was 74 on July 1, but because of his hostile attitude to the tentative framework of the second Plan. He does not think that the people will willingly bear the sacrifices involved. Cynics are now saying that Dr. Roy is an honest politician: He likes and enjoys the good things of life, and so he does not want the people to stint themselves. Every man has his philosophy of life. But Dr. Roy's economics does not seem to be good.

Something else than Dr. Roy's Philosophy or politics or economics is involved. Can he, Chief Minister of a State, carry out an open controversy with the Union Government's Plan-frame? True, the tentative framework is meant to be discussed and analysed. Dr. Roy is entitled to his opinion. He has already expressed his views to the Planning Commission. But is he entitled to quarrel with New Delhi in public? He questions the magnitude of the Plan-frame. But the plan-frame for his State is much more ambitious. How to explain such inconsistency? There is an explanation. But that would be washing

dirty linen in public.

Karachi Coalition

Mr. Mohammed Ali, Pakistani Prime Minister, has a knack of hitting the headlines. Karachi may resent that he has developed a habit of making policy statements while in Calcutta on his way to and from Dacca. But the Press in Calcutta and the City's foreign correspondents are grateful to the Pakistani Prime Minister for his prolific statements while waiting in Calcutta for planes to fly to Dacca or Karachi.

It was in Calcutta recently that he disclosed the make-up of political parties in Pakistan. In Western Pakistan, the Muslim League is the major political party. United Front is the most influential political organisation in Eastern Pakistan. At the Centre, therefore, the Government will be a coalition between the Muslim League and the United Front. Poor Maulana Bhasani! He must be repenting that he allowed himself to be outwitted by Mr. Suhrawardy. Mr. Suhrawardy, in his turn, has been outmanoeuvred by Mr. Mohammed Ali. And Mr. Fazlul Huq is happy in the knowledge that he remains Eastern Pakistan's most wily and influential politician.

Kashmir

Foreign correspondents were not as much interested in his disclosure of the coming coalition between the Muslim League and the United Front as in his views on Kashmir. Mr. Mohammed Ali likes to talk with pressmen. He is free and informal. He likes to oblige pressmen. In Calcutta recently, he suggested that Pakistan might accept partition on Kashmir as a result of arbitration or mediation. Foreign correspondents rushed to file their stories. When the Pakistan Prime Minister reached Karachi that night, he had to issue a denial that he had ever indicated Pakistan's willingness to accept partition of Kashmir.

Hindu Exodus

It is yet too early to say whether the resumption of the popular Ministry in Eastern Pakistan will end the exodus of East Bengal Hindus. Both Karachi and Dacca are pledged to protect the interests of the Hindu minority in East Bengal. The Abu Sarkar Ministry has begun well. It is popular. Its intentions are not in doubt. And, as the exodus is mainly an administrative problem it

should be possible for the popular Ministry to end harassment of, and discrimination against, the Hindus.

This, however, does not mean that West Bengal's refugee problem is nearer solution. If the Abu Sarkar Ministry means what it says, the exodus may slow down. Those Hindus who are still in East Bengal may decide not to come out to West Bengal. But those who have already come out are not likely to go back. It is good to know that the Rehabilitation Ministry's plans are based on such realistic assumptions.

Rehabilitation

A conference of Rehabilitation Secretaries of five Eastern Region States was held in Calcutta this week. It was inaugurated by the Union Rehabilitation Minister. And the Central Rehabilitation Secretary was present in Calcutta to participate in the deliberations of the Conference. Shri C. N. Chandra, Union Rehabilitation Secretary, disclosed New Delhi's plans to settle the displaced persons from East Bengal in some States outside West Bengal.

Sometime ago, representatives of the Planning Commission, the Union Rehabilitation Ministry and the Government of West Bengal met to discuss plans for dispersal of Bengali refugee families to compact blocs of land in other States outside West Bengal. 700 to 800 Bengali displaced families will be settled in a compact area in Hyderabad by the side of the Godavari river. Similar other refugee colonies will be established in Chota Nagpur, in north Andhra, in south Orissa and in Mysore and Madhya Pradesh.

There are plans for starting industries in these refugee townships. Rs. 10 crores have been provided by the Planning Commission for outlay on these industries. Shri Chandra revealed that the expenditure on such industries will be raised so as to provide employment opportunities to the displaced persons. Housing will be a problem in these refugee colonies. Direct construction of tenements by the displaced persons will be encouraged to solve the housing problem. Bengali-speaking welfare officers will be appointed in such colonies outside this State to help the Bengali refugee families to settle down in areas outside West Bengal.

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A Report on Yugoslavia

Tito Lifts the Curtain. By Hallam Tennyson. Rider and Co., London, Pages 240; 15 shillings

Reviewed by Lokesh Ghatak

THERE is an air of something not quite clearly comprehensible to both Eastern and Western minds about Marshal Tito's Yugoslavia. Rather than any attempt at clarification, the tendency of all recent reportage has been either to justify Tito's neutrality or to apologise for the introduction of new Communist experiments in Yugoslavia. This is neither necessarily the result of international distortion of the news, nor so much a faulty evaluation of the news-worthy events; the causes are rather to be found in the difficulty in conveying to a homogenous group of people in other countries the complexities that beset a composite nation, a nation of many tongues and cultures and peoples. Such a nation, for instance, is India, and Hallam Tennyson whose forthcoming book on Vinobha Bhave (*The Saint On The March*) is eagerly awaited in this country, knows India; and knowing the complexity of the national structure here, he is able to give to Yugoslavia that sympathetic attention to the differing groups, religions and cultures which alone can convey, particularly to the western mind, its diversity. This diversity being one of the essential ingredients in the building of the final political edifice, be it communistic or democratic in design, ignorance of it cannot result in good political news reporting.

Hallam Tennyson's new book, *Tito lifts the Curtain*, is certainly the first methodical attempt at presenting to the public a penetrating picture of this country which had, for loyalty of culture, wavered so long between Europe and Asia and now stands trembling on the verge of democracy and totalitarianism. His approach is in itself broad; he does not allow himself to be persuaded by any pre-conceived notions on communism, (he went there to organise an international conference run by the American Quakers), but observes, "Yugoslavia is probably still too deeply divided by religious and regional animosities to be able to stand the strain of parliamentary democracy", and "Freedom of discussion is allowed within the framework of the One Party system and this leads inevitably to the growth of vocal opposition within the One

Party. This opposition cannot now be stamped out by the old ruthless purges, (bold mine), but by a show of reason and an appeal to the due processes of the Law" (Preface).

One Fundamental Difference

This actually constitutes the one real and fundamental difference between methods of implementing communism as done elsewhere and as is attempted in Yugoslavia. But the emergent structure also is different, as Tito shows by lifting the curtain in Hallam Tennyson's book. Indeed this is a very timely publication; more than anything else, here, are indications that may help to clarify the new open-door policy of Tito as well as the psychological reasons for the top Soviet hierarchy openly wooing him now.

As a result of experience gathered in an extensive tour lasting over four months across every region of the country, helped considerably by a knowledge of the language, Mr. Tennyson is able to contend that some 25 per cent of the country's population, composed largely of the intelligentsia were solidly behind the Government, whereas the other 75 per cent were mainly non-interested and quite unpolitical. In order to understand the liberality of Yugoslav communism, he concludes on the other hand, one must understand that "Communism rose to power in Yugoslavia by an act of popular will (bold author's); and this fact alone distinguishes it from the communism of any other country with the possible exception of China".

Break off with Cominform

Actually, however, the twenty-five per cent of Mr. Tennyson's intelligentsia represented the real voice of the people in Yugoslavia; the lethargic are content to be led; whereas in China the common people had for long been ripe for any kind of change from the corrupt regime of Chiang Kai-shek, a very strong negatively motivated support for Mao Tse Tung. No, the popular front of Tito goes back for its support earlier than the results of the last election, means more than what those results can indicate or what a new survey now may bring forth; when in 1937 the Russian trained 'Comrade Wal-

ter' returned to his native land with a forged Canadian passport proclaiming him to be one 'Tito', and took over the Secretary-Generalship of the party, he soon severed all financial connections with Moscow. It was then neither customary for the underground Communist leaders of foreign countries to operate from anywhere but Moscow, nor to work on a basis of an independent source of revenue. The seed of independence sown then grew to the healthy plant that dared to break off with the Cominform later, and now represents the solid tree with its roots deep down into native Yugoslavian soil instead of in portable earthen pots. Things become interestingly clear why the Soviet 'summit' should strike increasingly respectable attitudes in dealing with Yugoslavia than in its dealings with the satellite nations. Tito has certainly lifted the curtain to show this.

I have not tried to show that the independent nature of the birth and the growth of Chinese Communism is to be belittled, but rather that in far less extenuating circumstances, Yugoslavia stands as the only Communist country where the change has come from the people. Again, the conclusions which the reader may derive for himself, and which may not necessarily be those of the author, depend on the observations forcefully presented by the author himself, a brilliant example of systematic coverage.

1948 Controversy

In view of some mildly contradictory statements that have recently emanated from Belgrade from the two country's representatives, it is interesting to recall the letter which the Yugoslavian Vice-President Kardelj had written to the Russian Ambassador in 1945, in which he had urged him to meet the Yugoslavian leaders 'not as representatives of another country, capable of solving questions independently, but as representatives of one of the future Soviet Republics'. This widely sweeping remark was quoted by the U.S.S.R. in 1948 during the controversy, and would tend to show that the mentality of the Yugoslav leaders at that stage was no different from that of the other East Euro-

pean leaders; in fact it might at best have been the official policy of the state then towards Soviet Russia, for the Tennyson narrative brings out vividly how in the strong and independent personality of Marshall Tito, Russia received her first determined rebuff. Tito was the only Communist leader in Europe outside the U.S.S.R. who was of any consequence, and he was not there by the grace of Kremlin. He was the acknowledged leader of his people by virtue of his proven qualities of leadership and had nurtured the growth of communism as a native plant on Yugoslav soil. It was this strength from within which enabled the fifth congress of the Yugoslav Communist Party to resolutely refute the charges of the Cominform in July

1948. And now read in the background of more recent occurrences at Belgrade and the volteface of the top Communist leaders, Mr. Tennyson's account of the country, its people and their politics certainly make interesting reading.

In the main the book is really a travelogue in which the author's instinctive attitude as a writer and the acquired attitude of a reporter with a mission has blended to influence much of his conclusions, on the social as well as the political occurrences in Yugoslavia. There are delightful personal interludes with the men and women and monks of Croatia, Serbia, Dalmatia and Macedonia, and these, apart from being of interest in themselves, serve as a

pointer to the attitude of this multi-regional nation.

As for the economic well being of the people, their material prosperities, religious freedoms and freedom of speech, it will be of little use writing down in simple statements the conclusions of Hallam Tennyson; that can never indicate the relative perspectives from which these must be viewed. To do that one must spend, like the author, four months travelling extensively in every region of that country, with a knowledge of the language and an open mind; or one must read for himself *Tito Lifts the Curtain*.

A good book, pleasantly informative rather than drily instructive; above all, an important book for the time in which we live.

Experiment In Trade Union Education

Asian Trade Union College, ICFTU Asian Trade Union College, New Alipore, Calcutta—33. pp. 54.

Price not mentioned.

He increasing interest of the International Confederation of Free Trade Unions in Asian affairs is in conformity with the growing influence of international communism in Asia. The 'free and democratic' trade unions of the West have the constant fear that the working classes of under-developed countries might fall an easy prey to the wiles of communism. The real remedy lies in raising the social, economic and political status of the population and thereby eliminating the causes which breed communism. ICFTU, however, thinks of a short cut. A band of trade unionists, thoroughly trained and liberally financed, might wean over a large number of their compatriots from communism. The Asian Trade Union College thus came into being on November 5, 1952 in Calcutta as a central institution under the auspices of the ICFTU to help the trade union workers of Asia to train themselves in the principles and practices of democratic trade unionism. These workers "would imbibe from their education at the college the spirit of democracy which believes the individual to be an end in himself, which seeks to develop individual integrity, initiative and responsibility, which bases organisation on co-operation and never on co-ercion and draws nourishment from reason and knowledge instead of from passions and authority." The college aims to equip the workers to carry on the organisational work in their own

countries with a greater consciousness and efficiency and also to train cadres of workers to organise local educational programmes in their respective countries.

The college is in existence for the last 2½ years and an interesting account of its history and activities for the first two years has now been made available by its Director, V. S. Mathur, in brochure. During this period, the college conducted six courses, each of 12 weeks' duration and trained 134 students from eight Asian countries. Of these 134 students, 110 were office bearers of their unions, while the rest were ordinary members. The majority of students came from railways, shipping, bus and tram transport, iron and coal mining, engineering, posts and telegraphs, textiles, clerical services, teaching and plantations. Analysed by age groups, 79 were between 20—30 years, 49 between 31—40 years and only six were between 41—47 years. Women students were only two.

Lectures were given on various aspects of trade unionism—its functions, organisation and administration; collective bargaining; history and legislation. Other subjects taught were general and applied economics; political topics, educational, welfare and community activities; techniques of intellectual work; statistics; industrial psychology and current affairs. The lectures were supplemented by demonstration clas-

ses, educational visits to factories and unions and by the workers' Education Centre—an independent project by itself. The educational activities took various forms like Sunday classes and night classes; preparation of literature in local languages; local and regional trade union short courses; wall newspapers, etc. Ten short refresher courses were held in various countries.

Various difficulties, such as lack of adequate knowledge of English, different food habits and refusal by employers to grant leave were experienced. The most important problem, however, was that of right selection of candidates by trade unions. Curiously enough, the brochure is silent about financial difficulties, which generally come in the way of such projects. It gives the source—a special fund from voluntary subscriptions at the rate of two pence for each member of trade unions affiliated to the ICFTU—but is silent about the actual figures of income and expenditure. It is not clear whether any tuition fees are collected or whether any other charges are levied for lodging and boarding of the students.

On the whole, it has been an interesting experiment in international free trade union education and the brochure brings out the main objects, problems and difficulties in implementing such a project.

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

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13,000 Redeemable Cumulative Preference Shares of Rs. 100/- each	Rs. 13,00,000/-
Total	Rs. 28,63,820/-

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

ORDINARY -SHARES

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

PREFERENCE SHARES

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

PREFERENCE SHARES

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

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

DIRECTORS

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

BANKERS

Lloyds Bank Limited.

BROKERS

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

SOLICITORS

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

AUDITORS

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

REGISTERED OFFICE

Gateway Building, Apollo Bunder, Bombay 1.

BRANCHES

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

TECHNICAL CONSULTANTS

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

MANUFACTURE OF JEEPS IN INDIA.

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

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

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

Willys have further agreed to extend a long term loan to the Company to the extent of \$230,000.00 or 10% of the total subscribed capital of the Company. It is contemplated that in course of time the Company will be able to negotiate the export of Indian-built Jeeps to countries adjoining India.

HISTORY AND BUSINESS

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

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

Hitherto the import quotas have been restricted to about 900/1000 Jeeps a year and it was only in the year 1954, after Government approved the Company's manufacturing plans, that the import quota was liberalised. During the manufacturing period of three years, 1955-58, Government has agreed to permit imports up to 2500 units a year and sanctions for even larger numbers, it is hoped, will be forthcoming on request. In 1953-54 the Company

successfully built about 1650 units. During the six months of the current year (1st November 1954—30th April 1955) the Company has sold over 1100 Jeeps and it is expected that this rate of turnover will be sustained during the following period. The Assembly Plant today has facilities, not only for meeting the requirements of the initial out-turn of 2000/2500 units, but it can handle almost double this number.

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

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

3. **TEXTILE MACHINERY**—The Company sponsored the floatation in November 1946 of MACHINERY MANUFACTURERS CORPORATION LIMITED for the specific purpose of manufacturing medium light

industrial equipment, in particular textile machinery. Arrangements were successfully concluded with two American firms of repute for technical collaboration. The Company is the Managing Agent of this Corporation.

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

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

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

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

where possible, offers from U.S. Steel Companies.

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

throughout the year at various centres; Jeeps service is extensively provided through distributors as well as by direct field inspectors. Stockist arrangements for steel supplies have been completed for Bombay and Calcutta.

FINANCIAL INFORMATION**Auditors' Report**

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

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

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

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

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

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

PROSPECTS

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

TURNOVER:—

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

On the basis of the Auditors' report the earnings also show a steady increase over the last three years. It should be added that dividend policy in the past has been confined strictly to the declaration of the minimum distribution permissible under Section 23A of the Income Tax Act. Projects for development and expansion now in hand should on completion, prove of benefit to the Company hereafter. While the progressive manufacture of Jeeps to be completed by 1958 is geared to the initial production output of 2500

units annually, it is probable that the market in India will expand to a level demanding more than 2500 units a year. As Government has agreed to issue import licences to the Company up to 2500 units a year during the three-year manufacturing period, it is hoped that the offtake of Jeeps will, from 1955, show an increase every year. Proforma Profit & Loss account for the six months ended 30th April 1955 has been prepared and is summarised as follows:—

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

INCOME		EXPENDITURE	
Sales	Rs. 2,45,67,317	Cost of Sales	Rs. 2,16,51,524
Commissions	1,50,550	Salaries & Wages	9,47,263
Managing Agency Allowances	18,000	Expenses	10,48,417
From Investment	12,458	Depreciation	51,980
Interest	278		
Miscellaneous	70,813		
Total	Rs. 2,48,19,416	Total	Rs. 2,36,99,184

Profit before taxation Rs. 11,20,232.

During the six months of the current year (November 1954—April 1955) about 1100 Jeeps have been sold as against 1600 units in the whole year (Nov. 1953—31st Oct. 1954). For the year ended 31st October 1954, the net profit amounted to Rs. 6,73,346/- after providing for depreciation and taxation. Allowing for a dividend of Rs. 1,50,000/- on cumulative preference shares of the value of Rs. 25 lakhs, the balance net of Rs. 5,23,346/- from 1953-54 profits without taking into account the results of earnings from sales of larger number of Jeeps and increase in turnover of Trailers, Steel, Tractors, etc., would be sufficient to pay a dividend of over 9% free of tax on the proposed ordinary share capital of Rs. 55 lakhs. The proforma accounts for the six months ended 30th April 1955 reveal even a better position and if the rest of the Company's current year yields similar results there would be sufficient to pay a dividend of more than 10% free of tax on the ordinary share capital for the current year.

It is accordingly anticipated that the Company will be able to distribute a dividend of 10% free of tax on the ordinary share capital of the Company. This rate of return is specifically referred to herein for ready reference and should not be construed as a definite indication that such a dividend will in fact be declared as it is obvious that the Company's dividend paying capacity hereafter must be contingent on the profits actually made which, in their turn, are naturally liable to be affected by conditions ruling at the time.

GENERAL INFORMATION

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

Until the 15th day of June 1955 the Company was a private Company with its issued capital consisting of Ordinary Shares of Rs. 500/- each and employee Ordinary Shares (Series "B") of Rs. 10/- each. The Company had by that date an issued capital of the face value of Rs.

THE ECONOMIC WEEKLY

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

COMMISSION AND DISCOUNT

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

DIRECTORS AND MANAGEMENT

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

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

The Chairman of the Company, Mr. K. C. Mahindra, is under an agreement dated 11th day of August 1954 to serve the Company in an honorary capacity for five years during which he is to receive no salary and the Company has only to meet his travelling and other expenses while on business as therein provided. Messrs. Keshub Mahindra, Harish Mahindra and Alope Mitra

THE ECONOMIC WEEKLY

act as executive Directors, under five years service agreement entered into by them with the Company.

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

VOTING RIGHTS

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

- the Preference Dividends' is passed over in any year or has remained in arrears for more than six months from the date it is declared; or
- any Resolution affecting the rights, privileges or interests of the Preference Shareholders is proposed; or
- any resolution for the winding-up of the Company is proposed.

No member entitled to be present or vote either personally or by proxy or as proxy for another member at any general meeting or upon a poll or to be reckoned in a quorum

whilst any call or other sum is due and payable to the Company in respect of any of the shares of such members.

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

- One vote in respect of every Ordinary Share.
- Ten votes in respect of every Redeemable Cumulative Preference Share.

RESTRICTIONS ON RIGHT TO TRANSFER

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

UNDERWRITING

The issue is not being underwritten.

BROKERAGE

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

APPLICATION FOR SHARES

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

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

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East Africa's Future

(From Our London Correspondent)

THE massive report of the East African Royal Commission will certainly rank high among the standard reference works on colonial economic and social conditions. The document, nearly five hundred pages in length, has an incisiveness and a clarity which make it all the more remarkable when account is taken of the extreme complexity of the problems which fell within its terms of reference. The commission was appointed in January 1953 to examine inter-alia the problems of "tribal land tenure" and the conditions necessary to "achieve an improved standard of living" in the three British territories of Kenya, Uganda and Tanganyika. Its members under the chairmanship of a former Indian provincial governor included two well-known economists, two colonial administrators, a business man and an African member of the Tanganyika Executive Council.

To the Commission the one all-pervading fact which continues to condition life and labour in the three territories and particularly in Kenya is the intense poverty of the people. To remove this poverty it is first necessary to ascertain its causes and hence something like half the report is devoted to a closely reasoned analysis of the problems of economic and social development in a colonial environment. But in doing so, the Commission appears to have got itself ensnared in its own intricate analysis. The prime cause of poverty in the three territories concerned is more marked when the colonies possess an established European settler population who have been able to set themselves up as the ruling community enjoying particular economic and social privileges.

Cause of Poverty—Colonialism

The history of the Union of South Africa and the current developments in the newly established Central African Federation show up this point with tragic clarity. The conditions which prevail in each of the territories covered by the Commission are not uniform. Uganda has been less invaded by European settlers than Kenya, and according to the data compiled by the Commission, Uganda enjoys a per capita income higher than Kenya. The Commission does not recognise this crucial factor though it must be said

that its references to the British policy of deliberate encouragement of European settlement in the matter of distribution of land in Kenya is pregnant with the above implications.

According to the Commission, there are factors which have had the greatest influence in determining the fate of Kenya today. These are the building of the strategic railway through the heart of the territory; the adoption of a deliberate policy to encourage European settlement and the consequent establishment of European and African land reservations; and finally, the influence of the European settler community on the official policy of the Colonial authorities. In Uganda, however, the Commission seems satisfied that among other things, the absence of the European settler and the "development of African grown cash crops" have been the most potent factors affecting the evolution of the Protectorate. Similarly in Tanganyika the absence of "White Highlands" and "tribal land reserves" policy have been contributory factors for the relative tranquillity in that region.

Enlargement of Market Economy

The cause of poverty in the three territories, according to the analysis of the Commission, is the absence, over a wide area, of that type of activity which is conducive to the enlargement of the market economy. Indeed, in many parts of the territories, the African is wholly concerned with a subsistence form of agriculture obtaining, in the course of this, his security from the tolerations afforded in tribal custom and law. In such a situation, the impact of the white settler class was directly towards fostering what economists in a similar context have termed the "demonstration effect"—leading on the one hand to a gradual breaking-up of tribal institutions, and on the other, to the growth of insecurity (particularly in regard to land tenure) in view of the passing away of the protective virtues found in tribal customs. The African's reaction to the shake-up has been two-fold. He has sought to have one foot on the market economy (by selling his labour to the urban trader or to the white plantation owner) and to maintain the other foot in his tribe (by continuing to secure tenancy of

a piece of land in the native reserves). Secondly, the African's "failure" to compete with the white inhabitant of his country in agriculture and in all other economic activities has bred frustration and bitterness leading to violent outbursts for "more land".

Land Need vs. Land Use

The cry for more land—which is the crux of the present problem in Kenya—is examined by the Commission with an academic aloofness which will certainly make it exceedingly difficult for the African to appreciate or to agree with its findings. The difficulty is likely to be greater when account is taken of the climatic conditions and the fertility of the soil of the regions occupied by the African and the European settler respectively. The Commission put the matter as follows:

"The test of land needs must be replaced by a test of land use. The economic security of the society no longer depends on the subsistence which each individual attempts in isolation to wring from the environment...but on the combination of the highly specialized efforts of the community as a whole."

According to this analysis, the African suggestion that the land reserved for them by law, apart from being denuded by continued cultivation over centuries, is incapable of supporting the growing African population, is based on fallacious reasoning. This is certainly the most crucial aspect of the whole report of the Commission.

The meaning of this analysis is clear. It exonerates the encroachment of African lands officially allowed under various land alienation measures in the past. These land alienation measures, in the course of time, have led to the reservation of the whole of the rich and fertile "Highland" region of Kenya for the occupation and ownership of the European settlers. The entry of Africans to these Highlands has been made dependent on the demands of the European planter for cheap unskilled labour and where Africans have squatted on the Highlands as peasant labourers, the Colonial authorities have provided legal means for their eviction at the behest of

the European planter. To this the Commission has lent its support and there can be little doubt that by justifying such a system through the new "test", the Africans in Kenya will have small hope of ever regaining their lands in the Highlands or of improving their standards of living in their own reserved areas where the trend of population growth bids fair to fulfil the Malthusian prophecy in the immediate future.

The application of a new "test" in land distribution must lead to some recommendations—that was the purpose for setting up the Commission. And the Commission has not failed in this purpose. Its recommendation in regard to land follows most logically from the above analysis that the authorities scrap the whole system of "land reservations" for each

of the two races and allow the free purchase and sale of land in the manner and form prevalent in the Western world. Policy should aim at making land ownership individual—private ownership should replace the prevailing system of tribal tenure. In this way, solid economic foundations would be laid for the "role of the African in the territories" concerned. The application of the text-book economic analysis to the African scene thus reaches its climax in the Commission's report. The fact that it is the European who is the main owner of wealth, who by virtue of various privileges granted to him in the past has been able to accumulate capital and finally, the Commission's assertion that the African has risen little above that of being an unskilled

labourer have serious implications for this recommendation. It can mean that the scrapping of tribal land ownership in one fell swoop will reduce the African to the permanent position of a landless labourer. And this is what is taking place in the Union of South Africa.

Your correspondent has not cared to review the other recommendations of the Commission in view of their secondary character. The African land question is the crucial one and the work of the Commission in this regard can hardly be regarded as contributing to a workable solution to what is an intractable problem. On the contrary, the Commission's recommendations are likely to arouse the most serious suspicions of the African people and so worsen racial tension in East Africa.

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Speech of the Chairman Sir Sultan M Chinoy J P

PRESIDING at the Thirtyfifth Annual General meeting of the Company held on June 30, 1955, Sir Sultan M Chinoy J P, chairman said: Gentlemen,

I have pleasure in welcoming you to this Thirtyfifth Annual General Meeting.

1954 was another difficult year for General Insurance as competition continued to be very acute, especially in the Non-tariff section, where the cutting-down of rates persisted during the period.

In the past I strongly advocated tax-free Reserve building in the General Department, and I am happy to note from the Taxation Enquiry Committee's report that the Committee has strongly recommended to the Government to allow the Insurer to build up such tax-free reserve to a certain limit, and, while this concession falls short of our requirements, it is in the interests of the trade that the Government should implement the recommendations made by the Committee.

While the Fire Losses in India, for 1954, continue to be within reasonable limits, the first half of 1955 shows a very steep rise in claims in India, due to numerous fires. With the reduction in premium rates, the Claims Ratio for 1955 will show a very steep rise.

Increased competition by rate-cutting still persisted in the Marine market, with no signs of abating. This is due to the fact that the Marine Insurance market is too large for the limited available business, with the obvious result that many accounts show a loss. War Risk Premium plays an important part in the Marine Account, and if this premium is eliminated from the account, the results will be still worse. With the rising tendency of cutting down the War Rate, the chances of making any profit in this Department are remote. Owing to the delay in the receipt of intimation and the time-lag in the settlement of claims, it is apparent that the Underwriters will be faced with the serious problem of several unprofitable years before an attempt is made to adjust the rates. I, therefore, once again request the Insurer to try and develop this class of business on a heal-

thier line and to see that the Department produces a reasonable profit rather than a loss.

Regarding the Motor Section of the Accident business, it is doubtful whether the rate increase is adequate to produce a reasonable profit; Third Party motor claims having shown a steep rise. However, the other sections of the Accident business show a reasonable return to produce a balanced account, yet it cannot be said that the results are satisfactory.

General Department

The Net Premium increased from Rs. 57,87,466/- to Rs. 61,32,177/-, i.e., Rs. 3,44,711/-.

The Fire Claims Ratio shows an improvement and now stands at 31.59% against 33.70%, but there is an increase in claims in the Marine and Accident Departments. The total claims paid and outstanding in all the three Departments gives a ratio of 37.63% as against 37.57% in the previous year.

The Reserve for Unexpired Risks, together with the additional Reserves created, amounts to Rs. 36,11,160/-, i.e., 58.89%, against Rs. 34,08,148/- last year—a strain of Rs. 2,03,012/-. The Gross Profit shown in the Profit & Loss Account is Rs. 6,06,274/- which works out to 9.89% of the Net Premium Income. The total funds now stand at Rs. 71,89,265/- in all Departments.

Fire Department

The Net Premium Income amounts to Rs. 33,56,350/-, and shows an increase of Rs. 79,779/-. Claims Paid and Outstanding cost us 31.59%, compared with 33.70% last year. The Profit transferred to the Profit & Loss Account was Rs. 3,70,504/-, i.e., 11.04% of the Net Premium Income. The Reserve now stands at Rs. 17,62,084/-, as against Rs. 17,20,200/- a strain of Rs. 41,884/-.

Marine Department

The Net Premium Income is increased by Rs. 73,476/-, and now stands at Rs. 6,87,386/-. With continued caution in underwriting it was possible to maintain the Loss Ratio at 56.74%. After providing a Reserve at Rs. 2,74,955/- (40%), the balance of Rs. 4,46,363/-, i.e., 64.94%, was carried to Additional Reserve.

Accident Department

The working of the Miscellaneous Insurance Department shows an increase in the Premium Income by Rs. 1,91,456/-, which now stands at Rs. 20,88,441/- as compared with Rs. 18,96,985/- last year.

The Claims Ratio in this Department is 41.05% as against 39.02% in 1953.

The Profit transferred to the Profit & Loss Account, after providing Reserve at Rs. 11,27,758/- (a strain of Rs. 84,416/- over last year) is Rs. 88,604/-.

Life Department

The Interest-yield in this Department continues to be satisfactory and now stands at 4.29% in the Closed Account and 3.43% in the Current Account.

Closed Account: This being a running-off account, no comment is necessary.

Current Account: The year 1954 is the eighth year of our working in the Life Current Department and, incidentally, our Valuation year, and I am glad that the results produced are satisfactory. The completed New Life business shows an increase by Rs. 25,81,000/- and now stands at Rs. 97,81,593/- with a consequent increase in the Premium Income of Rs. 2,49,260/-, which now stands at Rs. 12,24,156/-. Our Investments also show a substantial increase by Rs. 5,26,897/-, and stands at Rs. 21,13,953/-. Mortality dropped sharply to a lower level and, during the period under review, amounted to 30%. The Renewal Expense is now 18.93% as compared with 23.20% last year, which is quite satisfactory. The Life Fund stands at a figure of Rs. 24,91,736/-, giving an increase of Rs. 7,62,936/- over the previous year. The actual valuation of liability to Policy-holders is under preparation, but a rough valuation made on the same strict basis of 1951, i.e., at 2½% interest yield, indicates a substantial surplus, and a Bonus higher than that declared last year is expected to be declared when the final valuation is complete.

Profit & Loss Account and Profit & Loss Appropriation Account..

After crediting Rs. 1,75,788/- as interest, and transferring the profits from the Fire and Accident Revenue Accounts, the total account amounts to Rs. 6,58,143/-. After transferring Rs. 9,343/- to the Life (Closed) Account, and debiting Rs. 42,526/- as Expenses not charged to Other Accounts, Rs. 6,06,274/- were transferred to the Profit & Loss Appropriation Account.

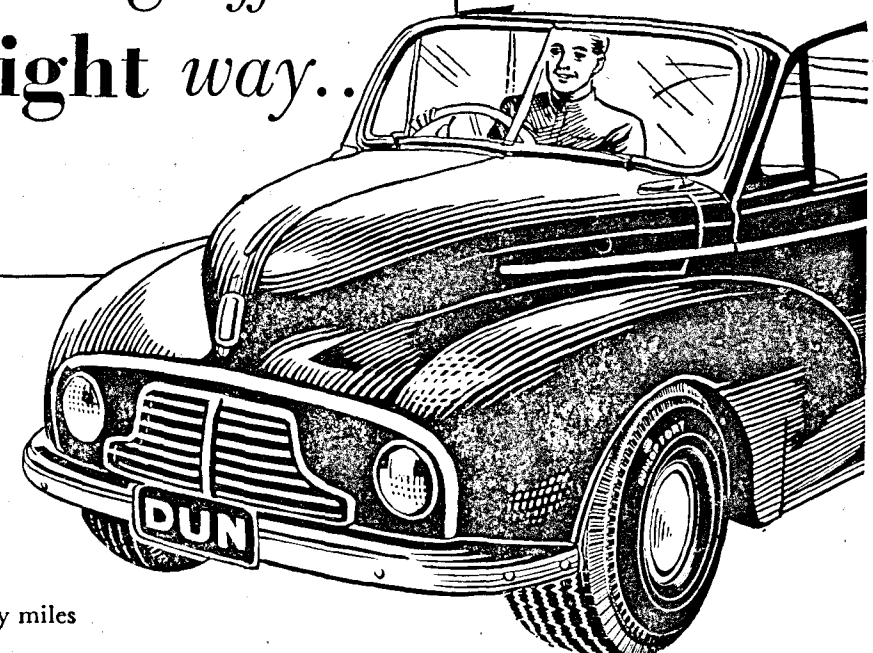
Out of this amount, Rs. 2,15,000/- were provided for Taxation Reserve and Rs. 50,000/-, Rs. 25,000/-, Rs. 40,000/- and Rs. 5,000/- were set aside for General Reserve, Reserve for Equalisation of Dividend, Bad & Doubtful Debts Reserve and Exchange Reserve respectively. An amount of Rs. 82,500/- was also transferred to a Reserve called Contingency Reserve.

The balance of the Profit & Loss

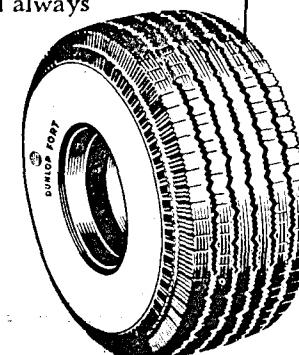
Appropriation Account was Rs. 3,07,590/-, out of which your Directors recommend a Dividend of 11¼%, free of Income-tax, absorbing Rs. 2,25,000/- and a carry-forward of Rs. 82,590/-.

My thanks are due to our Agents, Field-workers and to all Officers and members of the staff, for their continued efforts and team-work for The Company.

*starting off
the right way..*



It's his first car. It may be old, but it runs well. The brakes are good and the tyres are Dunlop; he's all set for many miles of safe, economical motoring. Because every anna counts to this young motorist, he'll be wise to look after his car—and insist on Dunlop. Although they cost no more, Dunlop tyres mean greater safety, higher mileage. Over the years, he will always find the right tyre in the Dunlop range.



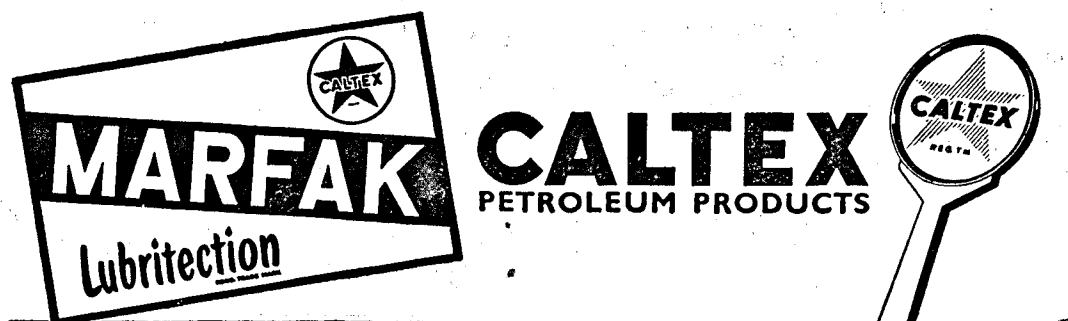
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**DUNLOP
FORT**
with or without the Tube





Monsoon rain and moisture laden atmosphere can cause excessive wear at lubrication points on the chassis of your car. Prevent wear with MARFAK...the world's finest chassis lubricant. MARFAK seals out dirt and keeps moisture off the metal and prevents rust. MARFAK won't squeeze out—it stays on the job and protects against water splash. Drive in today and make a date with your friendly CALTEX Dealer for MARFAK Chassis LUBRITECTION SERVICE for your car.

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The New India Assurance Company Limited

Mr Shroff on Nationalisation of Indian Insurance

THE following is the summary of the speech of the Chairman, Mr. A. D. Shroff at the Thirtysixth annual General Meeting of the Company held on June 29, 1955:—

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

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

Economic Policy

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

The pattern of the price picture, as it had developed between pre-Korea and now, was disturbing. Mr. Shroff also referred to the rigidity of Government's monetary and in-

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

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

Nationalization Issue

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

- (i) the social and economic purposes, underlining the proposal to nationalize;
- (ii) the adaptability of the industry to nationalize;
- (iii) the performance of the Indian Insurance Industry;
- (iv) the ability of the industry relatively to a state-owned one to fulfil the national ob-

jective of optimum production, and

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

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

- (i) the creation and stimulation of the insurance habit, and
- (ii) the building of a vast field force.

Discussing the two main classes of Insurance, namely, general insurance and life assurance, Mr. Shroff said that general insurance business is highly complex, technical and essentially international in character, and, as such, was the least amenable to nationalization. It was a necessary adjunct of free and active foreign trading. Servicing and prompt settlement of claims were the hallmarks of success of private general Insurance. Indian general insurers have succeeded in planting their flag in as many as 50 countries, earning a net premia of about Rs. 7½ crores in respect of foreign risks, as against Rs. 7 crores in respect of risks situated in India. Nationalization of General Insurance will greatly prejudice the position of Indian Insurers abroad. In this context, Mr. Shroff also referred to the British Labour Party's proposal, in 1949, to nationalize Industrial Assurance, which the party was obliged to revise, possibly because of complexities involved in general insurance.

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

Government's Experience Discouraging

Governmental essays in nationalization, such as the Postal Life Assurance, had a comparatively poor record. For example, in the case of the U. K., the Postal Life Assurance

had to be closed down in 1928 because of poor volume of business. Governmental efforts in numerous other countries, where State Insurance has been tried, have not succeeded, because State enterprises sell only security, and not both security and service.

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

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

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

Private Insurance Sound

In view of such remarkable achievements, the Indian Insurance Companies are well poised for fulfilling bigger objectives, which await them. Our calculations show that a huge life business potential of the order of Rs. 8,000 crores exists in the country. Substantial as our progress is, it is nothing compared to that in more advanced countries. The per capita Life Assurance in India is Rs. 25 against Rs. 8,365 in the United States; Rs. 6,647 in Canada; Rs. 1,840 in the United Kingdom; and Rs. 327 in the United States. The Per Capita Life Assurance in India is Rs. 25 against Rs. 8,365 in the United States; Rs. 6,647 in Canada; Rs. 1,840 in the United Kingdom; and Rs. 2,544 in Australia. The total Life Assurance business in force in India is less than

10 per cent of the national income, as against 95 per cent in the United States; 108 per cent in Canada; 51 per cent in the United Kingdom; and 47 per cent in Australia. The target of Rs. 8,000 crores to be achieved in 10 years' time, would mean only a policy of Rs. 1,000 per family, or a premium of about Rs. 50 per year, per family.

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

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

New India's Record

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

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

The Triennial Valuation Report ending 31st December 1953 shows a handsome surplus of Rs. 1.57 crores from which Rs. 11.6 lacs has been credited to Shareholders' Account. A bonus of Rs. 14 per thousand on Endowment Assurance and Rs. 16 on Whole Life Assurance was declared during the year. Policyholders can

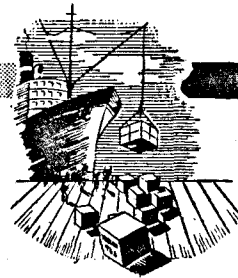
look forward to still higher bonuses if the present rate of progress continues.

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

The Board recommended a dividend of Rs. 2½ per share after making adequate provision for taxation and other reserves. The total funds of the Company now stand at Rs. 30.58 crores. Mr. Shroff expressed the hope that the shareholders will approve the conservative policy of the Directors in order to provide increasing security to the widening clientele.

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

India's Tea- India's Wealth



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

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

PST 124

Handicrafts: Not for Export Only

Sankho Chaudhuri

THE problem of artistic handicrafts is to give to the craftsmen better wages and find out how many more people can be absorbed by the existing crafts, what the possibilities are for new crafts to develop to meet our demands and what new uses can be found for those old art forms which have become obsolete due to changing conditions of life.

The first step, then, would be to undertake a survey of these crafts and find out how many persons are employed by each craft and its branches, what their average earnings are etc., who the normal purchasing agents are, whether it is possible to substitute these agencies by Government, or co-operative agencies. This is not an easy task, but I wonder if an attempt has been made along these lines. We have not so far known of any such venture, and our knowledge of crafts is still very much dependent on Birdwood's *Artistic Handicrafts*, or T. N. Banerji's book on the subject.

We should also make up our mind as to whether we want these crafts to be perpetually dependent on foreign export, or whether they should satisfy our needs first. I mean whether we should try to educate the craftsman about our present needs (changed fashion and taste) and educate our people about the right type of thing to purchase and so on.

I do not think any artist can live without getting any response from his own society, always looking outside for inspiration and appreciation. It would be unfair to the artist to put him in this plight and his condition will be pathetic indeed. The Japanese curio export industry or the pseudo-Egyptian stamped leather goods sold in Suez and Port Said are glaring examples of this sordid state of affairs. We have seen partly this very unfortunate thing happen in a more dishonest manner in Kashmir where the cottage industries products exported include negro heads and Javanese boatmen and so on. If the products are normally those that are to be consumed at home, the patterns and designs should be adapted or changed as to suit our changing taste. When I say this, I certainly do not mean the cheap imitation of imported goods as is being done in some parts such as clay copies of Japanese cellu-

loid dolls in Kalighat or plastic goods turned out in Bombay.

This will naturally bring us to the function of the existing crafts and technical schools like those in Jaipur, Lucknow, Trivandrum, Bombay and Calcutta.

The function of these schools should not be to turn out half-baked craftsmen, to lower the standard of skill and beauty, and add to the pressure on these traditional crafts, when already it is a problem for the existing craftsmen to make a living. These crafts centres should provide laboratory facilities to the traditional craftsmen, where a refresher course in drawing, painting, and the elements and principles of designing would improve the general taste of the craftsmen so that they can learn how many of our old art forms are obsolete and how many can be remodelled to suit our taste. Nowadays craftsmen cannot afford to neglect the use of up-to-date implements to turn out better work in a shorter time, so that well finished products can be put up on the market which will not be prohibitive in price. The use of electric tools, wherever power is available, should not be discouraged.

Thus our own traditional craftsman will come back re-orientated from the craft centres better equipped to get adjusted to our society, and will feel less helpless. Today in order to meet the demand for cheaper goods he is compelled to turn out ten articles a day of indifferent quality to be able to make a living.

It is well known that our art pattern is not realistic. It is the quaint abstract quality in our design, which without being purely geometrical (like Arabic or Islamic) portrays all nature such as flowers, birds, animals or human figures in delightful adaptations. It is this quality that is appreciated by our 'cultured' or sophisticated sections and by the foreigners alike. Indian toys thus become unique in quality that is not realistic by any standards.

It was when the British administrators in the old days wanted to send out 'models' of projects etc., that a fashion started in Calcutta, Lucknow and elsewhere to make realistic dolls, and strangely enough, colonies grew up at these places of

craftsmen who drifted to the realistic fashion, who at times spoiled the character of Indian art products. According to us, their work lacks the 'toy quality' as we understand it. If we have centres to utilise their talents—and we teach them elements of architecture—they can be very useful in turning out models of dams, and other constructions, etc., which are nowadays so much in demand. It is in such utility products that their skill may be best employed.

Emporiums can be started in towns and big village centres for two purposes. First to display a collection of good specimens of artistic crafts, so that their function will be that of museums, where the craftsman can get an idea of what his brother artist is doing in other parts, and will be inspired to keep up his own standard. And second, these emporiums can work as purchase centres of the local crafts. It would be ideal if these emporiums could be manned and managed by co-operatives of craftsmen, thus eliminating middlemen who are not art-minded and whose only aim is to make money and sell anything that has a possibility for sale and profit. Why I say this is because in Banaras or Jaipur the craftsmen are just employees of business men, or get advances from them on the promise of supplying any quality and design the business men ask for. If you go and ask them why the colour they use is becoming so loud and cheap, why they are taking to 'filmi' design and abandoning the rich designs of olden days, invariably the reply would be that their 'sheths' want it that way. If you ask the 'sheth', he will tell you that no other design sells these days. I know many customers who have resigned themselves to the debased taste of the age and say, 'one has to be satisfied with whatever one gets'.

There is another aspect of purchase worth taking note of. The purchase organization should avoid buying from one party or individual beyond a certain amount or else these people will either turn middle men, give up their work, collect from others and take their commission, or their tendency will be to recruit some of their own people or raw people, and set up a small pro-

prietary concern. Either way, the purpose of cottage industry, better distribution of money and employment will be defeated. While discussing purchase it will not be out of place to warn about the Government procedure in the matter of purchase or sale. Quite a few craftsmen refuse to sell to Government Emporiums, because of their lack of men and time to turn up at the headquarters at least half-a-dozen times before they realize the money. This may be an exaggerated fear, but is not unlikely to happen.

If a proper survey is carried out and facts gathered about the existing centres of our old crafts, it will be found that many crafts which existed in the late 18th century and which Sir John Bird Wood mentioned, do not exist any more, such as wood carving in Ahmedabad or Gujarat and lacquered work in Surat or leather parchment vases and flasks in Jodhpur or pottery in Ranigunj etc. We can then find out what new centres can be added to supply our present-day need.

But before that, we must divide categories of artistic handicrafts also. There are some which are necessary articles, essentially utilitarian in character, and there is a demand for them. There the question of improving design would mean reaching a new class of people for sale or appreciation.

In this class come woven textiles (the most well known and most advertised Indian handicraft known) and 'mat making', and to a smaller extent, pottery. Mats serve mostly a local demand all over South India and East India but the demand for artistic mats is extremely limited.

Pottery comes next. The demand for pottery is local, as it is not easy to transport; and as the need is very special and elementary, the scope for improving shapes or extending the market is also very limited. If we want more people to be absorbed in pottery, we have to find out articles which can be made in clay, which are not so far made in clay. Making of flower pots, jars and tea pots on a large scale is also not possible, except near big towns where there is a demand for such things.

If we look into old records or the museums, we will find that once there existed centres of artistic pottery which have ceased to produce anything today. This is particularly noticeable in the north, and the place of such pottery is taken by metal

ware, and particularly by aluminium vessels and containers. When a country is industrialized and the use of metal ware is gradually withdrawn from daily life, only pottery can fill its place, but this has to be glazed earthenware or stoneware articles. Therefore, there is a future for this industry near good clay deposits in Gujarat or Moonghyr or Raniganj. Glazed pottery on a cottage industry scale is not feasible in this country because of the huge outlay of money needed for erecting kilns for baking. If co-operative kilns are set up, and more centres like Kharapur in Belgaum are opened, there is scope for more people taking to this ceramic industry, so far most neglected, and almost extinct, excepting on a curio manufacture level at Jaipur or Khurja. Here, however, only artistic pottery can survive; otherwise there will be a clash with commercial factories which produce on a mass scale. High tariff and restriction on imported chinaware will also be necessary.

Toymaking has been a spare-time activity of the potters and carvers. Indian potters do not ply the wheel during the monsoon and their women folk utilize their idle time for making toys. Plastic toys made in imitation are a real enemy of the toymaker and are bound to lower their taste. It is as necessary to control imports as to discourage factory production of toys.

The time has come when the manufacture of gods and goddesses should be substituted by 'playthings' for children and in this direction, the proposal for a 'Dolls' centre' will not be an unworthy experiment.

The success of handicrafts in the last analysis, however, will depend on our ability to combine utility with art and to make art a vital part of our life, something to live with, and not admire from a distance.

Wood carving flourished in Gujarat and Nepal not because there was a great demand for wooden figures, but because wood was used as a building material, and hundreds of carpenters found employment in a city, and some of them in spare time utilized their leisure in work that pleased them. These carvings won the admiration of the persons building the houses, and thus we find beautiful carved grills, doors, balconies etc.

If cast iron railings are used today in cement buildings, we can try and substitute them with wrought

iron railings or grills, thus finding new use for skill and encouraging better taste.

If people only think how many of the daily household articles can be made better and more tastefully than the mass manufactured goods sold in towns, there will be always scope for an artisan to come in and do something, adding variety to the monotony of life and jobs for the needy and deserving.

While on the subject of jobs, it may not perhaps be out of place to stress that the employment potential of handicrafts is about the lowest among the cottage industries. So, if we are to revive handicrafts, attention has to be paid to designs, training and organisation on the lines discussed above, irrespective of the employment opportunities that may result from developmental efforts. This is to say that Shri K. C. Reddy was clearly quite off the rail in talking only of employment, when addressing the Handicrafts Board.



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Company Notes

Industrial & Prudential

THE working results of the Industrial and Prudential Assurance Company for the year ending 31st December 1954, show considerable improvement in the business transacted: out of the proposals valued at Rs. 5.28 crores received during the year, proposals amounting to Rs. 4.59 crores resulted into policies, the corresponding value of policies for 1953 being Rs. 3 crores. The aggregate value of life business in force at the end of 1954 was Rs. 23.72 crores, out of which reinsurances accounted for Rs. 1.94 crores.

There has been a slight increase in claims by death paid and outstanding at the end of the year at Rs. 12.18 lakhs against Rs. 11.38 lakhs in 1953; claims by maturity similarly rose from Rs. 31.28 lakhs to Rs. 34.57 lakhs.

Premium income of the company increased from Rs. 108 lakhs in 1953 to Rs. 115 lakhs at the end of the year under review; but the expense ratio has gone up from 25.8 per cent to 28.6 per cent of premium income during the same period.

The total investments of the company valued at cost at the end of 1954 amounted to Rs. 5.18 crores, out of which Government and approved securities accounted for Rs. 3.37 crores. Their value at market price amounted to Rs. 4.93 crores, showing a depreciation of Rs. 25 lakhs. But this is adequately covered by the Reserve for depreciation on Investments which stands at Rs. 35.82 lakhs.

The directors have recommended the payment of a dividend of Rs. 2-4 per share of Rs. 50 (Rs. 6 called up) for 1954, out of the shareholders' dividend reserve fund.

Western India Life

THE Western India Life Insurance has been improving its business from year to year and the new business written by the company during 1954 totalling Rs. 4.06 crores is a remarkable advance on Rs. 2.76 crores in the previous year. Claims paid including outstandings, during the year under report, amounted to Rs. 32 lakhs, the experience of the company in regard to death claims being quite satisfactory. Life assurance Fund at the end of the year is placed at Rs. 6.96 crores. The gross expense ratio of the company for 1954, is estimated at 25.8 per cent of premium income, and is regarded

as satisfactory and compares favourably with the experience of other companies.

The market value of the investments of the company at the end of 1954, amounted to Rs. 5.77 crores as against the book value of Rs. 5.89 crores, showing a depreciation of Rs. 12.8 lakhs, but this has been fully covered by the Investment Reserve Fund which stood at Rs. 16 lakhs at the end of 1953.

The Directors of the Company have recommended the payment of dividend of Rs. 25 per share of Rs. 100 (Rs. 50 called up) free of income tax, out of the Dividend Equalisation Reserve.

Of the two subsidiary concerns in which the company held interest, viz.

Impressive Performance!

New Business Paid for 1953

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Rs. 132,500,00

Excellent openings for capable and influential persons in various areas.

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(Estd. 1919)

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BOMBAY.

Managing Director:—
I. U. PATEL B.A.

Chairman:—
P. U. PATEL
B.A., B.Com., (Lond.)

Western India Trustee and Executor Company Ltd. and Vima Mudrak and Prakashak Ltd., the latter ceased to be a subsidiary during the year under review. The other subsidiary has been doing good business and has declared a 4 per cent dividend for 1954.

Bombay Co-operative

THE twenty-fifth annual report and balance sheet and accounts of the Bombay Co-operative Insurance society for the year 1954, reveal satisfactory progress in its business. The society has written new business valued at Rs. 1.10 crores compared to Rs. 0.86 crores in the previous year. The total life business in force at the end of the year under review amounted to Rs. 5.64 crores, of which Rs. 20.07 lakhs are re-insurances.

Claims paid, including outstanding, during the year under review amounted to Rs. 7.5 lakhs, as against Rs. 6.73 lakhs in the previous year. Mortality experience has been showing improvement, and of the claims paid out in 1954, claims by death accounted for Rs. 1.8 lakhs as against the previous year's figure of Rs. 2.1 lakhs.

Premium income earned by the society in 1954 amounted to Rs. 29.27 lakhs, net of premium paid on business reinsured by the society. Overall expense ratio has shown a slight increase from 27.01 per cent to 27.14 per cent of net premium income at the end of the year, while the renewal expense ratio is more or less stable at about 13 per cent.

The directors of the society propose to declare bonus at the rate of Rs. 14-8-0 on endowment with profit policies and Rs. 17 on whole life with profit policies, as recommended by their Actuary.

British India General

DESPITE the fact that 1954 was a difficult year for Indian insurers and there was a reduction in the net profit earned by the British India General Insurance Co. Ltd., its working results, on the whole, continued to be satisfactory.

Net premium income of the Fire Department in 1954 amounted to Rs. 33.56 lakhs as against Rs. 32.76 lakhs in the previous year. Net losses paid and outstanding during the year amounted to Rs. 10.6 lakhs and formed about 31.6 per cent of premium income as against Rs. 11 lakhs during 1953. An interesting feature of the

claims experience is that most of the claims related to overseas business. Out of the commission earned by the Department, after meeting all expenses, an amount equal to 40 per cent of net premium was added to the Reserve for unexpired risks and Rs. 4.1 lakhs to additional Reserve. The balance of Rs. 3.7 lakhs was transferred to the company's profit and loss accounts, against about Rs. 3.8 lakhs in 1953.

The company earned Rs. 6.87 lakhs from its marine business in 1954, as against Rs. 6.1 lakhs in the previous year. Claims paid and claims outstanding at the end of the year amounted to Rs. 3.9 lakhs, and formed 56.7 per cent of premium income. After meeting all expenses, a sum equal to 40 per cent of the net premiums was allotted to reserve for unexpired risks, and the balance of Rs. 4.4 lakhs was carried to additional Reserve.

Net premiums in the Accident and General Department amounted to Rs. 20.88 lakhs as compared with Rs. 18.97 lakhs in the previous year. Net losses paid and outstanding amounted to Rs. 8.57 lakhs or 41 per cent of the premium income. After charging all expenses and providing Reserve for unexpired risk and additional Reserve, the balance of Rs. 88,604 is transferred to Profit and Loss Account.

In the Life Department, of the new proposals received during the year, valued at Rs. 1.17 crore, proposals amounting to Rs. 97.8 lakhs resulted in policies. The total Life business in force at the end of 1954 was Rs. 2.51 crores.

Net premium income earned by the Department was Rs. 12.24 lakhs, while net claims paid and outstanding amounted to Rs. 42,462. The life insurance fund at the end of the year under review stood at Rs. 24.92 lakhs, as against Rs. 17.3 lakhs in 1953.

Out of the profits of Rs. 6.06 lakhs earned by the company during the year, a sum of Rs. 2.15 lakhs has been provided for taxation, Rs. 1.82 lakhs has been transferred to Reserve for doubtful debts, Exchange Reserve etc. and Rs. 25,000 to the current account of the Life Department, and the company earned a net profit of Rs. 3.08 lakhs for the year 1954, as against Rs. 3.23 lakhs in the previous year.

The directors have recommended a dividend of 11½ per cent or Rs. 1-2-0 per share of Rs. 50 (Rs. 10 paid up) free of tax, as against 10 per cent in the previous year, which will

absorb Rs. 2.25 lakhs. The balance of Rs. 82,590 will be carried forward.

Indian Trade and General

THE Indian Trade and General Insurance Company Limited maintained its trend of continued progress in 1954 also, and set up a new record in the collection of net premium income in its three lines of business—Fire, Marine and General. The total premium income of the company in the year amounted to Rs. 57.1 lakhs, compared with Rs. 51.5 lakhs in 1953; and the increase in premium was uniformly distributed over the three departments. Earnings from interest and dividends, less tax, amounted to Rs. 1.87 lakhs, and the total income amounted to Rs. 58.99 lakhs. Against this, claims amounted to Rs. 29.03 lakhs, commission, expenses of management and foreign taxes to Rs. 2204 lakhs and other debits to Rs. 1.03 lakhs, leaving a balance of Rs. 6.88 lakhs. With the carry forward from the previous year, the credit balance amounted to Rs. 6.98 lakhs. Out of this amount, Rs. 5.57 lakhs or 97 per cent of premium income have been appropriated to reserve for unexpired risk and Rs. 34,169 to provision for taxation, leaving a balance of Rs. 1,07,211, out of which a sum of Rs. 90,000 is proposed to be paid out in dividend at the same rate of Rs. 1/8 per share of Rs. 100 (Rs. 40 paid up) as in the previous year.

In the working of the departments, particularly notable is the reduction of 6.9 per cent in the Claims Ratio at 39.5 in 1954, as compared

with the previous year, while the net premium income increased from Rs. 25.9 lakhs to Rs. 27.6 lakhs during the same period. The reduction in the loss ratio was due mainly to improvement in claims on the fire business underwritten in India.

The company's experience of marine business brings to light the kind of hazard that underwriting in this field has to face. The loss of three coastal vessels, among others, led to a sharp rise in the loss ratio from 53.6 per cent in the previous year to 60.1 per cent in 1954. This was barely compensated by a 2.5 per cent reduction in commission and expenses ratio, from 29.4 to 26.9 per cent. Considering the underwriting hazards of marine business, the rise in the loss ratio was not of much significance. A significant feature was the increase in the premium income abroad; that the company was able to increase its marine business elsewhere, while it was hard put to it to maintain its business in India, perhaps gives as good a measure as any of the intensity of competition in this field.

In contrast to the marine business, in miscellaneous insurance, foreign claims experience was unfavourable, and the loss ratio rose from 45.3 per cent in 1953 to 63.9 per cent in 1954 owing to heavy claims in certain overseas territories. The expense ratio, however, came down from 42.8 per cent to 39.9 per cent.

The increase in the premium income of all Departments of business has necessitated the strengthening

of reserves against unexpired risks, and the company has accordingly proposed an allocation of Rs. 5.5 lakhs out of the revenue for the year.

In the statement accompanying the accounts of the company, the Managing Director observes that the company has "emerged from a year, which has not been without its difficulties, with strengthened reserves". On this basis one could reasonably expect that the company bids fair to improve upon the current trend of business expansion.

New India

STILL further increases in Fire, Marine and Miscellaneous insurance business and a phenomenal rise in the new sums assured under life insurance policies are revealed in the accounts of the New India Insurance Co. Ltd., of Bombay (General Manager Mr. B. K. Shah, F.I.A.) for the year ended December 31, 1954. The increases are substantial and reflect great credit upon all those responsible for the progress at a time when so many extra difficulties have to be overcome in the quest for new business.

Around Calcutta Markets

JUNE was a good month for the Calcutta Stock Exchange. Throughout the month, equities moved up. Two developments helped the continuous improvement in equity values in the last month: Indian Iron, the most speculative scrip on the stock market here, resumed the upward journey. Strength in selected Engineering shares egged the market on to higher levels.

Cheaper money was contributory factor to the spurt in equities. This is a psychological influence which usually is in operation at this time of the year. Funds tied up in the financing of crops begin to be released at this time of the year. Money begins to flow from the countryside to the towns. Thus, more money becomes available to the money markets in the cities. In this week, there has been a decline in inter-bank money rates in both Calcutta and Bombay.

Even as the spurt in equities throughout June was not unexpected, the Government's loan announcement was also not unanticipated. It is traditional for New Delhi to enter the loan market as the slack season starts. Prospects for the new loan are bright. But the terms and con-

Record Life Business

The new life insurance business during the year reached an all time record figure of Rs. 43.42 crores as against Rs. 19.91 crores in 1953 and the life fund increased by Rs. 3.46 crores to Rs. 23.92 crores. Premium income increased from Rs. 4.74 crores in 1953 to Rs. 5.62 crores in 1954. Claims absorbed Rs. 84.82 lakhs while commission and expenses of management took Rs. 1.77 crores. The over-all expense ratio rose up to 31.9 per cent on account of substantial increase in the new business but renewal expense ratio registered a fall from 14.2 per cent in 1953 to 12.2 per cent in 1954. Total life insurance business in force at the close of the year stood at Rs. 125.29 crores.

General Insurance

There has been an all round increase in the premium income of the fire, miscellaneous and marine insurance business of the company while claims experience of these classes of business have been favourable in 1954. The total premium income from fire, miscellaneous and marine insurance business in 1954

amounted to Rs. 4.36 crores as against Rs. 3.89 crores in 1953. An increase of Rs. 46.9 lakhs under this head is more significant as it is secured in the face of changing economic and trading conditions in a year of falling prices and reductions in the rates of premiums. The table below shows premium incomes and claims ratios respectively of fire, miscellaneous and marine business of the company in the year under review.

	1954	
	Premium Rs. lakhs	Claims ratio ½
Fire Department	250.31	36.1
Miscellaneous Dept.	85.52	49.8
Marine Dept.	100.70	74.1
Total	436.53	

After meeting the expenses and claims and maintaining premium reserves for unexpired risks, a total sum of Rs. 44.72 lakhs was transferred to the Profit and Loss Accounts from general insurance business. A dividend at Rs. 2/8 per share was recommended as against Rs. 2 per share paid in 1953.

Spurt In Equities

Conditions of the new loan indicate that it is the intention of the Government to stabilise medium-term interest rates at assessed 3½ per cent. New Delhi's borrowing programme in the next five years is heavy. Even so, money is not to be made too cheap so as to curb the possible inflationary effects of public expenditure.

In recent years, loan floatations have had an adverse effect on equities. In the last two financial years, the Government's borrowing programme has been heavy due to enlarged deficit financing. Such heavy withdrawals tended to starve stock markets of funds. Due to earlier deficit financing, the resources of the money market and of the banking system have gradually increased. Besides, the net withdrawal of funds through the new cash-cum-conversion loan will be small. That is why, the loan floatation has not had any "bearish" effect on equities. It should not, however, be ignored that the Government's loan programme this year is heavy.

Indian Iron

Spurt in Indian Iron is mainly due to speculative factors. There is a considerable "short" interest in this

scrip. Those who sell "short" are rich speculators. Budla charges, in Calcutta, they call it "satta", are always in favour of sellers. Monied speculators thus find it profitable to sell "short" to earn interest. This operation is, of course, always subject to certain conditions. It cannot be carried on for long against the primary market trend. And if some "bulls" can secure the needed finance, they are able, more often than not, to squeeze "bears" out.

This is what is happening in Indian Iron now. Improvement in Tata Iron is helping the "bulls" to push prices up. "Bulls" are exploiting the situation quite well. Output at the Burnpur Works for the year to March last was higher than that of the previous year. Indian Iron's financial position is strong. There are rumours that the dividend will be raised. That remains to be seen. Last year, the Chairman informed the shareholders that the Company would be able to maintain dividend. From this, the market then concluded that the expected increase in profits would be utilised to service prior charges and to strengthen the reserves, and would not be frittered away in paying higher dividends.

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The Economic Weekly

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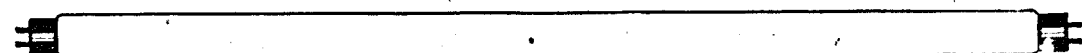
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Education Not For All

WHAT is the cost of sending all of India's children to school? To be able to answer this question, one has to know at what age children are to go to school and for how long. Is the school-going age to be 6 to 14 as in Western countries? Or as maturity comes earlier in the tropics, and as the luxury of longer schooling is possible only for the richer and colder countries, could the limit be 5 to 11? Taking the average period children are to be at school, one can work out the number of children in this age group. Assume the average cost per child to be so many rupees per annum—this, again, will depend on many things, among others, on the number of pupils to be put in charge of one teacher, and the salary scale for school teachers. One could work out on this basis the bare recurring cost of schooling. To this has to be added certain incidentals such as text books, if they are to be supplied free, and they have to be supplied free—and other expenses of running a school, besides the salary of school teachers. Add to this the capital cost of school buildings and the minimum of equipment, books, furniture, drawing boards, globes etc. which a school must have, and you get an idea of the cost of compulsory primary education, the attainment of which in 10 years, i.e. within the Second Five-Year Plan period, is one of the directives under the Constitution. The directive may not be mandatory, but it is there in the most precious document cherished by the nation which incorporates the aims and aspirations of a whole people. This directive will not be honoured in the specified time.

The directive, however, goes much beyond this. For it does not leave the school-leaving age to be decided according to convenience or the availability of funds. It expressly lays down that:

"The State shall endeavour to provide, within a period of ten years from the commencement of this Constitution, for free and compulsory education for all children until they complete the age of fourteen years."

So it is not free primary education alone that the State will have to provide, but also secondary education. Even this is not enough. For, another directive enjoins upon the State, "within the limits of its economic capacity and development" to make effective provision for securing, among other things, the right to education". In whatever manner one may interpret this directive, it cannot fall far short of making education free, and free up to the highest stage, for students who show proficiency for it. Free education does not mean free of college fees alone; maintenance of the student and all other expenses are obviously included. Though we are living in the midst of revolution and a professional cricketer has actually been admitted to associate membership of the M C C, some one has yet to come up through the educational ladder entirely at the expense of the State. When that happens perhaps politics and society will begin to have that leavening of the socialistic pattern that has been on everybody's lips. Education today, by and large, is reserved only for the privileged few, and it is becoming more and more expensive day by day. It is one of the striking paradoxes

of the time that despite the right of education granted to all and the directive for making primary education compulsory and free, notwithstanding the progressive adoption of Hindi as a matter of State policy, the queues waiting for admission to English medium schools keep on lengthening, and the demand for the most expensive schools daily grows more insistent while the standards of ordinary schools deteriorate. More of Bombay's school children are English speaking today than was the case 10 years ago. This may not be typical of the whole of India, but the rush for admission into English medium schools is an all India phenomenon.

First things, however, must come first, and we should at least know the cost of primary education, if it is to be made free and compulsory. No one seems to know for certain what it will be, for no round figure has been put up as a target to be attained in successive stages. The Education Ministry's scheme under the Second Five-Year Plan does not aim at more than ensuring that 75 per cent of the children between 6 and 11 may go to school (not putting the 75 per cent to school) as against the present provision for 50 per cent of this age group. In the secondary stage, for the age group of 11 to 14, provision is demanded in the Second Plan for 30 per cent of boys and girls to go to school by 1961 against the present 15 per cent. At this rate, in how many years will the directive be implemented in place of the 10 years time-limit set for it?

True, in putting the question like this, one may be accused of making simple things complex. Was not all this worked out in the Sargent scheme many years ago, even before the British left? But many things have happened since then, and educationists not only in India, but in other underdeveloped countries also have come to realise that on the ground of cost alone, if for no other reason, the type of primary and secondary education so far contemplated cannot be extended to cover even a substantial proportion of children of a particular age group, not to speak of all. Hence, educationists from Asian countries, who met in Bombay under the auspices of the UNESCO some years ago, seriously thought of looking into the alternative system of basic education.

Basic education has also been on everybody's lips. It keeps popping

up time and again in the Education Ministry's Plan. That Plan provides that of the additional elementary schools that will be set up under the Second Plan, 50 per cent will be basic schools.

So there it is, the complete picture. Like hand and household industries and factory production, the two must be reconciled to peaceful co-existence. Threat of displacement calls for a measure of protection for the cottage sector; in the case of basic education, who is to be protected from whom?

It was not the superiority of its educational theory however which commended basic education to other underdeveloped countries, but the mundane economics of it. Not many children can be put to the old type of school. Let them, then, have schooling in a manner which will equip them for life and yet not cost too much. It is finance which in the last analysis keeps down the pace since, as is always the case, there are more pressing demands on it.

Education figures in two ways in the Draft Plan-frame which has been accepted provisionally by Government. Among the general aims and objectives listed in Prof Mahalanobis's paper are the following:

"There must be a rapid increase in literacy, improvement in the pay of teachers and better organisation of education at all levels.

"On the basis of merit, able students, at all levels and in increasing numbers, must be provided with adequate living and educational expense to enable them to receive education up to the highest standard according to capacity without regard to sex, creed, caste, or social status of the parents. Special educational scholarships and facilities must also be provided for women and backward groups and communities."

Here is at long last the promise, if it can be implemented, of that evening which would be symbolic of a socialistic pattern of society. Going through the Education Ministry's Plan, one expects to come up on the same trail somewhere. But though Professor Kabir begins with the preamble that "at present educational opportunities are by and large dependent upon the economic status of the family" and goes on, inevitably, to recount the percentage of students at Oxford and Cambridge who are in receipt of public assistance, he does not seem to follow it up—not

at least in the newspaper reports of the Plan (the Press Information Bureau has not obliged us yet). On the contrary, he breaks off and goes on to the question of "improving the quality of education," for which "better organisation of education at all levels is necessary." Better training and improved conditions of service of teachers is rightly made the main prop for it. For colleges and universities, a three years' degree course to replace the present system of under-graduate teaching is the principal lever. This is going to engage the attention of the Education Ministry during the next Plan, in the course of which some of the existing intermediate colleges will be upgraded and others reduced to higher secondary schools. The promising student who should be able to come up to the top at State expense is forgotten somewhere in the midst of all this.

In the Plan-frame, education comes in in another way, this time not as one of the general aims and objectives, but as an integral part of its working. Much reliance will be placed on social overheads for increasing the purchasing power of the people and for creating additional jobs, and among such overheads, expenditure on education will be a principal item. From the general theory of the Plan-frame, it can be guessed that the magnitude of this expenditure will be large; but how large, it is not possible to say. No estimate has been presented anywhere in money terms, of the target of expenditure intended under this head. So when the Education Ministry comes out with a demand for an allotment of Rs. 1,800 crores, which is about Rs. 350 crores more than in the First Plan, it is not possible to relate this figure to the estimates in the Plan-frame. This applies, of course, to the demands put up by all the Ministries.

A more adequate measure of the cost and the alternative means of attaining it should be presented before the country, if the directive in the Constitution for compulsory primary education is to be realised speedily. What is to be attained has also to be set out clearly and in a forthright manner. For it is high time to free education from the vagaries of State or local finance and to make the same standard of teaching open to all children in India, to whichever State they may belong. This is a minimum demand and it has to be met.

Bombay Clerks Escape Social Insurance

LAST week, the Bombay Employees' Insurance Court, set up under the Employees' State Insurance Act, 1948, gave an important decision, involving a substantial point of law. The court held that clerical employees working in administrative offices of a factory are not covered under the Employees' State Insurance Scheme.

Under the State Insurance Act, an "employee" is defined as a person working for wages and whose work is connected with the work of the factory. The term "work of the factory" is not easy to define, for it is more than somewhat difficult to place the two limits—where the work of the factory begins and where it ends. From a broad point of view, it begins with the purchase of raw materials and ends when the finished goods leave the hands of the management of the factory. If this view is taken, the stores purchasing department, the head office staff (dealing with correspondence relating to purchase, sales, etc.) and the sales department should come under the Act, as all these are connected with the work of the factory. From the narrow point of view, the work of the factory may mean the work relating only to the manufacturing process, i.e., the actual production process. In that case, only the workmen and a few clerks working in the factory will be covered. The Court, it appears, has taken this latter view.

The clerical staff in Bombay have welcomed the decision in no uncertain terms. Their opposition to the insurance scheme can be justified on the ground that they got little in return for their contribution. The scheme makes provision for three risks—maternity, employment injury and sickness. Most of the clerks are males and hence are not concerned with maternity. Being physically away from the manufacturing process, they do not face any industrial hazards and hence do not run the risk of any employment injury. So they have to pay their contributions (at the rate of Rs. 50—60 per year) only for insurance against sickness. With inadequate medical treatment and uncertain cash benefits, the clerical employees prefer to stay out of the scheme.

As the decision involves an important legal point, the Corporation may appeal to the High Court. The legal position remains uncertain in the meanwhile. The clerks may agitate against further recoveries from their salaries, now that such recoveries, which are unauthorised, may be illegal under the Payment of Wages Act. They may also claim the refund of contributions already paid. In short, employees may refuse to pull the chestnuts out of the fire for the Corporation. The Corporation on its part may insist on maintaining the status quo, till it gets the High Court decision. The refund of contributions already paid might not be possible, because of the benefits claimed and received. The resulting picture is one of confusion.

This is rather unfortunate, particularly when the first benefit period has just begun—from 3rd July 1955. The situation may, however, make the Corporation authorities pause and reflect. The State Insurance Scheme is a social Welfare measure and hence should have been widely welcomed, in spite of its compulsory and contributory character. The Scheme should attract insurable persons to its fold and should never be used as a compulsory levy collecting organisation. The finances of the Corporation, collected from employers and employees, can enable the authorities to start measures of medical, social and economic welfare for industrial workers. All insured persons should feel that the scheme is their own and that they would get in return substantial benefits for the contributions they pay. A committee has been recently set up by the Corporation to review its own administration. It is hoped that the Committee will think on these lines and make recommendations to make the scheme attractive to all employees—factory hands as well as clerks.

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Assets	"	"	7.86 crores
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ECONOMICAL MANAGEMENT :			
Provision of expenses in Valuation as at 31-12-1951			18.92 %
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SERVICE TO POLICY HOLDERS :			
Lapse Ratio to Mean Business in force for the years 1951-1953			5.1 %
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V. C. SETALVAD Managing Director			

Weekly Notes

Planning and Printing

PUTTING children to school is not only a matter of finding money for teachers and school buildings. Books and papers are also needed. There is a country-wide scandal today in the matter of production and supply of text-books to schools. Without much planning and advance preparation, many of the States have launched upon the adventure of providing text books for schools. Let us not go into the commercial part of the business—that racket is of hoary antiquity. Here is a case where enlightened public enterprise—who could claim to be more enlightened than publishers of educational books—and intelligent regulation have both failed and come to grief. The solutions suggested range between two extremes. One is to leave it alone, that the Department of Education should neither approve nor prescribe text-books. The choice is to be left to teachers themselves. At best, the Department may publish an exhaustive list of books as a guide, from which a selection may be made, but it will not be obligatory. The solution at the other extreme, to which the States are being driven willy nilly, is for them to take over the job, lock, stock and barrel. Educational officials of State Governments are chasing all around text-book writers, paper manufacturers, railways for wagons and printing presses to get the books out in time. It is not an easy job by any means, what with the text of the books undergoing continuous revision at the hands of many bosses, and books being frequently changed as a result of the authorities not being able to make up their minds on the language issue, for example. Naturally books are not coming out in time. So children attending school are having a gala time of it on the perfectly legitimate excuse that they have no books to read which has the tacit support, it is to be suspected, of teachers who do not know how to teach without books.

For estimating the draft that progress towards attainment of the directive in the Constitution on primary education will make on paper production in the country, there are

no readily available data, but about the capacity of printing presses and the utilisation of this capacity, some statistics may be offered here which, if correct, should give much room for thought. Of the printing capacity in the country some 77.25 per cent. is currently being utilised. So the idle capacity in printing is no worse than in many other industries. But of the capacity that is utilised, some 50 per cent., we are told on good authority, is utilised by Government. This alone should give a fair idea of the volume of printing that the Five-Yea Plan and the bureaucracy that we have built up need to keep them going. We have not entered upon the Second Plan yet. What will happen when we do, with the enormous increase in publicity and propaganda that the Second Plan will call for, is at this stage anybody's guess. All the non-governmental printing that goes by the name of commercial printing, which includes stationery and industrial printing, such as folders, labels, packing material etc. as also newspapers and periodicals which carry advertisements, account for some 22-1/2 per cent. of the present printing. Advertising—this is distinct from commercial printing—takes up another 17 per cent., leaving only 11-1/2 per cent. of the currently utilised printing capacity for educational and other literature.

Paper and Pulp

IT is not surprising, therefore, that paper is one of the industries the expansion of which has been left completely unrestricted in the Draft Plan-frame. The expansion of paper production contemplated in the Second Plan is from 140 thousand to 200 thousand tons, representing an increase of 43 per cent. In view of the magnitudes discussed above, the target appears to be on the low side. With this rate of expansion for paper, there may not be much cause for concern about the future supply of raw materials for the paper industry. But paper mills in India have been relying increasingly on bamboo. And bamboo has so many uses and is needed so extensively for rural housing, fencing and other purposes that if any sizeable rural development programme gets under way, there may

be a bamboo famine in the country. It is good to know, therefore, that the Dehra Dun Forest Institute's Cellulose and Paper Branch has been investigating the possibilities of utilising other indigenous raw materials for the manufacture of paper. Sabai grass is, of course, currently being used by some of the mills. Some other grasses have also been successfully experimented with, if only because of the limited supply of Sabai. Investigations carried out so far seem to suggest sugar cane bagasse as about the best available substitute for bamboo and Sabai. The Institute has developed a method for eliminating non-fibrous pulp from bagasse, but even without this refinement, cheap grade writing and printing paper can be made from bagasse, which more than one paper mill has found a handy raw material. But one wonders what the sugar mills will do for fuel, if all the bagasse goes to paper mills. At this stage, it would be too much to expect the railways to come to the aid of new users or, for that matter, any other potential users of coal—which presumably sugar mills could be, if prices worked out cheaper that way. But the economics of it has so far come in the way of the substitution of bagasse by coal.

Better results may, therefore, be obtained from the utilisation of wood which now goes waste or is burnt as fuel. But, here again, the same problem of transport and substitution of fire wood by coal has to be faced, be it the ubiquitous babul or acacia—whether its bark is used for tanning or not, it supplies fire wood everywhere—or Chir, another of our forest trees, of which not much economic use other than as fuel is being made at present. Chir can be used as raw material for kraft and wrapping papers. At least one paper mill has been started to make paper from it on a commercial scale. It is only the problem of producing rayon pulp that remains to be resolved. Tests have shown that cellulose for paper mills no longer presents an insoluble technical problem.

Education may still get bogged between paper and printing, even if it comes out unscathed from the Finance Ministry's scrutiny.

Higher Steel Prices for Consumers

IN May this year, the retention prices of steel to the main producers were increased by Rs. 54 per ton in the case of Tatas and Rs. 7 per ton in the case of Indian Iron and the prices of both were brought to the uniform rate of Rs. 382 per ton. From the first of this month, the price charged to consumers has been raised by a little over Rs. 20 per ton. This increase, we have been told, is to make available to the Indian consumer larger quantities of imported steel at about Rs. 400 per ton, the price of which, but for this increase, would be about Rs. 200 higher than the Indian price. In other words, it is the intention of Government to subsidise the import of larger quantities of imported steel and to bring the price of such steel on par with domestic price. No one can have any objection to this particularly when a basic material like steel is in short supply. The only doubt is whether this increase will actually be utilised to subsidise the import of steel.

The equalisation fund for subsidising steel import has been in operation for quite some time and crores of rupees have been collected from the surcharge on Indian steel; but there does not appear to have been a corresponding increase in the import of steel. On the contrary, year after year, large amounts have been paid back from the equalisation fund to the domestic producers in periodic adjustments, to meet increases in domestic cost. The Tariff Commission is now examining the case for another revision of prices. The past experience shows that every time the Tariff Commission examined the case of steel, the companies have been able to convince the Commission of their higher cost. If the same thing happens this time also, the present increase in consumers' price is not going to bring in larger imports of steel; for that, consumers will have to wait for another round of increase. The way in which steel prices are going up requires closer examination. The point to be borne in mind is that the lower cost of domestic steel in India to-day is not due to any extra efficiency on the part of the domestic producers. It is due to the natural advantages the country enjoys in regard to essential raw materials like coal and iron ore. The benefits of such advantages cannot be denied to the consumers. About the equalisation fund, Government

should throw more light on how it operates, with particular reference to the amount collected during the last 8 years, the quantity of steel actually imported and the way in which disbursements have been made from this fund. Besides, the steel pool, it is claimed, is a model of successful controlled distribution. People have a right to know how it works.

Investment in Pakistan: U.S. Study

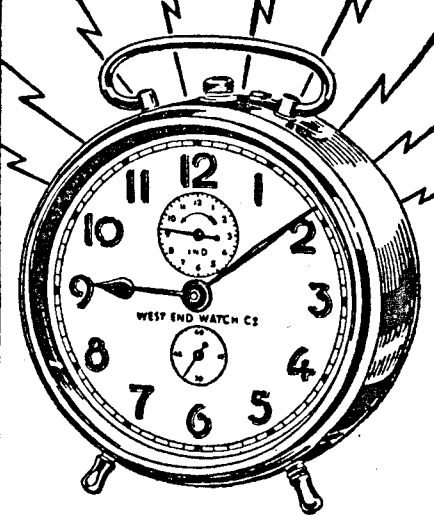
THAT Pakistan has two distinct economies is one of the interesting findings of the US Department of Commerce publication 'Investment in Pakistan.' Another is the firmer entrenchment of British capital in

Pakistan, after the exodus of the Hindus. This hand-book is mainly "designed to bring together in convenient form basic economic and commercial information useful not only to potential investors but also to importers and exporters." A similar handbook about India brought out by the Commerce Department was reviewed in these columns some time ago.

As the report is primarily intended to promote US private investments in Pakistan, it has to deal with almost all aspects of Pakistan's economy and contains a brief survey of its geography, history and people. Among the factors favouring US investment, one is that American

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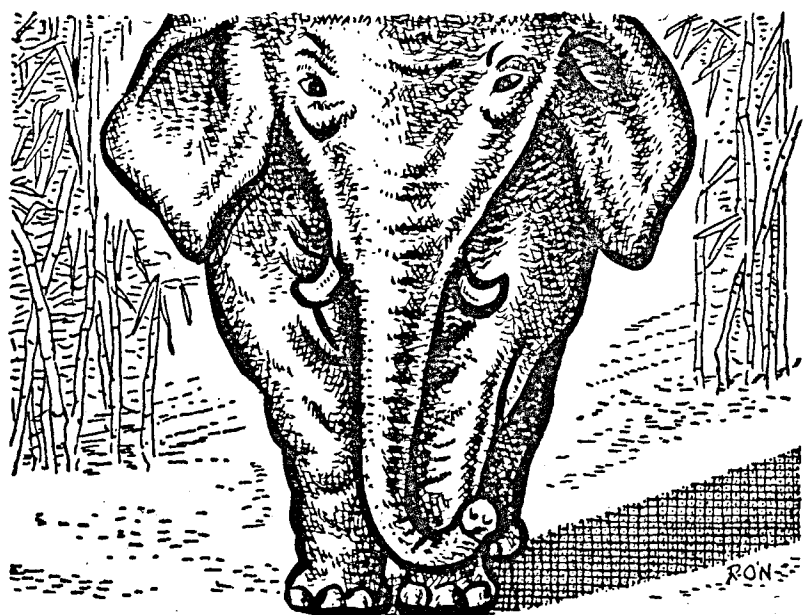
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business men get along well with Pakistani business men, and "unlike their reaction from dealings with many people in the Far East they sense a common denominator of outlook," and the other is that "Pakistanis have a definite pro-Western bias and the Americans are welcomed in Pakistan as friends."

Of the present, i.e., pre-American aid state of foreign investment, the report says that new investment in business and industrial enterprises in Pakistan from January 1, 1948 to September 1952 totalled Rs. 3.4 crores which represents only funds brought from abroad. Of this total, Rs. 2.9 crores came from UK, Rs. 1.5 crores from US and Rs. 30 lakhs from other countries. By June 1953, the total had risen to Rs. 4.3 crores. This, however, gives only a partial picture as this amount excludes re-investment or growth of assets already in Pakistan which is likely to be substantial.

Britain Well Entrenched

THE report makes some interesting comments about the dominance of British capital in Pakistan's economy. "With the exodus of Hindus to India after partition, the position of the British has remained relatively strong. British goods are well-known throughout Pakistan; standards and specifications in use in Pakistan are largely of British much existing equipment is of British manufacture, and technical origin. The interests of considerable number of well-established British

firms in Pakistan have been buttressed by an active High Commissioner, by strong representation in the leading Chamber of Commerce, and by the presence of a number of British advisers in the Government. British capital has participated in several industries in Pakistan, and specific industries have been developed to take advantage of 'Imperial Preference' rates on items such as chemicals, drugs, textiles and metal products. British interests have recently received fresh support in the form of £10 million 10-year credit extended to Pakistan by the United Kingdom to be used for the purchase of approved capital goods manufactured in the United Kingdom." American capital, in contrast, occupies a very minor position. It operates in a few insurance companies, Caltex and Standard Vacuum Oil Companies, a branch office of the American Express Co., a General Motors truck and bus assembly plant and Coca Cola plant at Karachi. In view of the under-developed state of the economy and the way things have been going—Pakistan has not yet been able to finalise a five year plan—it should be fairly obvious that the potential rival for US capital is not the ill-equipped and inexperienced Pakistani business men but the well-entrenched, powerful British. And the report makes no secret of it.

Hamlet without the Prince

Curiously enough, the US Department of Commerce study does

not bother to explain why in spite of the advantageous concessions granted to foreign capital and the very friendly relations that have existed between Pakistan and US on a governmental level, no private investment has flowed from US to Pakistan.

There are a number of interesting observations, some more provocative than sound. One who is familiar with the usurious rates of interest extorted by the ubiquitous Pathan money-lenders (who are also Moslems) will find it difficult to accept that credit facilities in Pakistan are not adequate because "Moslems are prohibited by the Koran from interest-taking." If that is really so, how on earth is this idyllic state ever going to solve its problem of supplying adequate credit?

More than anything else, an investor is primarily concerned with the safety and security of his investment. Scope of profitability and other favourable factors come next. The conditions, past and present, in Pakistan and the rapid succession of weak unstable Governments is not likely to inspire confidence in the mind of the investor either in Ohio or Noakhali. Absence of any mention of this not unimportant issue in the whole report is rather a significant omission when the specific object of the publication is to attract the US private investor.

From the London End

Monopoly Practices and the Public

RECENTLY the London County Council called for tenders for the supply of steel-frames for a block of flats to be erected. Tenders were received from ten firms each identical to the penny—£50,283-19s.-3d. The Glasgow City Council had a similar experience. The City Council of Wellington in New Zealand received identical tenders from several British companies for the supply of electric cable, and the eight British tenders for electrical equipment to the Australian Snowy Mountain authority were all the same. It was clear to these public authorities that their established system of open competitive tender was being undermined by the existence of price rings in various British industries. The ordinary consumers however do not have the same opportunity of witnessing

price rings at work as the public authorities, and yet it is a vast body of ordinary consumers who are virtually held at ransom in their daily endeavour to get value for their money.

The Monopolies Commission has now issued its first general report, *Collective Discrimination* (Cmd. 9504), on the general subject matter of collective agreements among traders at various stages in the distribution process. The eleven previous reports of the Commission have each been concerned with restrictive monopoly practices in a particular trade. The current report covers a wide range of collective practices all of which involve discrimination in favour of or against certain customers and suppliers. The

Commission was not asked to consider trading methods as such; what it had to advise on was whether collective agreements among traders operate in the public interest or not. By a majority of seven to three, the Commission came down firmly against these restrictive trade practices.

Types of Discrimination

Out of the "bewildering" variety of restrictive agreements encountered, the Commission was able to identify some six clear types for purposes of analysis. More than that, it was also able to list over 80 goods of varying importance, each of which was affected by such agreements. In some of the trades, entry of new firms was restricted by requiring new entrants to comply with

rules and regulations which placed the older members of the trade in a somewhat entrenched and monopolistic position.

Of the six types of collective trade discrimination encountered by the Commission, those practised by the sellers were the most important. These take two principal forms: preferential prices and exclusive selling. By resort to "trade terms" and "wholesale terms", sellers were able to establish what the Commission calls a "favoured class of buyers". These favoured buyers are selected carefully by the trade organisations adopting these practices. The criteria for treating some distributors as the favoured ones often include some restriction on the stage of distribution, in which a distributor may engage. There are other pernicious criteria. Dealers in dental goods were required to have a minimum capital of £3,500 (unless they had five years' experience in which case a minimum capital of £1,000 was prescribed) before they could obtain supplies of dental goods. In the wall-paper trade, a minimum turnover is required (this virtually prohibits new-comers) and the newspaper trade prescribes a "distance limit". Until January 1955, the Proprietary Articles Trade Association had a rule which took into consideration "the number of wholesalers already existing either in general or in a particular district". The Commission's finding and conclusion in this regard was that "the most restrictive agreements are those in which favoured buyers are listed and sellers agree to sell exclusively to them or give them preferential margins... We conclude that in general they operate against the public interest".

Exclusive Buying

Another important category of discrimination is where buyers are obliged to make exclusive purchases from sellers discriminating in their favour. The agreements are made between sellers and buyers or between sellers as a group and buyers as a group. In these reciprocal agreements there is normally provision both in the form of discrimination and of selection of the favoured buyers. Where the suppliers' discrimination takes the form of a price concession to distributors, the concession is always given by way of a fixed discount, usually from the common prices agreed to by the manufacturers. The main argument against these collective agreements

in the words of the Commission is that "they create excessive rigidity and go far to eliminate possible competition from traders outside the group". And here again the conclusion is that these collective agreements operate against the public interest.

Re-sale Price Maintenance

The widely practised agreement among manufacturers to establish wholesale and retail prices for their products, more usually termed "re-sale price maintenance," is analysed in great detail in the Commission's report. The Commission found that under resale price maintenance agreements, the resale prices frequently included both the retail price to be paid by the consumer and the wholesale price paid by the retailer. Whatever its advantages, resale price maintenance by individual manufacturers acting independently of one another restricts the ability of the distributors to compete with one another in price. It, therefore, also restricts the consumer in his freedom to choose between different methods of distribution. Both these restrictive effects are intensified by agreements between manufacturers which oblige the parties to the agreement to fix the resale price of their goods; and they usually have the further restrictive effect of compelling manufacturers, who might otherwise not prefer to sell their goods in this way, to fall in line with the majority. The Commission saw considerable disadvantages in all these restrictions and came down heavily against such agreements as being against the public interest.

Exceptional Circumstances

While the practices of collective agreement to discriminate in trade were generally condemned, the Commission conceived of certain "exceptional circumstances" when these practices might be justified. These circumstances were essentially concerned with the ability of consumers to judge standards of service and to assess whether particular practices were being worked in their favour. There were two other exceptional circumstances: as a means of protection against imports and where the agreements sought to protect small firms against large manufacturing concerns.

It was on the issue of what should be done about the restrictive practices that the Commission's members differed. There were two possible courses open for legislative action. The first was the compul-

sory registration and publication of agreements (with subsequent prohibition of those found, after investigation, to be against the public interest) and the second, a general prohibition of restrictive practices, with provision for exceptions in particular cases. The majority of the Commission preferred the second course. They suggest that the exceptions be made by Statutory Order, on the advice of an independent body, which should assess the merits of each application for exception.

Following US Footsteps

The majority recommendation of the Commission is fully in line with monopoly legislation in Sweden and the United States. Indeed the exceptions which are made to the recommendations make them highly feasible for public policy if for only one reason—it avoids the inflexibility which American administrators have experienced in implementing the Sherman Act. The crucial question is, of course, whether the British Government would go the whole hog as is suggested by the Commission. Already comment from business circles has been in an adverse direction and this will, no doubt, force Government to adopt a cautious policy. But the overwhelming view of the country is decidedly for the banning of these restrictive practices in trade.

A Post-Script on Sterling

Rumour was rife earlier in the week that sterling would be "devalued" and even the date when this would take place had also been mentioned. Of course, the British Government has denied the rumour, what else could it do? According to your correspondent's understanding of the situation, there is unlikely to be an outright devaluation, if at all. What is likely, however, is a widening of the exchange rates, coupled with convertibility and thus something like a 5 or 6 per cent depreciation in sterling. There is already a discount of this magnitude on transferable sterling on the Continental free market, and taking into account the recent decision of the Bank of England to intervene in the free market, it is not unlikely that the current free market rate would be used as the basis for determining what can be considered the equilibrium exchange rate. The whole position will be covered in the next despatch together with some examination of the strains being caused by the current inflationary boom.

Export Prospects in East Africa

P M Shah

THE Indian population in East Africa, comprising Tanganyika, Kenya and Uganda, is about 1,70,000, out of a total population of some 18 millions. It is remarkable that this small population in the territories mentioned above controls nearly 70 to 80 per cent of the trade there. The wholesale and the retail trade are mainly in the hands of Indians. Of course there are a few European houses holding agencies for continental and British manufacturing firms, but the share of trade handled by them is not as great as that handled by Indians. Banking and Insurance are, however, in the hands of Europeans. Viewed then in relation to the predominant position which Indians occupy in the trade and commerce of the country, the share of India's export to East Africa is hardly 6 to 7 per cent, with the exception of Uganda, where export of cotton forms 29 per cent of the total trade and is in the hands of Indians. This position of a negligible export to East Africa from India should give us food for thought. The bulk of imports of East Africa is from European countries, Japan and Hongkong which forms nearly 92 per cent of the total trade. The reasons for this state of affairs are not far to seek. To put down the main obstacles, which hamper our trade but which admit of solution, if a little study of market conditions is made on this issue, they are:

Cotton Textiles

So far as exports of Indian textiles to East Africa are concerned, there is a common complaint

(i) That our packing is most defective. Loose packing in transit spoils the quality of goods and some consignments of bales are found to get damaged. I had myself seen pieces of cloth in damaged conditions during my visit to customs houses and godowns. Compared to packings seen on goods imported from Japan and the continent, our packing needs a lot of care on the part of manufacturers. The hessian and other pieces of cloth used for packing are not wrapped properly to withstand transshipment.

(ii) Length in pieces in many cases is shorter than what is actually mentioned on the cloth or the invoices. That is, if a piece is marked 40 yards, the experience of quite a few importers has been that it is less

by a yard or so. This does not happen in the case of textiles imported from Japan or Britain. Instead, therefore, of making complaints and not getting redress to their grievances, importers there prefer not to do business with us and suffer losses.

(iii) Quality of goods is in many cases not according to samples.

(iv) Colour of pieces is not uniform and fast.

(v) Indian textile manufacturers do not register designs like the Japanese or the British do.

(vi) There is no uniformity in weights and sizes in our cloth, both mill-made and handloom.

(vii) Samples are too small to be shown to retailers.

(viii) Shipment samples are not made available in advance of the goods actually shipped.

(ix) Delivery of goods in many cases is made not according to contracts, but according to convenience and market trends.

(x) Some of the manufacturers write on Indian Textiles as "Made as Japan". This carries a bad impression with the importers and I heard people telling me that even Indian manufacturers do not value their quality as much as they do of Japanese make, otherwise they would not write the way they do.

Details in the invoice are not proper and importers have to deposit double the amount of duty with the customs till the correct invoices are received. In many cases, the totals in the invoices were not correct.

As regards yarn the complaints are more or less on the same lines as for cotton textiles. A black ribbon is tied round the bundle, but the quality is not as is supposed to be for yarn where black ribbon is used. The length and sets marked 20 x 10 x 7 are not found so on actual measurement, with the result that Italian yarn is given preference. Tickets and designs on yarn packings are not registered. This is most essential according to buyers in E. Africa and Asmara.

In the case of hosiery, wrong sizes are sent. It is rarely that importers get correct sizes.

(xi) Lack of real interest in export. It was brought to my notice that hardly a manufacturer from India ever visited these territories to

study on the spot and finalise designs to meet the tastes of textile consumers in E. Africa. In the case of Japanese and British manufacturing houses, on the other hand, the heads of mills come to study the nature of colours, designs, tastes, etc. Business could be booked more if India followed the practices which other countries are following.

(xii) Lack of confirming houses. Continental and British manufactures sell goods through confirming houses. Apart from the credit advantages which buyers derive from these houses, buyers can lodge complaints regarding quality and damage to goods on the spot. Thus, confirming houses serve a double purpose in the interests of buyers who deal with European countries.

It is interesting to note that our Trade Commissioner in Mombasa, more or less makes similar observations in his report submitted to the Textile Export Promotion Council.

Leather & Leather Goods

In the case of leather too, I had to listen to the same complaints regarding packing and measurement. It was pointed out that many Calcutta firms who send leather, do not send it according to the invoiced measure. The pieces are often found less by a foot or two. Indian leather is found better in quality, but because of this defect in measurement, buyers hesitate to place orders with Indian shippers. Even in the case of grade, if it is A grade in the invoice, the grade actually received by the buyers is either C or D grade.

Indian leather prices are below world prices. But what buyers hope to gain in prices, they lose in measurement and quality, and therefore hesitate to place orders with India.

As regards articles of leather manufactures, packing is not up to the standard. Leather suit cases are often found with scratches. The locks do not open easily. Screws are not tight and they come off with the result that buyers have to pay for repairing charges before the cases are sold.

In the case of footwear too, we have not been able to establish ourselves, because of lack of interest on the part of manufacturers and exporters. Our prices in every respect are competitive.

There is tremendous scope for all these. For one thing India can deliver the goods earlier than continental countries, and secondly in many cases, though not in all, our prices are also competitive. There is complete lack of publicity for our hardware. No catalogues are supplied nor are representatives sent to canvas orders.

Cement

In the case of cement, the stipulation of our steamship companies that they would not lift cement cargo if it is less than 1400 tons and that on their return journey, they must be assured of cargo, works as a great deterrent to our export trade in cement. Although our prices are a little higher than Egyptian, Swedish, German, or Tripoli prices, buyers are keen on having Indian cement because of the possibility of quicker delivery.

There is, as usual, lack of publicity, although one could say that there is good scope for steel furniture, cupboards etc. Packing again is not sound. Locks sometimes do not work. People from this end do not attend to correspondence.

Curios and Handicrafts

These articles have a wide demand. During ceremonial occasions, European customers and others buy in large quantities articles made of brass, wood or plaster of paris and several other varieties. The difficulty of the traders is that these products do not bear a registration number. Suppose for example, a wooden box from Kashmir is sold out and if that particular size has a demand, the importers must be able to get from India the exact size. This they are not in a position to do, because there is no registration number from the source of origin. The Cottage Industries and Handicraft Board will do well to bear this in mind and give registration numbers, not only to boxes but to all such articles, so that the buyers at the other end can quote the particular number. Literature regarding handicrafts is not at all available in any town or city and whatever orders we receive here, are from those who have personally visited India, or write to individuals or relatives interested in this trade. There is great lack of publicity. Exhibitions and window cases would go a long way in popularising our handicrafts in these territories.

Electrical & Engineering
East Africa and other territories

are absolutely unaware of the fact that India manufactures a good many items of spare parts required in the automobile line. The Government and those engaged in this line, have practically done nothing to publicise the manufacturing capacity of India in the matter of spare parts of automobiles. In India, we are facing a keen internal competition in many lines, while we are not bothering to explore obvious possibilities of marketing products in these territories.

Much the same can be said about electrical equipment. Some firms in East Africa do, however, import certain items of electrical equipment and engineering products. There is scope for establishing a market.

The patent and other medicines are mainly imported from Great Britain, Germany and other continental countries. India has not done much to popularise her products. Maybe, the manufacturers are not keen on export trade.

Consumer and Household Goods

Umbrellas, toilet soaps, biscuits, bicycles, plastic goods, leather belts, hair oils, household utensils, wire-

gauzes, buckets, agricultural implements, and many more articles of daily use have a real demand. For lack of publicity and door to door canvassing, India has not been able to push these products appreciably. It is true that a majority of Indians are engaged mainly in textiles, but that is not to say that these products are not handled by Indian firms. What is wanted is a vigorous publicity campaign and expert canvassing.

Ethiopia, Asmara & Aden

Although much of the information given above relates to East Africa, conditions in Ethiopia, Eritrea and Aden do not much differ. Barring Aden, and Asmara where the Arabs and Jews and Italians also control trade along with Indians, in Ethiopia and Eritrea, trade is still in the hands of Indians. The Indian population in Ethiopia, Eritrea is not as large as it is in East Africa, but in so far as trade and commerce are concerned, it could safely be said that Indians have a voice, and export and manufacturing houses from this country can cash in on their countrymen abroad.

Plan-Frame and Communists

ONE has heard that in America it is no longer McCarthyism but McCarthyism. Senator McCarthy over-played his hand. In his hunt to unearth "un-American" activities, he collided with the Army. That finished him. Pentagon showed him the place he belonged to. After Pandit Nehru's discovery that there is nothing much ironish in the "iron curtain", it would have been a bad advertisement for Democracy if it continued to tolerate McCarthyism. It is good to know that in that land of milk and honey, where even a cabin boy can become President. McCarthyism is no longer tolerated.

Justice Douglas in Calcutta

It is better still to know that America is moving towards acceptance of the principle of co-existence. This is the opinion of Mr Justice Douglas of the Supreme Court of the United States. He is now in Calcutta, at the invitation of the Calcutta University, to deliver a series of twelve lectures as this year's Tagore Law Lecturer. That Mr Justice Douglas has expressed this view to pressmen on his arrival at Dum Dum will be accepted by those who are familiar with "cold war" America as convincing proof that McCarthyism is dead. Could it, then, be that the American Secretary of State is still unaware of this political development in his own country? One has, recently, noticed certain glaring contradictions between the opinions expressed by the State Secretary and his President. But that is a different story about the GOP.

Communists

To non-Communists, McCarthyism has certain affiliation with Communism. One had heard much about Communist cells and activities in Calcutta. Labour troubles and strikes were, and are, more frequent in Calcutta. But this does not necessarily mean or prove the existence of Communist influence. Dr B C Roy claims that he has exorcised Communism from this city. There was almost a witch-hunt against Communists some years ago. Unemployment is more acute now. But one does not notice much of Communist influence in this city at present. Was the Communist influence invented? Or was the witch-hunt successful?

Unlike in Bombay, it is not the custom in Calcutta for the sons, daughters or nieces of multi-millionaire mill-owners to pose and behave as Communists. In this city, the rich are rich and the poor are poor. And the rich and the poor behave as the rich and the poor should. This sharp class distinction should provoke a bitter class conflict. But one must express one's surprise at the growing impression that Calcutta, like London, seems to be reconciled to the inevitability of class distinctions.

Communist influence may not be spreading. But there are many who are suspect as fellow-travellers. In newspaper offices, one very often hears that A or B is a Communist or has Communistic leanings. There is not the least trace of Communism in Calcutta's newspapers. One gathers the impression that it is a handicap to reveal even Leftist inclinations. All progressive writers, artists, actors and thinkers are suspect. When a particular theatre group gives a performance of one of Rabindranath's plays, one is told by even serious literary critics that there is much "Red" but little "Oleanders" in that theatre group's interpretation of Oleanders.

PSP

There is a bewildering look among Calcutta's alleged Communists. They are happy about the spontaneous popular reception of the Russian people to Pandit Nehru. They are less happy over Panditji's flirtations with Marshal Tito. Some of them seem to accept that Congress is becoming Socialist. Some others endorse CPI's verdict that Congress's economic and foreign policy is bourgeois camouflage. From loud and heated conversations in cafes and coffee houses, one gathers the impression that Calcutta's alleged Communists are rather perplexed at the turn of events.

PSP shares CPI's conviction that Congress is incapable of ensuring a socialistic pattern of society. West Bengal's PSP held a conference recently. It accepted Avadi as the economic goal. But this State's PSP members were unanimous that neither Congress nor CPI but PSP alone could implement a socialistic pattern of society in this country. There is nothing new in this. But

during that conference, it became known that Dr P C Ghosh, the Secretary of PSP in West Bengal, had rejected the national executive's request to him to withdraw his resignation.

Dr P C Ghosh is an enigma in West Bengal's politics. He was the first Chief Minister of West Bengal after independence. He established a reputation within a short time. But, then, he was ousted from Congress politics in this State. He joined the Praja Party. He continued to be a member of the merged PSP. But his recent performance has lagged deplorably behind his earlier promise. He is no longer the Secretary of PSP, West Bengal. But he remains a PSP member. Dr Ghosh has left his Congress moorings. But he has not yet found his political anchor.

Economists Support Dr Roy

Dr B C Roy's hostility to the Plan frame is well-known. One had heard whispers before. But it is now being loudly talked about. Professor P C Mahalanobis and his Statistical Institute at Barrackpore are suspected to have Communist leanings. This is what the people and a section of the Press are now saying. But Dr B C Roy and his advisers are diplomatic in not waging the battle on this political plane. Dr B C Roy and his Development Commissioner can now rely on the solid support of Calcutta's economists and business experts in their opposition to the Plan-frame.

Under the auspices of the Shyamaprasad Birthday Celebrations Committee, a symposium on the second plan was held at the Ashutosh College last Sunday. Many of Calcutta's economists participated in the discussion. Most of them argued that the Mahalanobis Plan-frame was "unpractical and too statistical". Many of the economists who took part in the symposium endorsed Dr Roy's approach to the framing of the Second Plan. Calcutta's leading economists will soon meet the Chief Minister to discuss their memorandum on the Plan-frame. Shri Sushil Dey, West Bengal's Development Commissioner, was present at the symposium. West Bengal's Chief Minister and his Development Commissioner seem to be conscious of the value of organised propaganda.

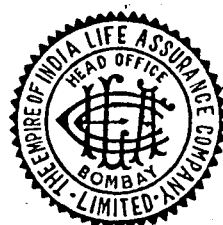
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BRANCHES ALL OVER INDIA

National Income—A Symbol

For a Whole Complex of Socio-Economic Conditions

Economic Change. By Simon Kuznets. William Heinemann Ltd., London 1954, Pages 333.

Reviewed by Hannan Ezekiel

AMONG the leading economists of our time, Prof Simon Kuznets has an assured place. His work on various aspects of the national income of the United States spread over so many different articles, papers and books, has itself been of a quality and volume that would have been adequate to earn such a place for many another writer. His latest work in this field is his paper on "Long term changes in the National Product of the United States of America since 1870" which has been published jointly with a paper by Raymond W Goldsmith as the second volume in the series on *Income and Wealth of the International Association for Research in Income and Wealth*. Many readers have in fact laboured under the misconception that Prof Kuznets has confined himself to this narrow field. Given the relatively free availability of statistics about various sectors of the United States economy, the inference has sometimes been drawn that very little could be learnt from his writings even by those who were interested in national income studies but were devoting themselves to countries for which statistics were scarce and the features of the economy raised special problems of imputation that were considered to have no parallel in the advanced countries.

Even in his studies of US national income, however, Prof Kuznets has never confined himself to the traditional ground. In every study, there is a search for underlying principles, an attempt to pose the basic problems arising out of the material studied and to suggest solutions. Reflecting this interest in the wider issues, his writings on national income are not really confined to the United States. Strwn among them are articles and papers that are specifically devoted to the wider issues. If anything, these probably show better even than his classic studies of US national income, the acuteness of his mind, the range of his knowledge and the independence of his spirit. Besides, Prof Kuznets has also written on subjects other

than national income. The wide range of his interests is indicated by the sub-title of the present volume, 'Selected Essays in Business Cycles, National Income and Economic Growth.' In a significant passage in his essay, "Economic Tendencies, Past and Present", Prof Kuznets points out how statisticians "are all too prone to deal with special problems on the easy assumption of the persistence of the wider framework." He goes on to say,

"There is no one as revolutionary as a scientist within the narrow field of his speciality In the social sciences we have need of a new group of workers who combine the mastery of detail and careful procedures essential to the specialized research scientist with the wider horizon of the historian and the social philosopher, and we have need on the part of our specialist groups of greater awareness of the variety of historical experience and the mutability of the social framework within which lie the more narrowly defined phenomena that they study."

The essays in this book prove beyond doubt that Prof Kuznets himself forms a pioneering member of the new group which he suggests is necessary and that he is constantly aware of the need not to proceed "on the easy assumption of the persistence of the wider framework."

Of the eleven essays in the volume written over a twenty-year period, nine have been previously published (two in Spanish) while two are manuscripts of lectures that were read but have never been published before. In selecting the papers, Prof Kuznets has been concerned "to include only essays dealing with wider problems, . . . no matter how fragmentary the effort, slender the empirical base, or venturesome the hypotheses." The more technical and methodological papers have been deliberately excluded. The order in which the papers are arranged represents also the historical pattern of Prof Kuznets' interest in different subjects from business cycles to national income and national growth.

The first five essays deal with different aspects of business cycles. Though most of these have been written many years ago, they bear the imprint of the masterful analysis for which Kuznets has become famous. Even today, they are worth reading, not merely as the product of a great mind at one stage of its development, but also as making a contribution to the field and stimulating even today new thoughts and ideas. But others have written on this subject too, with varying success. It is the other six essays, therefore, which form the more interesting group for they make bold incursions into untrodden fields. Here in these essays is a standing invitation to the economist to join in the adventure of ideas. These essays provide, as nothing else can, a measure of the man.

One must be grateful to Prof Kuznets for including in this volume his paper on "National Income and Industrial Structure", presented to the International Statistical Conference at Calcutta in 1951. The importance of this paper can be judged from the fact that it evoked three papers at the Royaumont Conference of the International Association for Research in Income and Wealth. Prof S Herbert Frankel accepting its conclusions, elucidated them further and examined their philosophical implications. Prof F Benham rejected the conclusions of Prof Frankel, but on relatively flimsy grounds. Dr. V K R V Rao made a detailed examination of the questions raised by Prof Kuznets' paper and finally accepted some but rejected its other implications.

The main problem posed by Prof Kuznets is that of the comparability of the national income estimates of countries where industrial structure differs markedly, the contrast obviously being between market-oriented economies on the one hand and semi-subsistence economies on the other. He suggests that apart from the existence of possible deficiencies in measuring the output of pre-industrial countries, the whole complex of goods produced and consumed is so different in these coun-

tries that no comparison is possible on the existing basis. That the deficiencies, if any, in the present national income of the underdeveloped countries should be made good need hardly be argued but there may be disagreement about specific suggestions made in this connection. It is difficult to agree, for instance, that "once the products are eventually consumed by the individuals and households of a pre-industrial economy, they must have attained the same satisfactory state of 'finishedness' as the final products of an industrial economy." The main controversy, however, must revolve around the statement that several categories of goods flowing to ultimate consumers "are fully represented in estimates for industrial countries and yet are costs rather than final products, in the sense that they serve merely to offset some of the disadvantages of industrial organisation." Among these Prof Kuznets includes the additional fabrication, packaging and transportation in industrial countries that form "merely an offset to the disadvantages of the concentration of manufacturing in centres distant from the centres of raw materials and of consumption." Though I myself find it difficult to accept this line of thought, it is undoubtedly highly thought-provoking. Only a careful study of revolutionary suggestions made can show how far one can go in accepting them.

The subsequent essay, "National Income and Economic Welfare", reprinted from the 'Boletin del Banco Central de Venezuela', follows up this line of thought with special reference to the concept of economic welfare. It brings out clearly Prof Kuznets' own view that national income provides a "measure closest to a comprehensive estimate of national income". Prof Kuznets feels that productivity cannot be measured in any sense apart from economic welfare, a point that needs to be kept in mind in discussing his views. Dr V K R V Rao in his paper at the Royaumont Conference says at one point that his arguments apply to economic welfare but not to the question of productivity. The premise that these two concepts are separable, would not be acceptable to Prof Kuznets.

Prof Kuznets wants "to know the individuals' choices under conditions freed from the pure calculation of job needs". He speaks of the "costs of urban civilization at large." He wishes to deduct that (increasing) portion of Government activity "that

may not be adding to, but at best may be just preserving the welfare of individual members of society." He asks whether some account should not be taken of the possible changes over time or differences in space, in the input of labour by individuals who are the active members of the economy viewed as a system of production." These are the type

of questions raised by Prof Kuznets. Can one deny after these questions, whether one accepts their implications or not, that he is a provocative thinker?

Prof Kuznets' analysis of the causes of international differences in income levels provides even more striking evidence of the broad approach which he makes to any sub-

'NEW INDIA STORIES FROM LIFE 1

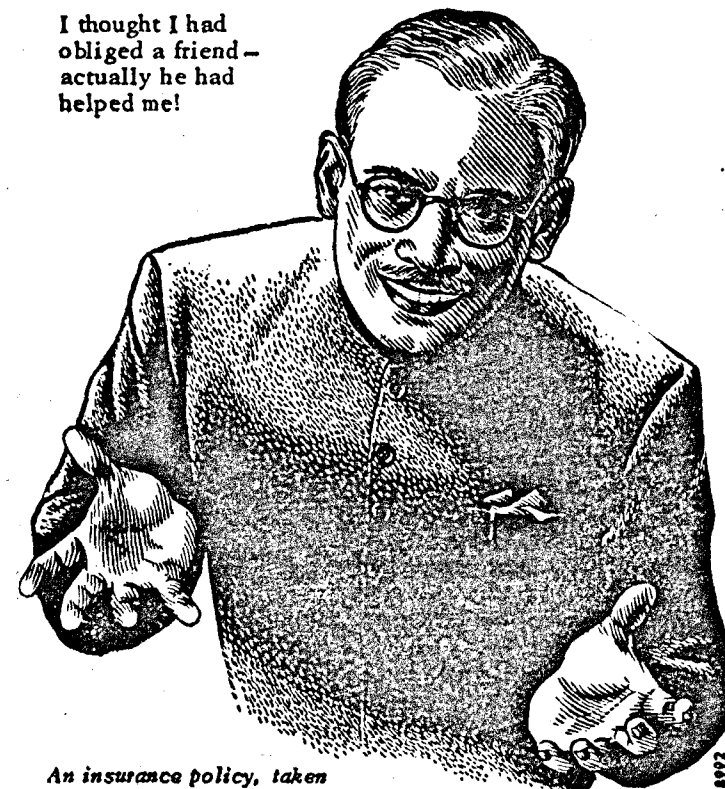
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ject which he studies. He is emphatic that statistical association between income levels and other characteristics is no basis for assuming that these characteristics are causative factors. He argues, therefore, that "the realization of the extent to which per capita income level is only a symbol of a whole socio-economic complex of conditions is important as well as for analysis of causes." Prof Kuznets makes a careful examination of the physical factors and the factor of size and finds that though these may assist or create difficulties in various ways, they cannot be considered to be of primary importance as causative factors. It is when he

takes an historical view of developments that he is able to come nearer to an understanding of the problem. His conclusion that private enterprise on the one hand and a democratic political system on the other are the factors in association with the industrial system which must be given primary importance is significant, though it may not find acceptance from all. He insists that it is "dangerous to assume that the association of rapid growth in income levels with free enterprise and political democracy was an historical accident". Prof Kuznets stresses the sociological implications of industrialization and urges the economist and the statistician to widen

his horizon, if he is to make a valid contribution in this field of study.

The other essays in the volume discuss "Retardation of Industrial Growth", "Economic Tendencies, Past and Present" and "Foreign Economic Relations of the United States and their Impact upon the Domestic Economy". They all bear the imprint of the searching analysis and deep thought which are so obviously characteristic of Prof Kuznets. That is what makes this book eminently readable and makes one hope that Prof Kuznets will bring together in book form other essays of this type he may have written to enable the general reader to benefit from his work.

Goa's Changed Economy

(contributed)

A YEAR ago Goa's economy was firm and confidently based on a steady, increasing export of iron and manganese ore and other local produce, a substantial tourist traffic and, not the least in importance, a considerable trade in the illegal export of gold and luxury goods to India. The picture of Goa's economy is, today, radically different. The situation has changed to one of uncertainty, a lack of export demand and markets, serious handicaps in the import of essential items, increasing costs and a drastic fall in contraband trade with India. Goa's balance of trade has shown a heavy deficit in the past years; its imports being almost three times the value of its exports. But the difference represented the demand of the tourist and contraband trades. The balance of trade still continues to show a heavy deficit but without the resources to make up the deficit.

Pattern of Trade Disrupted

Goa was mainly dependent on India; though a customs barrier existed, Goa was part of India's economy. Its surplus found a ready market in India. The normal export channel from Goa for such commodities as salt, fish, betelnut, coconut and mangoes lay across the hats or by sea to India. Goa's principal import requirements, such as, textiles, paper products, tea, coffee, vegetable oils, fresh fruit, vegetables etc. were also met from India. The political strife in Goa is brought in its wake economic measures leading to a complete des-

truction of this pattern of trade. With a virtual ban on import into India from Goa, there has been a feverish search for other export markets—Middle East, Pakistan and Ceylon have been explored but with little success or if some demand has been discovered, it is at prices below economic levels. To take an example: Some export of coconut has taken place to the Middle East areas at prices ranging from Rs. 60 to Rs. 70 per thousand against prices in Goa, a year ago, of Rs. 140 a thousand. Agricultural prices have slumped drastically and the purchasing power of the labour and lower agricultural classes severely reduced. The last crop of betelnut is rotting in godowns in Goa for want of an export market. Two years' production of salt continues to be held by producers who because of orders by the Portuguese Government of Goa were unable to curtail production. The mango crop this season has been sold within Goa at one-third its normal export price.

Starved of Essential Imports

The pattern of import trade has also changed. Though India has stopped trading with Goa, she has not applied sanctions yet as in the case of South Africa. So Goa can still get Indian goods, and it gets them, but only by re-export from Ceylon, Pakistan and such ports as Aden and Singapore. This, however, is a costly process. Prices have, as a result of transshipment costs and middlemen's charges, increased by a further 20 per cent. Compared

with Indian prices, prices in Goa are 150 to 160 per cent higher. But there is another point to note: Supplies from alternative sources are uncertain and only available when those countries have surpluses in relation to their own demand. Transshipment is dependent on a cargo steamship, the M. V. Luabo, a Portuguese commercial liner of 1400 tons, which runs every fortnight between Goa and Karachi, or, on an occasional tramp from Aden or Colombo.

Luxury Goods: No Buyers

Paradoxically, as it may seem, Goa's markets continue to be stocked with ample supplies of luxury goods, silk and art-silk fabrics, watches, confectionery, wines and liqueurs, perfumes and a variety of other goods which were in heavy demand from tourists and visitors from India. Merchants, alternating between hopes of a return to the former freedom of trade between India and Goa with a solution of the political conflict and fears of reducing their imports lest the local Government consider it a sign of political non-co-operation, have continued to place demands for imports from abroad despite higher interest rates on loans. Prices of such luxury goods have slumped by 10 to 15 per cent, and stocks continue to depreciate. The earlier expectation that a large number of troops (there are almost 12,000 troops in the tiny colony) would fill in the void caused by absent tourists has hardly materialised. The Portuguese troops, who walk through the shopping centres in

Panjim and Margao gazing at the windows, are not accustomed to luxury nor have they the money to buy these luxury goods.

No More Tourists or Contraband

The lack of tourists and visitors resulting from travel restrictions on both sides of the frontier and the complexities of a passport system have been felt in other directions also. House-rents on the sea-side are a fourth of what they used to be in past seasons. Calangute, Goa's most popular sea-side resort, was particularly affected by the absence of visitors from India and its beaches, usually crowded, were deserted and its restaurants had no customers. Taxis were not in demand and harbour and railway coolies remained idle. A more stringent customs control on the Indian side than hitherto has greatly reduced smuggling and though some goods still find their way to India by sea, the demand from organised traffickers is probably reduced to a tenth of the former level. Gold, one of the principal items in the contraband trade, remains at a heavy discount, indicating a lack of demand.

A sense of uncertainty and a fear of further deterioration in the economic situation in Goa haunt the business and merchant community.

The only steady feature in the economic life of this tiny foreign possession has been the continued export of iron ore at more or less the same level as before. Manganese ore exports have fallen substantially owing to a lack of world demand. However, mining costs have gone up due to heavier transport charges and Government taxes. Uneconomic mines have gradually closed down and the entire export trade lies in the hands of half-a-dozen owners who have the necessary capital equipment and finance. The shortage of labour has led to higher wages, further affecting profits from exploitation. Investment in the mining industry is hardly as attractive today as it was a couple of years ago when veritable boom conditions existed.

Quixotic Reaction

The Portuguese administration in Goa has reacted to the situation with Quixotic valour. Two high-powered technical missions have come out from Lisbon, within the past six months, to survey the agricultural situation and the mining industry in Goa, Daman and Diu; but apart from expensive suggestions, they have produced no concrete improvement. The Goa Government created, with much publicity, an

"Agricultural Front" and appointed a special committee headed by a European Director of Agriculture. This committee, too, apart from propaganda and grandiose speeches on the desirability of attaining self-sufficiency, has achieved little of practical value. There was some local production of vegetables at a price, but it served only to meet the requirements of the troops. The Portuguese Government also embarked on the creation of cold storage—one at Vasco-da Gama has already come into use—but again it meets only the requirements of the army stationed there.

Economic conditions in Goa, dismal and gloomy as they appear, serve only to accentuate the political situation and the inability of the Portuguese administration to see things from the point of view of the genuine interest of the country. This is really its principal fault—namely, the subordination of the welfare of the Goans to its own interests, arising solely from false considerations of prestige. The fear grows that there can be no real change in the situation except for the worse unless the political problem finds a solution and that is, indeed, what is agitating many minds.

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Land Problem in Travancore-Cochin-I

D S Chauhan

THE present state of Travancore-Cochin, which lies at the south-west corner of India between the Western Ghats and the Arabian Sea, was formed on July 1, 1949, by the integration of the two states of Travancore and Cochin, which for centuries had remained separate political units, though they were linked together by common geographical features and cultural heritage. It has an area of 9,143.9 sq. miles and a population of 9.28 millions (1951), which come to 0.72 per cent and 2.6 per cent respectively of those of the Indian Union. Of the total population 84 per cent being rural, and of the latter, 60.6 per cent being agricultural, the state is essentially rural and agricultural in character. But the most disquieting feature is the enormously high rural density and a very great degree of congestion in several localities, the most serious being the congestion in the lowlands. The result is that the pressure of population on land has become a very serious problem here. It should be of general interest to examine the nature of problems arising out of a tremendously heavy pressure of population.

I Most Thickly Populated

The average density per sq. mile is 1,015 in Travancore-Cochin, the density varying from 604 in Kottayam district to 1,444 in Trivandrum. The urban density is 4,991 and rural 881. Excluding 2,456 sq. miles of reserve forest, the average rural density comes to 1,219. This average, however, does not fully convey the idea of pressure on land for a proper appreciation of which the study of the distribution of population in relation to the geographical conditions is necessary.

Natural Divisions

The state is divided into three natural regions: highland, midland, and lowland, all the three running north to south almost parallel to one another. Each of these has a distinct soil, rainfall and vegetation which in turn reflect in different agricultural situations in the three regions.

Highland

The highland, covering the eastern portion and containing most of the reserve forests, occupies 45 per

cent of the total area of the state. Annual rainfall in this area varies from 100" in the south to 200" in the north. The climate is cool. And despite the inadequacy of communications, plantation crops like rubber, tea and cardamom are grown.

Midland

The midland, running almost parallel to the highland towards its west, covers 37 per cent of the total area, and consists of uplands of varying elevation through which rivers have carved out long narrow valleys. The rainfall here varies from 55" in the south to 140" in the north. Rice is grown in the valleys, while tapioca, coconut, pepper, ginger and rubber are cultivated on hill slopes. Road facilities are fairly well developed.

Lowland

The lowland lies in the western plain; it is narrow and irregular in shape and consists mainly of sand and alluvium deposits, and covers only 18 per cent of the total area of the state. At places it is swampy. The most picturesque feature of this area is an almost continuous line of lagoons or backwaters lying parallel to the coast. The lagoons or backwaters are connected with the sea at several places and many rivers drain into them. The rain fall in the lowland varies from 35" in the south to 110" in the north. The soil is peculiarly suitable for rice and coconut cultivation. Fisheries, both inland and marine, constitute an important source of food and income. Almost all the cultivable area in the lowlands has been brought under cultivation.

The spatial distribution of population* is rather unequal. Taking the state as a whole about 80 per cent of the population is confined to 47 per cent of the area where the average density is over 750. A better idea of the pressure of population may be obtained by taking into ac-

*Census of India, Vol. XIII, T.C., Part IA—Report.

Natural Regions	% of Total Area	Total %	Population Density per sq. m.	Rural Population %	Density per sq. m.
Highland	45	6.5	147	7	136
Midland	37	50.0	1,381	54	1,279
Lowland	18	43.5	2,448	39	2,021

count the different natural regions.

Density	% of Area	% of Population
Below 300	22.4	4.7
300—750	30.6	16.3
Above 750	47.0	79.0

The pressure is alarming in the lowland and also very heavy in the midland. Besides, within the natural regions themselves, the pressure is not uniform. The lowland in Trivandrum district has a density of 2,930 while the corresponding densities for Quilon, Trichur and Kottayam are 2,424, 2,347 and 1,646 respectively. In the midland, Quilon district with a density of 1,583 ranks first, followed by Trichur 1,379, Trivandrum 1,308 and Kottayam 1,215. In the highland, Trichur has a density of 191 per sq. mile, Kottayam 171, Trivandrum 157 and Quilon 81. The severity of the pressure is conveyed still more clearly by calculating the density in relation to the occupied land.

Density	% of Total Occupied Area	% of Population
0—500	4.5	0.9
500—1,000	1.4	1.0
1,000—2,500	38.1	62.1
2,500—4,000	8.1	23.2
4,000—6,000	1.8	8.8
above 6,000	0.6	4.0

Only 2 per cent of the population live in areas having less than 1,000 density, and 62 per cent live where the density is between 1,000—2,500, and another 23 per cent is confined to areas where the density is between 2,500—4,000, while 9 per cent of it is in areas where the density is between 4,000—6,000, and 4 per cent in areas of above 6,000 density. What a swarming of human beings! A terribly grim picture. Travancore-Cochin is the most thickly populated state not only in India but among the agricultural countries in the whole world.

II Acute Scarcity of Land

The existing land-use pattern is as follows: net area sown 48.2 per cent, current fallow 1.2 per cent, forests 26.9 per cent, area not available for cultivation 8.4 per cent, other uncultivated land excluding current fallow 6.7 per cent, and area for which village papers are not available 8.6 per cent. The total land per capita was 210 cents in 1875. It declined to 157 in 1901, and to 64 cents in 1951. Of the latter, only 33 cents are cultivable. The net cultivated area per capita has declined from 49 cents in 1921 to 30.4 in 1951. The comparable all-India average is 84 cents. Taking the double-cropped area into account, the total cultivated land per capita comes to 11 cents of wet and 21.7 cents of garden land i.e., 32.7 cents. In 1955 the net cultivated area per capita will be hardly 29 cents and by 1961, it will be further reduced to a meagre 25—26 cents.¹ A limited geographical area and a quick growth of population² have brought about an acute land scarcity. Even assuming that the land is exceptionally fertile (which is not the case) the pressure on land is so great and the availability of cultivable and cultivated land is so inadequate that even with the best agricultural returns from land, the standard of living is bound to remain very low.

III Consequences of Heavy Population Pressure

(i) Smallest size of holding. From the land—man ratio, and considering the net cultivated area, the family holding comes to 167 cents only; and taking into account the double cropped area, it comes to 180 cents, consisting of 61 cents of wet and 119 cents of garden land. The average size of plots is as follows—lowland 77 cents, midland 93 cents

¹ Population estimate for 1955 is 9.98 millions, and for 1961, 11.13 millions; 19.97 % increase during 1951-1961.

² The total population has increased from 3.72 millions to 9.28 millions, i.e., by 149.4 per cent, or on an average by 3 per cent per year, during the last half century; and during the last decade, it has increased by 23.7 per cent, the highest rate of increase in any state in the Indian Union.

and highland 179 cents.¹ The distribution of holdings² and of the cultivated area held shows that half of the holdings are upto 1 acre in or less. The proportion of holdings between 5—10 acres is 3.4 per cent,

Size of Holdings (acres)	% of holding	% of area held
0—1	50.3	7.83
0—5	94.1	44
5—10	3.4	13
10—15	1.3	9
15—25	0.7	7
25—50	0.3	5
50—100	0.1	4
Over 100	0.1	18

and of those above 10 acres 2.5 per cent only. The average size of holdings works out to 2.4 acres, the smallest in the country.³ For the agricultural families, the average holdings are 4.1 acres, and for non-agricultural families 1.2 acres. Amongst the agricultural families, (See table on next page)

it is 4.0 acres for land-owners, 5.5 acres for tenants, and 0.8 acre for agricultural labours with land. It

¹ Taking the different districts into account the size is highest in Kottayam district in the case of all the natural regions and lowest in Trivandrum and Quilon districts. In Kottayam the maximum area is under plantation crops. On the whole situation seems to be slightly better in Trichur district, which is mostly low-lying, and the area under paddy is maximum.

² First Five Year Plan, Annexure p. 201.

³ All India Agricultural Labour Enquiry, 1954.

Generally plantations occupy larger holdings; and they are in the hilly tracts. Tea and rubber plantations are bigger in size than those of coffee, pepper and cardamom. Most of the former are owned by companies, the majority of which are foreign concerns. Most of the latter are owned by individuals. Of the total number of 5,446 plantations, 48.4 per cent are of cardamom, 27.8 per cent of rubber, 19.7 of pepper, 2.6 of tea, and 1.5 of coffee. Most of the pepper plantations are small (5—10 acres), and most of the tea are big (50—100 acres), while most of those of rubber, coffee and cardamom are small (5—10 acres) or medium sized (10—50 acres).

is strange to find that the average size is greater in the case of tenants than in that of landowners.¹

The tiny size of holdings is again indicated by the study of the land revenue assessment (basic tax).² About 60 per cent of the land-holders pay upto Re. 1 and 90 per cent of them pay upto Rs. 5; further 9.4 per cent pay between Rs. 5—50, and only 0.5 per cent pay more than Rs. 50.³ (Table on next page)

(ii) Disproportionate Land Distribution. Tables in the previous section show that 50.3 per cent of the land-holders whose holdings are below 1 acre own only 7.8 per cent of the cultivated area. Of the total, 94.1 per cent (whose holdings are below 5 acres) subsist on 44 per cent of the cultivated area; next 3.4 per cent landholders whose holdings are between 5—10 acres occupy 13 per cent, and the remaining 2.5 per cent possess 33 per cent of the area. Out of this, 0.1 per cent having holdings above 100 acres in size occupy 18 per cent of the cultivated area. Analysing the situation in respect of the various livelihood classes, it is seen that the agricultural families which have 74 per cent of the holdings, possess 86.6 per cent, and the non-agricultural families who have 26 per cent of the holdings, possess 13.4 per cent of the cultivated area. The land owners who own 28.7 per cent of the holdings have 47.3 per cent of the area; tenants who have 12.5 per cent of the holdings cultivate 28.5 per cent of the area while agricultural labourers with land who have 32.8 per cent of the holdings scratch only 10.8 per cent of the cultivated land.

The situation is slightly better in Trichur and Kottayam districts in comparison to that in Trivand-

¹ All India Agricultural Labour Enquiry, 1954.

² The land revenue assessment in force in Travancore-Cochin is a nominal basic tax at a flat rate of Re. 1-9 per acre. In order to equalize the burden of tax on land in relation to soil fertility and agricultural incomes, the state levies an agricultural income tax on a slab system: 1st 1500—nil; next 3500—9 ples per rupee; next 5000—Re. 0-1-6; next 5000—Re. 0-2-6, next 5,000—Re. 0-3-6, balance Re. 0-4-0, the exemption limit being Rs. 3,000, and in some types of families, Rs. 6,000.

³ Report of the Land Policy Committee, T.C., 1949-50.

rum and Quilon. But the problem of the concentration of land exists throughout the state. And such a disproportionate distribution of land particularly in an area of acute land scarcity and heavy pressure of population is socially unjust, and cannot be tolerated for long. The signs of intolerance are already noticeable in the popular cry for fixing a ceiling on holdings and for redistribution of land.

(iii) **High Proportion of Non-agricultural Population.** The enormous pressure of population on land has resulted in a very high proportion of non-agricultural population. The average figure for the Indian Union is: agricultural 70 per cent, and non-agricultural 30 per cent, while for Travancore-Cochin state the average comes to 55 and 45 respectively. For the rural population, the average is 60 and 40 respectively. The pattern of livelihood classes* among the rural population is similar to that of the general population. But the remarkable fact is that the percentage of agricultural class is much smaller and that of the non-agricultural class is very much higher than in the Indian Union or in any other state. There are some very significant features to be noted in this connection:

(a) The high proportion of non-agricultural population is no index of the degree of urbanization and industrialization in the state. On the other hand it shows that the heavy pressure on land resulted in a very low agricultural income, and further that agriculture has reached a stage where it can hardly provide livelihood for any more, even at the current low standard of living.

(b) Another peculiar feature is that the percentage of agricultural class is the lowest and that of the non-agricultural class highest in lowland as compared to the midland and the highland. This is, again, an outcome of land-man ratio in the respective regions. In the lowland, high density and a very small extent of cultivated land per capita have pushed cultivation far beyond the optimum level, where it has ceased to be economic, and hence a large section of the population is compelled to seek means of livelihood other than agriculture, particularly fishing and coir industry which afford greater income, and which are made possible by the sea

*Census of India, 1951, Vol. XIII, T.C., Part IA—Report.

coast and backwaters. On the other hand, in the midland and the highland, cultivated land per capita is greater, and in the latter population being only 6.5 per cent of the total, possibilities of agriculture are relatively greater. This explains the differences between the proportion of agricultural and non-agricultural classes in the three natural regions.

In the case of the non-agricultural section of the population, the highest percentage is in the lowland because of the industries in this region. Fishing and coir are important cottage industries in the lowland and factory industries like tiles, cashew and oil are also here. The high percentage of non-agricultural producers in the highland is due to the plantations which pull up the non-agricultural ratio in highland to 46 per cent. The higher percentage under commerce, transport and miscellaneous livelihood classes in the lowland is due to the concentration of population, better communications

and greater degree of urbanization.

(c) The occupational pattern further shows that the cultivation of own land forms the major means of livelihood for only 29.5 per cent of the rural population and 26.3 per cent of the total population. And for other owners of land, agricultural returns, because of the small size of the unit of cultivation, are so low that cultivation has ceased to be their main occupation.*

*The proportion of owner cultivators is different in different natural regions: 22.2 per cent in lowland; 35.6 in midland; and 21.9 per cent in highland. It is smaller in lowland because of excessive pressure and lower returns from land; and lower in the highland because of greater capital requirements particularly for the plantation crops. It is highest in midland because of greater land per capita, and the availability of garden land where cash crops are grown.

(To be continued)

Livelihood classes	% of holdings held	% of area held	Average size of holding
Land owners	28.7	47.3	4.0
Tenants	12.5	28.5	5.5
Agricultural labour (with land)	32.8	10.8	0.8
Total Agr. families	74.0	86.6	4.1
Non-agricultural families	26.0	13.4	1.2
All	100.0	100.0	2.4

Basic Tax (Rs.)	Landholders No. (thousand)	%	Trivandrum	Quilon	Kottayam	Trichur
upto 1	1175.3	61.3	91	96	82	71
1—5	551.1	28.7	9.4	3.87	17.99	23.61
5—50	179.9	8.79	.17	.10	.75	3.79
50—100	5.6	.3	.04	.03	.26	1.70
above 100	3.4	.2				

Livelihood Class	Total Population				Rural Population			
	Low	Mid	High	Total	Low	Mid	High	Total
	land	land	land		land	land	land	
1. Owner cultivators	19	34	22	26.3	22.2	35.6	21.9	29.5
2. Tenant cultivators	4	10	9	7.1	4.8	10.1	9.3	8.0
3. Agr. Labourers	16	23	22	20.2	18.4	24.6	22.8	22.1
4. Rent Receivers	1	2	1	1.2	0.7	1.3	1.0	1.0
Total Agricultural	40	69	54	54.8	46.6	71.6	55.0	60.6
5. Producers other than agricultural	29	13	30	21.1	29.4	12.6	30.9	20.6
6. Commerce	9	5	3	6.8	7.1	4.2	2.9	5.2
7. Transport	5	2	2	3.5	4.6	1.7	1.3	2.8
8. Miscellaneous	17	11	11	13.8	12.3	9.9	9.9	10.8
Total Non-agricultural	60	31	46	45.2	53.4	28.4	45.0	39.4

Balance of Payment and the Plan

(Contributed)

SINCE India is neither a closed economy nor a completely controlled one, the need for a separate study of balance of payments in relation to the Plan is obvious. In this note, an attempt will be made to set out the various lines of study necessary. The relations between balance of payments factors and the Plan will, of course, vary with the type and extent of planning. If the Plan covered the whole economy and were worked in physical terms, some estimates of foreign demand in terms of volume would have to be made for each export industry. The demand for imports should be derived after all the other factors had been fixed, and the size of the estimated balance of payments surplus or deficit would be one check on the feasibility of the Plan.

Even if the Plan were confined to the Government sector and was formulated in financial terms, some estimate of the net balance of payments deficits on Government and private account would be necessary in order to check that the assumptions underlying the Plan in regard to prices, the volume of deficit-financing, etc. were not self-contradictory. In order that the operation of the Plan should not give rise to price movements, disposable income with the public should be equal to gross domestic output plus net imports minus Government off-take of goods and services.

Factors Affecting Balance of Payments

The various factors affecting India's balance of payments can be sub-divided thus:

(a) Exogenous economic factors such as the elasticities in foreign supply of and demand for goods entering India's foreign trade, level of incomes abroad and the supply of private foreign capital.

(b) Food supply: Because of the very large part food imports play in India's balance of payments, and because these imports are governed mainly by natural factors, they should be classified separately.

(c) Government policy: This can again be sub-divided into (i) policy affecting direct governmental imports, e.g., imports for Plan projects, and (ii) Government policy affecting the trade of the private

sector, mainly the degree of deficit-financing and commercial policy.

(d) Foreign official grants and loans: These have been classified separately from exogenous factors listed under (a) above, because the initiative and control over the size of foreign grants and loans is at least partially that of the Government of India.

(e) The level of India's net foreign assets at the beginning of the Plan.

Receipts and Payments

Given these factors, one can break up the balance of payments thus (i.e., in effect using a modified version of the Fund's Compensatory Financing Concept):

Given the first four sets of factors described above, the net balance can be calculated. If the balance is a negative one and involves a larger drain on the foreign exchange assets than was planned for, some of the components of the balance of payments must be altered. These changes can be brought about mainly by manipulating (C), i.e., Government policy, and to a lesser extent by (D) foreign aid and loans. If the deficit is much less than planned for, there is equally some need to revise the other factors, e.g., by including further projects under the Plan.

There are, therefore, two main lines of research: (a) to work out values for the factors affecting components of balance of payments, and (b) to work out the extent to which Government policy can alter these magnitudes, taking into account the major subsidiary effects of each policy.

The fact that (a) cannot be estimated accurately, especially for the foreign factors, is not an insuperable obstacle to planning because (b) can be set out as a series of alternatives, which can be called into

action. At this stage, even if (a) is estimated very roughly, some implications for policy can be deduced. The extent to which it can be estimated or controlled will vary with each item of balance of payments.

I. Exports

Both the volume and value will depend on domestic supply (which can be controlled) and foreign demand. The problem is to what extent foreign demand can even be estimated, and whether it is worthwhile to try to estimate foreign income and price elasticities so that given assumptions regarding the level of foreign incomes and export prices, the value of exports can be determined, or whether rough guesses based on a general forecast of foreign incomes together with the knowledge of the specialised market conditions for each commodity are sufficient. Clearly this depends on the length of time for which forecasts are required: the longer the period, the more unnecessary it is to try elaborate analyses of supply and demand conditions. If the period were as short as three or six months, exports could be regarded as a function of export letters of credit. These short period forecasts would be of no use in formulating the plan but they could be used as a guide, together with other information, to immediate policy e.g. whether export duties should be raised or not.

Since exports can only be very imperfectly controlled or estimated, it is necessary to study analytically the various methods by which Government can and does influence them—e.g. export duties and subsidies, subsidies to competing goods (e.g. the encouragement of foodgrain production at the expense of raw cotton or jute; encouragement of handlooms); export quotas, etc. There are two broad lines of enquiry: firstly, the extent to which existing

Receipts		Payments	
A. Exports.		A. Imports.	
		(i) Needed for exports,	
B. Invisibles, mainly derived, insurance and freight, and migrants, Government's investment income.		(ii) Other private,	
		(iii) Government, and	
C. Private capital.		(iv) Food.	
		B. Invisibles, mainly investment income, travel.	
D. Foreign Aid and loans.		C. Private capital, including A.D.'s balances.	
		D. Net drain on foreign reserves.	

Government policies are inconsistent with assumptions made in the Plan, and the extent to which Government can offset foreign factors which are expected to bring about unplanned changes in exports.

2. Imports

These can be broken up into imports needed for exports, Government imports, private imports and imports of food, i.e. Total Imports = $I_e + I_g + I_p + I_f$, e, g, p and f being the components given above in that order. A value of λ such that $I_e = \lambda$ Exports can probably be worked out, both I_e and λE being given in physical terms, particularly for raw cotton and raw jute (domestic production provided for in the Plan will have to be taken into account).

I_g can be derived directly from the Plan.

I_p is determined by the level of income, Government commercial policy and the domestic demand schedule. The level of income will follow from the assumptions made in the Plan, and commercial policy can be changed by Government which will be determined by two possibly conflicting factors, the need to avert inflation and the need for protection. Although it is unlikely that elasticities of domestic demand can be worked out, the experience of the past few years can yield conclusions useful in determining policy, e.g. it may be found that given a certain protective policy, the elasticity of demand both in terms of income and to a lesser extent of the ratio of foreign to domestic prices, is limited—i.e. since net imports cannot be raised above a certain level, given protection, the scope for deficit financing is limited.

To what extent food imports can be forecast i.e. to what extent good harvests follow a known pattern, is not a matter for economists to decide.

Although, apart from food, the physical quantities of other imports may be estimated in the ways described above, foreign prices can only be guessed at. (For raw jute, at least, the effect of our Plan on foreign prices must also be taken into account). The is another major element of uncertainty in the Plan, whether it is drawn up in solely financial terms or not.

3. Invisibles

These items can clearly be forecast, if at all, only by empirical methods. The projection of past

trends (e.g. for profits) and use of special knowledge for each item (e.g. of exchange control regulations in other countries for emigrants remittances) must be used here.

4. Private Capital

Here again, past trends will have to be roughly projected, supplemented with knowledge of specially large projects forthcoming, such as the steel projects and the oil refineries which have to be planned some time in advance. Since foreign capital is mostly repatriable, the total volume of foreign capital invested in the country should be borne in mind when calculating the minimum level of resources necessary. Of course, the estimates of net inflow of private

capital and of net private investment income payments should also be considered.

5. Foreign Reserves

The minimum level of foreign reserves required must be determined, bearing in mind the following considerations—

- (a) the need to cover seasonal movements in the foreign balances of exchange banks, firms etc.;
- (b) the need to provide for a certain amount of repatriation of foreign capital; and
- (c) a possible rise in domestic demand for imports when the tempo of development and money supply have increased.

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Dhoti Topi Jamuna Par

—Demand for a Punjabi Suba

Sadhuram Sharma

IMMEDIATELY after independence, the Congress Government appointed a Linguistic Provinces Commission in conformity with the earlier commitments of the Congress for the reorganisation of provinces on a linguistic basis. The Commission, which reported in December 1948, recognised the strong demand for the creation of such provinces. But as a state of emergency existed then, the Commission recommended that when former princely states were integrated and the country was fully stabilised, some of the provinces should be re-formed on a linguistic basis. Subsequent developments, however, brought out the dangers inherent in the linguistic re-organisation of states and it is important in this context to note that the States Reorganisation Commission (Dec. 1953) was specifically asked to bear in mind the preservation and strengthening of the unity of India, in addition to the financial, economic and administrative problems affecting the whole country while making its recommendations.

One such alarming development which presumably led the Government to caution the State Reorganisation Commission in this manner was the belligerent demand for a 'Punjabi Suba' by the Akali Party in Punjab and PEPSU. The demand is for the amalgamation of the seven Punjabi-speaking districts of Punjab with PEPSU, for forming a Punjabi-speaking State along the border. The merits of the proposal need not detain us here as the question of linguistic reorganisation is being examined by the Commission. The majority of the people in Punjab however have strong apprehensions about the formation of a Punjabi Suba. The motive behind the demand is distrusted by the Hindu majority community as the demand comes from a party which as far back as 1937 is alleged to have negotiated with Jinnah for an Azad Punjab as a buffer state between India and Pakistan. Strange as it may seem, Jinnah refused to oblige and was not prepared to regard Sikhs as more than a sub-nation. How far the story is true, few can say. Nevertheless, it is believed by a substantial number of Sikhs themselves and Akalis, with all their

bravado, have never dared to refute the charge of conspiring with Jinnah, a charge that has been levelled against them by responsible leaders, both Hindu and Sikh.

Fear of what happened after the partition still lurks in the minds of the Hindus who are naturally averse to any change of the type demanded. The attitude of the Hindus to the agitation for a Punjabi Suba, however, has till recently been passive and Akalis have been able to overcome what little resistance there was on the specious plea that such fears were groundless. They have themselves to blame for the militant manner in which they have been pushing forward their demand.

Main Aim

No doubt Master Tara Singh, the Akali leader, has been telling the Hindus that Punjabi Suba was to ensure the free growth of Punjabi culture and Punjabi language, neither of which, however, is a private property of the Sikhs and also that the proposed State was no different from the one established for the Andhras. None was assured, for in the same breath, though almost in an undertone, Master Tarasingh had been urging the Sikhs to be prepared to fight for the Panth's progress. The difference between Tara Singh's Punjabi Suba, and Andhra is not difficult to see. He himself made the difference still clearer, when he divulged in an interview with Shri Bhimsen Sachar, the Punjab Chief Minister, that he did not merely want a State where Punjabi culture and language could develop fully and freely but a State where Sikhs would be in a position to look after Hindus (or Banias, as they are derisively called in the face.) That was sufficient to confirm the suspicions long held by the Hindus that the main aim of Akalis was to gain a political advantage over them.

It may be relevant here to recall that after the Sachar Formula was accepted, Punjab has become a bilingual State. According to this formula, the medium of instruction for preliminary education is either Hindi or Punjabi, depending on the region. In the secondary stage, however, students are required to learn both the languages. This has been

accepted by all eminent Sikh leaders, but it has not satisfied the Akalis who must have a State where they are in majority. Hindu fanatics, too, could not get reconciled to Sachar's synthesis. Now as the Akali Morcha against the ban on shouting of slogans went on, there was a deputation of prominent Sikh leaders to complain that most of the schools being in Hindu hands, Punjabi was not being taught in these schools. The complaint to some extent is genuine and the Prime Minister has assured the Sikhs the full implementation of the Sachar formula, along with the removal of other grievances of discrimination against and ill-treatment of Sikh public servants.

Counter Agitation

Against this background is to be viewed the present tension. The proposal for a Punjabi Suba has become a purely communal question. A counter move has also been recently started by some Hindu leaders for the creation of a Maha Punjab. Maha Punjab or Greater Punjab is to embrace the Punjab, Pepsu, Himachal Pradesh and parts of Northern Rajasthan and Delhi State where the majority of the population is Punjabi. There is not much positive response to the appeal, but as a counterblast to the Akali demand, the new front gathers crowd around it and has now become the rallying point for opposing the shouting of linguistic and political slogans by the Akalis while taking out religious processions which Akalis started after getting control of Gurudwaras last year. Thus the move and counter-move for Punjab Suba carry the risk of communal clashes of the type witnessed in Ludhiana and Amritsar. In Ludhiana, complete anarchy prevailed for a few hours in the big bazars of the city in December last following an Akali religious procession in which the processionists shouted political slogans. Counter-clogans were raised by the Maha Punjab front people. One of the slogans Akali processionists were heard shouting was "Khanda Karbhogu, Nehru Bhaju Gu" which means that when swords clash, Nehru will fly away. Stones were thrown on the processionists in Hindu Bazars; there was an open

clash and some policemen were also injured along with Hindus and Sikhs. Some miscreants tried to loot shops also. It is because of these unhappy incidents that the Punjab Government banned the shouting of linguistic slogans in processions and demonstrations in order to "control the uncontrollable elements which generally collect in a crowd". Incidentally, it is the first strong step which the weak and internally divided Punjab Government has taken against unruly elements. Akalis have come out with a Morcha to save democracy and civil liberties. They have found their sympathisers throughout India among champions of civil liberty and the more ardent advocates of linguistic question, including the executives of the All-India Linguistic States Conference. No doubt the civil liberties of the people must be safeguarded and too much recourse to Section 144 must also be avoided. But for that very reason, wilful defiance of law and breach of peace has to be thwarted. Civil liberties and democracy are not just slogans to be shouted for undermining civil liberties and democracy.

Khalsa Dal's Opposition

According to a recent statement of the Akali Dal, about 8000 Akalis have been arrested in connection with the two-month-old Morcha. The Morcha, however, is limited to cities like Amritsar, Jullundur and Ludhiana and there has been little response from rural areas. But the number of arrests made so far suggests that Akalis have been able to work up the feelings of sizeable sections of Sikhs in the cities. There is, however, the other side of the picture too. Pepsu has not responded to the Morcha, contrary to all expectations. Some days after the Morcha, Khalsa Dal, a body of Sikh nationalists with a significant following among Sikhs, decided to offer a counter Morcha to stop Akalis from 'sacrilegious' activities in Gurudwaras. Such a Morcha would have made the situation worse. But nationalist Sikhs have been prevailed upon by the other parties not to take such a step. Akalis, too, were alarmed and gave adequate assurance that they would desist from using Gurudwaras for their political activities. The Sikh Convention at Amritsar condemned the Morcha as ill-conceived and harmful to Sikhs who have equal opportunities and are occupying important positions in Government and business and industry.

As already mentioned, the question has become communal, and is fraught with danger. Thus when the Prime Minister calls the Akali Morcha "vulgar, highly improper, unwarranted, nonsensical, obnoxious and born of parochialism", he knows what he means, being the uncompromising fighter against communalism in any shape. It is however an eminent Sikh leader, Sardar Sant Singh, ex-Indian Ambassador to Ethiopia, who challenged that the 'Akali Morcha' was Pakistan inspired, to which Akalis have taken a strong exception. The basis for Sardar Sant Singh's attack is not sufficient to warrant any such judgment. He bases his charge on the circumstances preceding the Morcha, like the visit of Giani Kartar Singh, the man behind Master Tara Singh to Lahore. Any such conjectures must be discounted. But the sudden goodwill the Pakistani press started demonstrating towards the Sikhs, and the invitation extended

to Akali leaders to visit Pakistan may not be without significance. It was interesting to find an extreme anti-Sikh Urdu daily from Karachi extolling the common traits between Muslims and Sikhs. Both the communities, the paper goes on to say, are brave and hate 'bania' crookedness and hypocrisy and of course both hate to be ruled over by the cowardly 'bania'. It may be noted here that 'bania' is not used here for shop-keepers but for all the Hindus. Whether there is really anything common between Muslims and Sikhs or not, certainly there is a lot in common between Akalis and the Muslim League in their communal and parochial outlook. However much Akalis may be able to convince others about their nationalism, they cannot convince their Punjabi brethren about the sincerity of their demand so long as they continue to hum among themselves 'Dhoti, Topi Jamunapar', maybe in their sadistic humour.

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Around Bombay Markets

Bullish Fervour

Thursday, morning

THE stock market is active. The lead was given by Madras where plantation shares advanced sharply. Calcutta, which was favourably influenced by enhanced dividends followed suit and at the end, Bombay also joined. Dalal Street which had been obsessed with Government policy, shook off its lethargy and the professional bear operators who held the field in the last three months had to stage a retreat. With the favourable economic outlook and hopes for higher dividends in steel, bulls have returned to the fray and prices of all leading industrial counters have advanced rather sharply. The oversold position of the market accentuated the rise and T T K added further impetus by his latest views on nationalisation and rationalisation. The performance of the market has been encouraging, though operators are inclined to wait and see what new ideas Pandit Jawaharlal Nehru brings with him from the Soviet Union.

The New Plan Loan

The new 3½ per cent Plan Loan 1965 for Rs. 100 crores has been quite a success. Total subscription amounted to Rs. 103.65 crores out of which Rs. 57.87 crores were against conversion. The State Governments will now be coming to the market for borrowing to the tune of about Rs. 30 crores.

The gilt edged market has been ruling quiet while the new loan is placed at Rs. 98-7-6 to Rs. 98-8-0. Bank shares have been featureless but there have been occasional enquiries about insurance counters. Electricity shares were ruling steady.

Textiles and Steel

In textiles, selective support was forthcoming. Kohinoor were in demand while Century as well as Dyeing shaped well. The Chairman of Simplex Mills has assured the shareholders that the dividend would be maintained, besides building up adequate reserves.

Dividend on the steel ordinaries is to be decided in a few days. Expectations are for Rs. 10-8 to Rs. 11 and there are optimists who feel that the directors would step up the dividend to Rs. 11. Bull operators in Indian Iron have become some-

what aggressive, and raised the scrip to Rs. 35-12.

Other Counters

In the miscellaneous section, Bombay Burma Old had a sharp spurt to Rs. 507-8 on the interim dividend being raised to Rs. 11-4, Rs. 6-4 last year. A C C have been firm part and it looks as if they are going to move up further. Scindia Steams have again slumped, on rumours that the dividend will be passed over this year. Tata Chemicals have gained from extension of protection for a further period of three years. Sugar shares have been ruling steady.

Cotton Responds

The cotton market is in good shape following the recent Government announcements of reduction in export duty, fresh export quota and the maintaining of status quo in the matter of floor and ceiling prices during the next cotton season and the abolition of the quota system of distribution to the mills. Futures as well as spot prices have strengthened considerably. As against the low level of Rs. 553-8 recorded in the second week of April, I C C August was bid up as high as Rs. 609 this week. In view of the dearth of tenderable varieties, the undertone continues firm, while scarcity of rains reported from several cotton growing tracts provided additional support. The new crop contract which will be for 13½" staple length is reported at a premium of Rs. 13 to 15 over the August contract.

The reduction in export duty on raw cotton from Rs. 150 per bale to Rs. 125 bale has been welcomed in trade circles. However it was hoped that the same special treatment would be meted out to Saurashtra cotton but these expectations have not been fulfilled so far. With the further release of 1½ lakh bales, the export quota for this season now comes to 4½ lakh bales, out of which a little over 2 lakh bales have already been shipped. Out of the new quota, one lakh bales will be from Dollera, Mathla, Kala, Deshi, C P I & C P 2 Deshi and C I Deshi, the maximum staple length of which shall not exceed 3¼". Remaining 50,000 bales will be from varieties of India cotton, except Bengal Deshi, up to and inclusive of 25½" staple length. The previous stipulation that 35,000 bales out of the export quota of one lakh bales released in the month of April, should be of Saurashtra cotton, to be shipped from the Saurashtra ports only, has now been removed. Any variety can now be exported against this licence except, of course, Bengal Deshi. Following the above announcement, fairly good export business has passed while mills have also been active on the buying side.

The New York cotton market has been fluctuating narrowly for some time past. The export policy for the next season is awaited. Though no decision regarding subsidy has been taken, it is believed that the U S

Price Range in 1955—Market Leaders

	High	Low	July 7
	Rs. as.	Rs. as.	Rs. as.
Tata Steel Ordinary	246 0	225 12	241 8
Indian Iron	36 4	32 1	35 6
Bombay Dyeing	493 2	452 8	486 4
Kohinoor	337 8	307 0	336 8
Century	397 8	354 0	395 0
A C C	188 0	167 0	187 4
Belapur	325 8	299 0	312 0
Bombay Burma	507 8	436 4	506 4
National Rayon	216 0	189 0	202 0
Premier Construction	165 8	143 12	152 0
Scindia	16 9	14 8	14 11
Tata Chemicals	17 8	13 0	14 12

Government will not take any special measures to boost up exports which this season have reached 3½ lakhs bales.

Burst of Activity in Oil Seeds

A month ago, buyers had gone on strike in almost all the commodity markets as well as on the stock market. The bullion market was the only exception. Markets were in an oversold position and prices bumped along the bottom. All of a sudden, the situation changed. There was a burst of activity and the first signal for the upswing in oilseeds was the postponement of the threatened increase of 35 per cent surcharge on shipping freight, following the strong attitude adopted by the Government of India towards the policy of foreign shipping concerns.

In the meanwhile, large export business in castor oil passed with USA and some of the bear operators were caught unawares. Castor seeds, September delivery, as a result, recorded a steep rise of Rs. 25 per candy within a short period of fortnight. Groundnuts which till recently displayed a vacillating tendency, despite brisk exports of groundnut oil and H. P. S. groundnuts, followed suit and prices touched a new high, after several months. Linseed also made considerable headway on covering by shippers against their overseas commitments in oil but later reacted by a rupee, due to somewhat discouraging foreign advices. Of late, America has been a keen buyer of castor oil in view of the crop failure in Brazil this year and this has provided the main drive for the price rise.

Near Distant Prospects

Kardiseeds and nigerseeds have also recorded fair increases while gingellyseeds have received considerable encouragement from the recent export quota for oil as well as seeds. Cottonseeds which had no buyers some time back have also looked up. It is to be noted that the unsatisfactory state of the monsoon this year so far has also been instrumental in reviving bullish tempo in the market, in view of the fact that the bulk of the floating stocks has been already depleted as a result of heavy exports this year.

Shri Ramdas Kilachand, President of the Bombay Oilseeds Exchange, has objected that the target of 67 lakh tons for oilseeds in the Second Five Year Plan would not be adequate in view of the increase in population as well as the need for

increasing export earnings of the country. He feels that the target should be raised to 75 lakh tons and has suggested several measures to overcome shipping as well as transport difficulties while pleading for a long term export policy.

Prices Rebound

Groundnuts bold spot which were sold as low as Rs. 19-12 per cwt. in May, have been taken up to Rs. 24-8 while the August-September position, after touching Rs. 25, has reacted to Rs. 24-8. Groundnut Oil August delivery is quoting around Rs. 13-6

Around Calcutta Markets

Irregular Trend

Wednesday, evening

AFTER the spurt in equity prices in the last few weeks, the Calcutta Stock Exchange seemed to be consolidating its recent gains during the current week. Equity prices have not declined appreciably. Despite occasional profit-taking, the prices have been well maintained. There is no selling pressure. But, in the absence of fresh buying support, equities have developed an irregularly lower tendency. That the market should pause in its upward journey to consolidate the ground recently gained, is not surprising.

Success of the new loan was not unexpected. But the stock market's attitude to the Government's borrowing programme has changed. It is now realised that the Government may have to re-enter the market later. There is, for one thing, the need to pay off shareholders of the Imperial Bank. And, it is now being emphasised that the enlarged deficit financing must lead to an increase in the volume of borrowings through treasury bills. That does not necessarily mean that stock markets may be adversely affected through increased governmental borrowings.

Factors For Rise

Bank deposits are swelling. Due to deficit financing, the volume of money supply will gradually increase. At present, money market resources have improved substantially to absorb higher treasury bill borrowings without any strain. Long-term loans by the Centre and by the States raise different problems. But informed opinion is inclined to the view that last year's experience is not likely to be repeated. On current indications, there is no reason

per quarter after touching Rs. 13-8. Linseed spot continued firm at Rs. 26-8 while August-September position, after rising to Rs. 26-12 has receded to Rs. 25-12. Castorseeds Madras quality have been lifted up to Rs. 20-8 from the low level of Rs. 16-10, this year, while commercial quality oil has moved up to Rs. 11-4 per quarter from the bottom touched at Rs. 8-6. Castorseeds September delivery which were sold as low as Rs. 73 have rebounded to Rs. 105.

The outlook for the oilseeds market mainly depends on the monsoon.

to apprehend that enlarged governmental borrowings will lead to a shortage of inevitable funds for employment on stock markets.

Equities have developed an irregular tendency not because of such fears, but because of possible developments relating to certain industries. Spurt in equities in the last few weeks was due mainly to the improvement in Indian Iron and in Tea shares. Indian Iron remain steady. Nor are Tea shares much lower. But, throughout the week, there has been lack of fresh buying support for Tea shares.

Export auctions for tea continue to be encouraging. Even prophets of gloom are now conceding that their pessimistic predictions seem exaggerated. Average export auction prices are well below last year's boom levels. But it became evident some months ago that this season's prices would be lower. Investors, therefore, were prepared for a fall in tea prices, and hence in the industry's earnings and profits. In the circumstances, the fact that export auction prices are well above expectations should have a "bullish" effect on Tea shares.

Tea Prospects

Such expectations have not yet been falsified. Recent spurt in Tea shares was partly due to this factor. Final dividend payments for 1954 helped the rise in Tea shares. Some companies have yet to announce final dividends. But this influence will be gradually losing its impact on Tea shares. This explains why the rise in Tea shares has been halted in the current week.

At the moment, the market is arguing whether the current levels

for Tea shares can be considered as safe. There are some who argue that, as this season's export auction prices have not fallen as much as formerly apprehended, undue pessimism is not warranted. There is something in this argument. But it ignores the psychological repercussions of falling prices on investors. Undue pessimism may not be warranted. But it is difficult to appreciate how current quotations for Tea shares can be maintained.

It will not be denied that this season's profits will be lower. Nor will it be denied that the industry's burdens will increase. Last year's fat dividend disbursements are provoking labour demands for bonus and higher wages. Tea workers in the Darjeeling districts have already been promised higher wages. By September, the effects of final dividend payments will be over. By then also, when the second flush of tea becomes available, auction prices may decline. These are possible de-

velopments which may not justify a "bullish" outlook for Tea shares.

Indian Iron

It would be wrong to presume that last week's spurt in Indian Iron was due to Government's announcement relating to an increase in the selling prices of iron and steel. This increase does not affect the iron and steel companies' earnings favourably. Last week's improvement was due to rumours of a higher dividend. It was accelerated by active "bear" covering. As doubts developed about higher dividend payments, weak holders sold out. As a result, Indian Iron developed an irregularly lower trend this week.

Output at the Burnpur Works during the year to March, 1955, were higher than that of the previous year. This does not necessarily mean that dividend payments will be higher. This Company has substantial prior charges to meet. For the first quarter of this current year, the output is lower. Sometime ago, New Delhi let it be known that this year's output of the existing iron and steel companies may be lower due to technical adjustments involved in the plans for expanding production. But the lower output for the quarter to June last has not had the effect of halting the upward trend in Indian Iron.

Jute Dividend

Though five of the Bird-Hellgers group of jute companies have increased dividend payments for the half-year to March last, Jute shares are not moving up. During that period, the mills worked longer hours. Output was, therefore, higher. But the mills had to buy raw jute at rising prices during January to March of this year. This factor was in operation for the first half of the current half-year also. This partly explains the hesitant trend in Jute shares.

In the last few weeks, both raw jute and jute goods have fallen sharply. Fall in raw jute is easily explained. Arrivals of new crop jute in terminal markets have been rising. Current estimates are that this season's total supply of raw jute will be more than comfortable. This season's crop is quite satisfactory. But a tentative estimate of the prospective demand position does not corroborate current fears that there will be such a glut in raw jute this year that prices will fall to unduly low levels.

It is only to be expected that jute goods will fall along with a decline

in the prices of raw jute. There was a sharp recession in jute goods prices last week. There has since been a slight recovery. But the price trend remains "bearish" because of growing fears that mill stocks of jute goods at the end of June may show an appreciable increase. Data relating to jute goods will be released by the time these lines appear in print. Immediate fluctuations in the prices of jute goods will depend on the data relating to stocks with the mills.

Some of the shares in the Miscellaneous and Engineering groups have been rising either on issues of bonus shares or on expectations of such issues. There are two reasons for the recent strength in Texmaco. It has been decided by the Stock Exchange authorities to add this scrip to the forward list. There are rumours that Texmaco may expand the capital structure by issuing bonus shares.

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CURRENT STATISTICS

BANKING RETURNS

(Rs. Crores and Lakhs)

	Latest Week	A Week ago	A Month ago	A Year ago
Reserve Bank*				
1. Note circulation	1312-71	1310-79	1324-95	1176-68
2. Rupee coin	105-59	105-93	103-54	98-56
3. Deposits				
a) General Government's	58-96	57-82	52-20	116-54
b) Banks'	46-14	54-52	46-72	42-85
c) Other Government's	12-34	11-21	14-75	23-83
d) Others'	35-69	21-84	21-87	35-92
4. Foreign Securities	652-04	652-04	652-04	653-15
5. Balances held aboard	61-85	63-92	60-03	93-76
6. Rupee Securities	543-64	543-64	643-64	421-22
7. Investments	46-55	37-89	40-74	91-29
8. Loans and advances to Governments	0-91	-80	-80	-17
Scheduled Banks				
1. Demand Liabilities (net)	594-22	592-19	546-80	
2. Time Liabilities	393-96	393-06	334-40	
3. Cash on hand	34-08	34-61	33-02	
4. Borrowings from Reserve Bank of which against Usance Bills	18-85	20-40	17-94	
5. Advances and Bills discounted of which Imperial Bank's	572-22	578-05	549-59	
6. Investments of which Imperial Bank's	116-57	119-46	122-89	
Cheque Clearance	354-95	344-87	326-23	
	89-59	89-68	82-33	
	117-80	127-46	122-42	
* For Reserve Bank and Cheque Clearance week ended 1-7-55. Scheduled Banks week ended 24-6-55.				
Bombay Money Rates	1-7-55	26-6-55	3-6-55	2-7-54
Inter-Bank Call rate	2 5/8	2 3/8	2 7/8	2 3/4
3 months deposits	2 7/8	3	3	2 7/8
6 months deposits	2 7/8	2 7/8	2 7/8	2 7/8
Bombay Bullion	7-7-55	A Week ago	A Month ago	A Year ago
Gold Spot				
" (per fine tola)	93-2	91-14	93-3	84-14
Forward "	91-14	90-12	92-1	84-7
Silver Spot				
" (per 100 tola)	159-12	158-6	16-12	154-7
Forward "	159-4	157-14	161-3	154-11

CIVIL AVIATION IN INDIA IN 1954

(All Figures except percentages in thousands)

	First Half		Second Half			
Scheduled Service	Air-India Inter- national	Indian Airlines	Air-India Inter- national	Indian Airlines		
Miles flown	1,579	8,113	1,784	8,321		
Passengers Carried	16	196	21	199		
Freight (lbs.)	2913	41,431	906	36,922		
Newspapers (lbs.)	54	3,176	36	2,977		
Mail (lbs.)	259	5,757	346	4,312		
Capacity ton-miles	9,196	20,363	12,225	20,860		
Overall loadfactor	63%	66.8%	58.2%	70.3%		
Non-Scheduled Services						
Miles flown		2,166		3,134		
Passengers carried		41		54		
Freight (lbs.)		.370		.133		
Final Estimate of Cotton						
	Official Estimate		Trade Estimate			
	1954-55	1953-54	% change	1954-55	1953-54	
Area	18,346	17,182	+6.8	—	—	
(‘000 acres)						
Production	42,98	39,65	+8.4	48,31	41,12	
(‘000 bales				to	to	
of 392 lbs.				52,35	46,22	
each)						
Indices of National Income and Per Capita Income in Constant Prices						
(in terms of prices in the year shown in brackets)						
	1948 = 100					
	1938		1950		1953	
	National Income	Per Capita Income	National Income	Per Capita Income	National Income	Per Capita Income
Belgium 1950)	n.a.	n.a.	108	107	n.a.	n.a.
Bazil (1939)	n.a.	n.a.	113	109	n.a.	n.a.
Burma (1947-48)	139	160	85	84	111	106
Canada (1935-39)	56	64	109	105	128	114
Czechoslovakia (1937)	101	86	122	120	162	154
Denmark (1935)	89	99	113	111	119	114
Finland (1938/48)	90	96	111	108	122	115
France (1949)	n.a.	n.a.	106	105	112	108
W. Germany (1936)	102	125	116	115	151	144
India* (1948-49)	n.a.	n.a.	104.1	100.6	122.5	107.9
Japan (1934-36)	154	174	137	131	187	172
Netherlands** (1925-34)	87	98	111	108	125	117
Norway (1950)	n.a.	n.a.	108	106	117	112
Sweden (1952)	n.a.	n.a.	104	103	109	106
Switzerland (1938)	83	90	106	104	116	108
Thailand (1948)	62	75	142	136	n.a.	n.a.
Turkey (1948)	83	98	106	101	n.a.	n.a.
U.K. (1948)	n.a.	n.a.	106	105	114	113
U.S.A. (1947)	60	67	109	105	126	115
USSR (1926-27)	70	n.a.	141	n.a.	189	n.a.
* Figures for 1950 and 1953 are for Financial year 1949-50 and 1953-54.						
** Upto 1947. Prices in 1948 for later years.						
Source: Statistics of National Income and Expenditure, U.N. Statistical Papers, and Estimates of National Income 1948-49 to 1953-54 issued by CSO., Government of India						

INDEX NUMBER OF WHOLESALE PRICES.

(Base Year Ended August 1939=100)

Group & Sub-Group	Week ended 18-6-55	Week Ago	Month Ago	Year Ago	Year/Month	No of disputes Start-ing	In Pro-gress	No of workers involved Start-ing	In Pro-gress	Total No. of man-days los
I. Food Articles	284.9	277.3	279.2	341.3	1947	—	1,811	—	1,840,784	16,562,666
Cereals	331	314	312	379	1951	—	1,071	—	691,321	3,818,928
Pulses	231	224	216	299	1952	—	963	—	809,242	3,336,961
Others	229	234	244	291	1953	—	772	—	466,607	3,382,608
II. Industrial Raw Materials	393.1	392.2	399.6	439.0	1954	—	840	—	477,138	3,372,630
Fibres	410	410	431	424	1954:					
Oilseeds	352	350	341	470	Jan	62	84	34,049	51,973	325,514
Minerals	422	420	417	458	Feb	61	85	26,419	41,351	344,295
Others	415	416	418	401	March	70	91	21,496	34,202	331,416
III. Semi-Manufacturers	330.1	329.1	330.6	354.0	April	78	101	30,062	34,963	207,247
Leather	385	381	400	360	May	56	80	27,606	40,073	216,062
Mineral Oils	221	221	221	221	June	61	82	14,963	21,589	205,078
Vegetable Oils	351	348	347	449	July	106	122	22,547	30,189	277,492
Cotton Yarn	422	423	426	461	Aug	69	79	36,262	51,090	322,887
Metals	244	244	244	239	Sep	77	97	35,162	50,414	363,878
Oilcakes	321	309	305	417	Oct	66	88	30,678	41,724	276,294
Others	329	329	327	302	Nov	48	62	16,244	25,115	239,701
IV. Manufactures	369.3	370.3	374.7**	378.8	Dec	75	101	44,124	54,455	262,763
Textiles	406	408	415**	422	1955					
Jute	413	419	433	442	Jan	72	95	38,430	49,038	322,807
Cotton	403*	403*	406*	419*	Feb	67*	90	36,764	38,331	176,829
Rayon & Silk	467*	479*	503*	310*						
Woollen	285	285	310	310						
Metal Products	343	343	343	340						
Others	286	286	286**	290						
V. Miscellaneous	565.3	566.2	547.0	649.7	N.B.—Figures for 1954 are provisional					
All Commodities	343.9	341.0	343.9**	380.5	* Not known in 5 cases					
* Estimated					** Revised					
					Source: Labour Bureau					

WORKING CLASS COST OF LIVING INDEX

(Monthly average or calendar months)

	Bombay	Calcutta	Madras	Kanpur	Delhi	Jabalpur	Kharagpur	Ludhiana	Cuttack	Jharia
	(Base: August 1939=100)				(Base: 1944=100)					
1948	288	339	315	471	344	146	132	163	137	153
1949	292	348	330	478	344	151	137	164	147	159
1950	298	349	332	434	344	153	137	165	163	182
1951	314	370	341	451	370	168	136	167	181	184
1952	321	351	337	441	373	150	133	151	160	175
1953	346	349	358	453	366	151	139	147	157	166
1954	342	327	348	408	360	140	128	148	147	131
1954:										
Jan	346	325	360	442	363	144	127	151	149	143
Feb	331	316	360	432	363	144	125	151	147	143
March	332	319	352	416	360	143	126	160	146	141
April	338	323	348	426	368	144	129	151	146	134
May	338	339	348	415	370	142	133	150	146	132
June	350	332	349	396	352	141	127	149	149	129
July	349	331	346	400	349	141	127	145	147	128
Aug	345	330	343	408	352	140	127	145	146	126
Sep	347	332	342	406	357	137	129	147	149	127
Oct	346	336	345	404	368	134	129	145	149	127
Nov	344	325	344	387	363	135	129	146	147	125
Dec	341	321	344	369	352	131	124	144	143	116
1955:										
Jan	335	324	340	372	344	130	124	141	140	120
Feb	329	310	333	384	334	130	122	137	139	122
March	328	310	328	377	331	—	—	—	—	—
April	324	311	320	352	329	—	—	—	—	—

Source:—(1) Ministry of Labour
(2) State Authorities

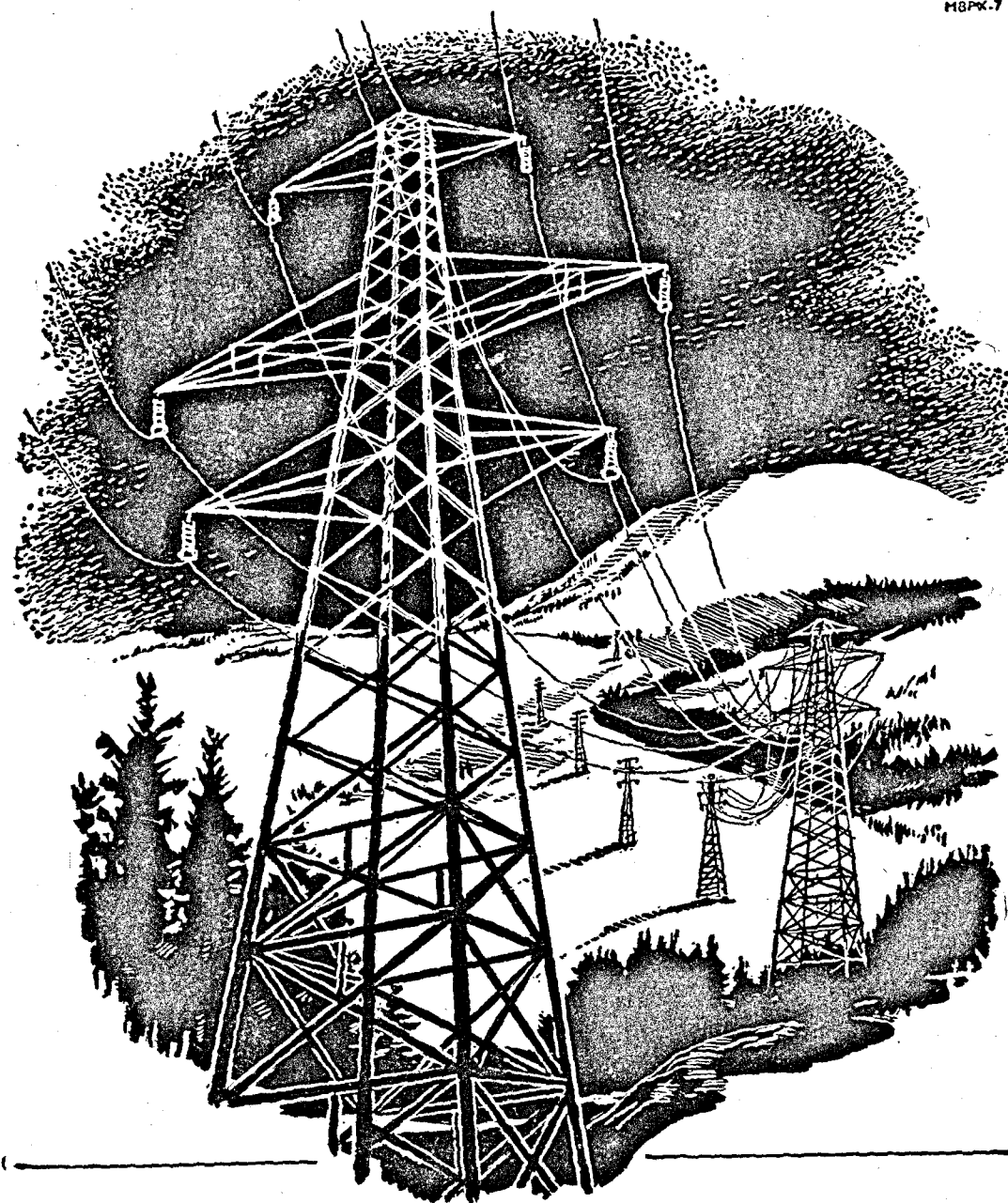
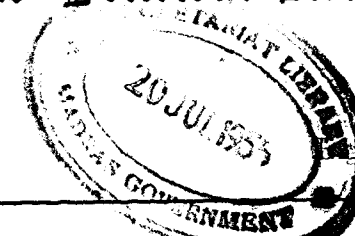
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After Russia...

WHAT did Pandit Nehru find in Soviet Russia and Yugoslavia?

What impressions did he carry with him from his triumphal tour? Every item of news is being scanned carefully for possible clues that might give an inkling of the Prime Minister's thoughts. In due course, of course, it may be expected, Pandit Nehru will report his tour impressions to the public. Meanwhile, one must wait and watch and make out whatever one can from hints dropped or scraps of talks. The Stock Exchange has taken courage from Pandit Nehru's observation that food is plentiful and cheap in Soviet Russia, but consumer goods are expensive and not so easy to come by. From this, imaginative operators concluded that there was no reason to fear any drastic change in the Government's industrial policy; whether from the same premise the conclusion is warranted or not that collective farming should be a model for India's agriculture does not, of course, interest the Stock Exchange operator.

But the relief of the speculators has not been so long lived. On the following day came reports of his talk with the Planning Commission in the course of which Pandit Nehru spoke enthusiastically, as is his wont, of workers' participation in the management of industry which he had observed both in Soviet Russia and Yugoslavia. Now Panditji is in the habit of taking his lessons in public; his soliloquy today may become public policy tomorrow. Giving a graphic account of all that he had seen and studied during his tour, Pandit Nehru spoke admiringly of the great discipline among the workers in Russia and of the Workers' Councils having their due share in running the Yugoslav industry.

Another point was made by the Prime Minister, viz., that the Russians, while keeping the five year perspective fully in view, concentrated on the current year's plan and sought to fulfil it.

Since it was Comrade Saburov, the Chief of the Gosplan, who told him so, we will hear more of it and indeed more of Russian ideas of planning. But it may not be out of place to mention here in passing that with the Draft Plan-frame before the country, many of its recommendations, which have been provisionally accepted and are being discussed, would be unmeaning unless the long term perspective were also kept clearly in view, such for instance as making the country go in for inefficient methods of production, pending such time as we can have resources to organise them better. The emphasis on heavy industry, at this stage, is also unmeaning except in the light of the long term perspective we have in view. The question keeps on being asked and cropping up now and again, what are we going to do with the products of heavy industry and with capital goods generally, if we have no programme of mechanisation and are going to stick on to hand and household industries and low efficiency production? Of course, no long term perspective can condone or justify any slackness or indifference in the performance of the tasks on hand, not doing what has to be done here and now, which means concentrating on the job at hand and achieving what we have set ourselves to achieve in the immediate future, namely, the programme for the current year. So there is not much in it that

is not fairly obvious and unexceptionable.

Workers' participation, however, is quite a different matter, for it involves a sea-change in attitudes, and in the relation between industrial workers and employers. The Industrial Advisory Committee which is meeting at the end of this month has no such proposal on its agenda. This Committee has yet to tackle problems which should have been resolved long ago such as improving customs classification and rationalisation of import policy. This is of course only one of the problems that the Committee will have to consider. But it gives an idea of the sort of difficulty which industrialists have still to contend with. From frequently reiterated statements of policy, there is a general impression among the outside public that Government is at least duly aware of the necessity of

helping industry to get its raw materials and that import policies and tariffs are attuned to this purpose. They are not. Import duties on raw materials are high, sometimes fantastically high, while imports of finished products made from them are allowed duty free or have to pay only a nominal duty. This is only one of the many problems that industry has to face today. Shortage of various types of steel, and the failure to provide industry with these basic materials is a factor inhibiting development in engineering industries which persists despite the pool arrangement and the higher price now charged to consumers. Much of the steel imports are for special purposes, most of it under American Aid Programmes, which does not help our engineering industries. High import duty on such steel is a matter of justifiable grouse on the part of industry. Government purchase policy is yet another, but this is a hardy perennial which crops up invariably whenever problems of industry are discussed and so is the price preference claim for domestic suppliers. Industry is also worried about transport and is fully convinced that railways will prove a serious bottleneck unless there is a totally new outlook in planning transport in the Second Five Year Plan. There is also the problem of replacement of machine tools which are "very old and antiquated", calling for a nation-wide inventory to be taken immediately so that both Government and industry may be aware of the magnitude of the problem of replacement.

But while industry still complains of over-legislation in matters affecting labour-management relationship, and the Prime Minister talks about workers' participation in management, Shri Giri's minimum demand that the present system of compulsory adjudication should be replaced by collective bargaining receives scant attention.

The six points laid down by Shri Giri for labour in the Second Five Year Plan are:

1) The employer should recognise that the trade union movement not only had come to stay but also was a highly essential and useful instrument for securing harmonious relations between the two partners in industry.

2) Without implications and limitations, there must be an attempt on the part of the employer and the workers to secure one union for one industry.

3) Standing orders for each industry must be drafted with the approval of both parties.

4) A joint standing machinery must be formed for each industry to iron out differences and disputes that may arise in industry.

5) The workers and the employers should resort to conciliation, and if it failed, mutually agree to arbitration. Arbitration should be at the level of industry without the interference of extraneous authorities, Government or Judiciary.

6) There might be an industrial court on the basis of the United Kingdom Industrial Courts Act of 1919.

Labour's association with industry can be brought about in two ways—one is that of voluntary agreements. Surely when Pandit Nehru talks about it, first things should come first, and determined effort should be made to break away from statutory regulation of these relations to one of voluntary agreement and mutual understanding.



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power save prudence."

Juvenal.

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Four Good Omens

PEACE-LOVING peoples throughout the world will welcome the growing realisation that peaceful co-existence is the only alternative to total annihilation in an atomic war. Ever since the "cold war", Russia has always had the diplomatic initiative in offering peaceful co-existence as a basis for easing world tension. Opinion in France has always been in favour of an understanding with Russia. With the vivid realisation of the devastating, destructive potentialities of the hydrogen bomb, Britain has been urging America to join in a final attempt to discover the possibilities of reaching an agreement with Communist Russia. After prolonged hesitation, America agreed to participate in such an attempt to explore the prospects of an understanding with Russia to ensure world peace.

That was how the Big Powers agreed to have talks "at the summit" later this month. Tribute is due to President Eisenhower for dispelling doubts about America's negative approach to the forthcoming Geneva discussions. America has been insistent in her demand that Russia must prove her peaceful intentions by deeds, and not merely by words. Acceptance of a peace treaty with Austria was the most recent of a series of Russian gestures in response to America's demands. Yet, even after the Western Powers' invitation to Russia to join in talks "at the summit", the American Secretary of State has repeatedly reminded the world of America's mental reservations in participating in the Geneva talks. Such a negative attitude on the part of America provoked the First Secretary of the Soviet Communist Party to indicate that Russia was anxious to reach an honest agreement with the Western Powers on outstanding world issues. President Eisenhower's prompt reciprocal assurance that America was participating in the Geneva talks "in a conciliatory and friendly attitude" will be welcomed by the common man in all parts of the world.

President Eisenhower's recent statements disclose a realistic assessment of the changed post-war world situation. Implied acceptance by the Head of State in America of Communist Russia's post-war world status and the annihilating consequences of an atomic war encourage the hope that the principle of co-existence will be the basis of Geneva discussions for an agreement among

the Big Powers. Peaceful co-existence means and implies simultaneous existence of Democracy and Communism in peaceful competition with each other. In seeking peaceful co-existence, Communist Russia does not reject the fundamental Marxist faith in world Communism. What she undertakes is an obligation to ensure such a state of world affairs in and through peace, and without the use of force. It is reassuring to know that the Head of State in America, the dominant NATO partner, is prepared to accept this challenge in competitive co-existence.

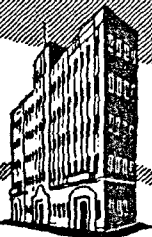
To reach an understanding on these conditions and circumstances, there must be an agreed arrangement on disarmament. It is inevitable that, on the eve of the Geneva talks "at the summit", the question of disarmament will monopolise attention in both Russia and in the Western countries. President Eisenhower has made it clear that disarmament will receive topmost priority in the agenda for the talks "at the summit". In anticipation of such an agenda, Russia has already let it be known that she accepts the Western Powers' proposal for reduction, control and inspection of conventional armaments. Their proposal relating to atomic weapons has already been accepted by Russia. It will not be easy to reach an agreement on disarmament. But there will be hope that the realisation that peaceful co-existence is not possible without a prior agreement on disarmament will be the urge to both sides to be accommodative and conciliatory.

Once an agreement on disarmament is reached, the problem of what Mr. Dulles calls the menace of international Communism loses much of its menacing significance. Here, Prime Minister Nehru's efforts have not been unsuccessful. In joint statements recently issued in Moscow, Warsaw and Belgrade, the principle of non-interference in the internal affairs of sovereign nations—one of the major principles of Panch Shila—has been repeatedly stressed. In his speeches in Russia, Poland and Yugoslavia, Pandit Nehru has emphasised over and over again that non-interference in the internal affairs of nations is an essential condition of peaceful co-existence. Russia has undertaken a solemn obligation not to interfere in the internal affairs of any country for any social, political, economic or ideological reasons.

Pandit Nehru has assured the world that he is convinced of Russia's intentions to honour this pledge. Those who doubt Russia's intentions on this aspect of the world problem need the reminder that Russia has undertaken an obligation not to interfere in the internal affairs of other countries without a reciprocal assurance by the Western Powers, and particularly by America, that they will dismantle their elaborate propaganda machinery and arrangements aimed at wooing the Eastern European States away from Communism.

There will, or can, be no quarrel with the decision to give the topmost priority to disarmament in the forthcoming talks at Geneva. It is equally inevitable that Germany will be the second most important problem under discussion at Geneva. But there are indications that the Western Powers would like to restrict the talks "at the summit" to Europe to the neglect of Far Eastern issues. There can be no world peace without peace in Europe. Peace will elude Europe, and hence the world, as long as the German problem is not solved. But it is equally true that there can be no world peace without a settlement of Far Eastern issues. Formosa, the situation in South Vietnam and Korea are some of the specific Far-Eastern issues which must be settled in the wider interest of world peace. There is, above all these specific problems, the fundamental issue of Red China's admission to the United Nations with all its logical implications. And yet these are the problems which the American Secretary of State has, by implication, excluded from the agenda of the Geneva talks. Admittedly, the talks "at the summit" should be mainly about the fundamental causes which are creating world tension. But to exclude the problem of Red China's admission to the comity of nations or the various Far Eastern issues in dispute from discussions at Geneva is a wrong approach to any attempt at reaching an agreement between the Western Powers and Communist States. Signs are not lacking that the Western Powers are sincere in their efforts to come to an understanding with Communist Russia. There is, however, no indication yet that America is prepared to discuss all the relevant issues in Europe as well as in the Far East which perpetuate the "cold war".

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Weekly Notes

Quitting Coastal Trade

INCREASE in efficiency of a machine, a ship or a mill—the acquisition of any of these also—helps everyone else except their competing agents. Now we have been made familiar with the case of increasing efficiency where it injures others, e.g., mills displacing hand-looms; but who is displaced or who suffers as a consequence when a high powered ship, an oil-burner, which is good for the overseas trade is shifted from the coastal trade in which a not so modern coal burner will do just as well, and would in fact be cheaper to run? The question has been raised in a highly provocative manner by the reported decision of Great Eastern Shipping to quit the coastal conference.

This step the Great Eastern has been provoked to take because a Committee of the Ship-owners decided that (1) no Indian flag vessel should be time-chartered to foreign shipping companies; (2) there should be no 'poaching' into foreign runs where Indian companies were members of the conference and (3) chartered vessels not carrying Indian flag should not be allowed to be substituted for 'owned' vessel on the coastal run. The charge of poaching is most amusing since tramp shipping is by no means an Indian monopoly and Indian members get only a microscopic fraction of the freight carried by the Conference lines. Great Eastern will have done something, if it succeeds in provoking others, including the Transport Ministry of the Government of India, to do some thinking on this vital question of resource utilisation.

Kolar Gold Mines

THE decision of the Mysore Government to take over the Kolar Gold Mines, which are at present under the management of a British Company, John Taylor and Sons Ltd., before the expiry of the Agreement (which is to run upto 1970) does not imply any change in economic policy. The State Government complains that the assets of the company were unduly inflated when the present management took over and also feels that it is not getting as much from the gold mines as it should and has plumped for nationalisation as a means of augmenting its revenues. And it has

been encouraged by favourable circumstances too: in the first place, the decision does not involve any constitutional difficulties.

The facts: the State Government came to an Agreement with the present management in 1935, renewing the lease for a period of thirty years from 1940. In 1949, the Government abolished the gold duty imposed in 1940, and it was agreed that the company should pay to the Mysore Government 75 per cent of the net surplus, in addition to royalty. Some time back, the State Government alleged that the company had violated the provisions of the Agreement; and therefore a committee consisting of officials of the Government—no representation being given to the company—was appointed in 1954, for reviewing the working of the Agreement. The Committee reported in February 1955, that the company had "honoured the Agreement more in the breach than in the observance", and among the deficiencies pointed out were: (a) working costs had been unduly inflated; (b) progress of Indianisation of staff had not been satisfactory (c) adequate provision had not been made towards depreciation etc. etc. More than all these, perhaps the greater grievance was that while shareholders had received as dividends about Rs 34 crores from 1881 to 1953, the Government had got only Rs 16 crores. In order to raise the latter's share, the Committee recommended that the proportion of profits to sale proceeds should be increased from 5 to 10 per cent.

The Company's case was that 90 per cent of the increase in working costs was beyond its control, that it had made considerable progress towards Indianisation, 137 out of 229 covenanted posts being held by Indians, and if the Government had not got more by way of royalty, it was because the price of gold had gone down from Rs 300 per ounce at the time of the Agreement to Rs 228 in 1953. Mysore was getting less for another reason—income-tax on the profits of the company which was formerly payable to it was now being paid to the Government of India.

Though gold mining is a highly complex and technical undertaking, the issues raised, however, are not technical. They are the usual ones which arise whenever parties to an

agreement fall out. In such circumstances, the usual procedure is to submit the dispute to a third party. That the State of Mysore happens to be one of the parties to the dispute, does not necessarily call for a different procedure. Mysore has a lot of experience in State enterprises, but that is not relevant either. It may not want to renew the Agreement in which case the present Agreement should be allowed to run out but it is difficult to see how one-sided abrogation could be justified.

Night Air Service—A Lament

SOMEONE should sing a dirge for the night air mail service or rather the spirit of it which dies on the day when night air fares will be off the tariff and made equal to the fares of day services. With it dies the challenge which gave India her 'all-up' and all weather air mail. The night air service ceased to be what it was when it passed on to the Deccan Airways and thus came under State management, long before the other airlines were nationalised. The service deteriorated, frequent accidents scared away would-be passengers, but strangely enough, instead of trying to get more people to travel by night, the management became increasingly reluctant to provide passage to passengers. It could well afford to do so—after all, the mail traffic was there and there was no pressing necessity to pay its way. When the Indian Airlines Corporation took over, only the pretence of a night passenger service was kept up. Even that pretence has now been dropped.

This paper which had fought for cheaper air travel has special reason to regret this decision. The stages by which this remarkably bold and imaginative venture to bring air travel within the reach of people other than business magnates, film stars and Government officials was sabotaged does not bear recounting. The air transport companies could not run the air services successfully. They provided service, but did not earn enough. They complained that the rate of fares was uneconomic, but who would listen? Now by a stroke of pen fares can be raised and the quality of service deteriorates, but no one even says a word in protest. The miraculous air age has come, cheaper air travel is gone.

Hand Pounding for Nutrition or Employment?

FOOD control treated wheat and rice differently. Ration shops did not usually sell flour; if flour was sold at all, it was only on those rare occasions when Government received a consignment of flour instead of wheat. But in the case of rice, it was not paddy which was distributed through the ration shops but milled rice, whether milled in the exporting countries or in India. In fact, rice mills were sometimes employed as procuring agents and were licensed to purchase paddy and de-husk it on the express condition that all the rice milled would be sold to the Supply Department. That way, the Khadi and Village Industries Board has a case against Government and rationing for favouring the rice mills. But the employment angle is being carried too far when a moral issue is being made of it and an All India Committee set up by the Government of India seriously proposes that the Essential Commodities Act should be taken advantage of in order to help hand pounding of rice and that, with its aid, not only licence should be refused for new rice mills but existing mills should neither be allowed to exceed their capacity nor to work for more than 6 hours a day, or that small rice huller machines should be stopped from milling any rice at all by the end of 1956.

Though two official committees—one appointed by the Bombay Government and the other by the Government of India—have been blessed hand pounding and gone all out against rice mills, with due respect to the learned members of these committees it may be submitted that hand pounding of rice is not an industry. It is part of the domestic chore in most village homes done by womenfolk. It is not normally a whole-time job for adult male labour. In view of the wide variety of conditions existing in the country, one cannot, however, be dogmatic about it or challenge, in the absence of adequate evidence, the figure given out as the number of those engaged in hand pounding, which is 2 lakhs according to the 1951 Census. Nevertheless, it would be wrong or misleading to accept any such figure and to ignore the character of employment provided by hand pounding.

Milled rice sells because so many people like it and also because

some village homes find it irksome to pound their own rice. True enough, hand pounding provides supplementary income to some village women. If such deserving cases suffer it is because the trade in rice, as in other things, is getting more and more organised and supplies are being drawn from longer distances. There is no particular fun or social gain in carrying a lot of husk over long distances and subjecting the transport system to undue strain. A certain measure of displacement of a particular type of labour, in this case, that of village women, becomes unavoidable in the process. There is no much help for it, for it is not a straight question of relative efficiency.

How does mill rice push out hand pounded rice? Though even on the ground of efficiency viz., percentage of recovery, hand pounding has been claimed to be superior, the explanation must be sought in the slow changes in the organisation of rice trade and of the pattern of distribution when the supplies are being drawn from longer and longer distances. There is one point in favour of hand pounding, however, which is not so easily disposed of. Viz., that milling reduces the nutritive value of rice but hand pounding does not. If this is the case, it should come more appropriately under food laws, if we are to have any, which should set out nutritional standards and regulate all food processing industries. If this is done, either rice mills will have to improve their system of milling so that the full nutritional properties in rice may be preserved or leave the field to hand pounding. By mixing up nutrition with efficiency and employment potentialities, the case for hand pounding is not helped but hindered.

One Man Trade Mission

LONG before the Commerce Ministry decided to send a Trade Delegation to study the scope for Indian textile exports in South East Asia, Shri P M Shah, the enterprising editor of *The Indian Exporter*, entirely on his own, had led and completed his one-man mission to Aden, Abyssinia and East Africa for the study of export prospects, not only of Indian textiles but for other prospective lines also in which we are having some exports now but can do very much better. Besides Kenya, Tanganyika and Uganda, Shri Shah covered Zanzibar and Pemba, and also explored Ethiopia,

Asmara and Aden, which are all alike so far as trading conditions go and in all of which the Indian business community is well established in trade. Now the fact that Indians control the trade in so many of these territories was a temptation and a snare. It must be said to the credit of Shri Shah that he did not allow his patriotism to get the better of his judgment and he does not mince his words while telling us what exactly he thinks of our business practices in all these territories.

Wherever Shri Shah went, he found that the fair name of India was besmirched by our inefficient and unfair trading methods. There is in every country some measure of shady dealings which are difficult to eradicate. But much of the complaint was also against the sloppiness, indifference and lack of enterprise on the part of our business men in their homeland and, worse still, against similar failings on the part of Government agencies. This will come as a rude shock to many, but not the commonest of complaints, viz. that letters are not replied to and trade enquiries go unattended. People not used to Indian ways are apt to mistake what is at worst indifference for something much worse.

It is not necessary to elaborate the point; it would be enough to draw attention to Shri Shah's report, extracts from which were published in the last issue of this paper. On the positive side, Shri Shah's recommendations deserve careful examination, particularly in respect of the measures he suggests by way of remedial action. Packing, grading and maintenance of proper standards have been and still are crying needs. There is nothing much to add here but since India is going in more and more for manufactured exports, the character of the problem and the appropriate organisation necessary for export promotion are also changing. Lack of real interest in export markets is probably at the root of all the deficiencies that Shri Shah has pointed out. The situation may get a great deal worse rather than better in the next few years if, as is likely, the consequence of large scale investments turn out to be higher money incomes, and keen as well as sustained demand for all sorts of goods which will enable production to be maintained with little or no attention paid to cost or quality. And if there is a thriving home market, who will bother about exports?

The most important single recommendation on the organisational side next only to proper grading, standards and better business methods is the establishment of confirming houses which should serve the interest both of buyers and sellers. Apart from the credit advantages which buyers derive from these houses, they can also lodge complaints regarding quality and damage to goods on the spot.

Despite all these deficiencies and shortcomings, the main impression one gets from this one-man survey is the wide scope East Africa, Ethiopia and Aden offer to all sorts of Indian exports of manufactured goods ranging from cotton textiles, cement and leather goods to handicrafts and a variety of consumer goods like utensils, toilet soaps, biscuits, bicycles, plastic, handicraft products as well as wire gauzes, buckets and agricultural implements. How far are these present

Off the Record

Behind the Purdah—NEFA

BIG game shooting and study of aboriginal tribes which in the old days used to attract English members of the ICS to Assam, does not appear to have exercised the same fascination over their Indian colleagues. Or it may be that there was veiled discrimination and Indians were not trusted for such political assignments and never posted to frontier districts. But whatever the reason, few among senior Indian officials could speak the dialects of the Naga or other hill tribes or knew anything about their social customs and practices to be able to take over the administration of the tribal areas and establish that democratic touch with the people which was necessary, after India became independent. There were many other factors, of course,—the war itself was one—but the present troubles in the North Eastern Frontier Agency can also be partly traced to this source. For the first time it was the north-east and not the north-west frontier which had become a theatre of war. The tribal areas spread-eagling Assam and Burma were churned up. The people suffered and also benefited. The turmoil of jungle warfare left a ferment in its wake. It was not a question of ammunition dumps left behind in this case, or of disarming

prospects likely to endure? Will these markets continue to offer ready sales to Indian exporters? An assessment of long-term factors will also be necessary if we are to set out in a big way to establish trade in these territories. Some of the factors necessary for such an assessment have been presented by Shri Shah, but not all. It can be safely inferred from his report that local production of the goods the export prospects of which he surveyed is not a likely possibility today nor is it likely to come up in a big way in the near future. But what about the prospective competition? Since nature abhors a vacuum and prospects are so bright for Indian exports, the reason must also be that the old time exporters are unable to attend to these markets, in which case the outlook may change overnight when Japan, continental countries and Britain will be in a position to turn their at-

unruly people who had got hold of arms.

The erstwhile head-hunters are a proud people. The dignified bearing of their men and women folk must leave a deep impression on the casual visitor who has occasion to pass through the frontier agency which is a veritable paradise for social anthropologists. But few Indians have done much field work among these tribes and the understanding of their problems is not informed by the light of social sciences. Administrators are still apt to be a little impatient rather than forbearing when they see no rationale in a pattern of behaviour which is so different from their own or from what they consider to be rational. The refusal to use the plough and the persistence of hoe cultivation, for instance, annoys the agricultural expert who will tell you that it is impossible to make these obstinate hill folk change their ways.

Around the settled Naga villages, however, the terraced hillsides appear to be tended carefully enough. They have their indigenous system of irrigation. From a nearby waterfall, through a long line of split bamboos, water is made to flow and when the top terrace has been watered, sluices are opened so that it may pass on to the next

tention to the exploitation of what had once been their established markets. True, meanwhile the aggregate demand in these territories must also have gone up which by itself should leave scope for fresh entrants. But Shri Shah also makes the presence of Indian traders and their established position in trade one of the principal planks in the propaganda platform and rightly so. For distribution and trade are slowly built up and the comparative advantage which had enabled the Indian trader to push out his European competitor is not likely to diminish with the passage of time. On the other hand, control over trade also implies better knowledge of markets and of the requirements of the consumers which the Indian trader should be in a position to transmit to producers and exporters at home, to the definite advantage of both. Surely this is fairly firm ground to build upon.

terrace and so on. One can commit the worst crime and get away with it, be guilty of all manner of misdemeanour and be still forgiven, but if a tribesman neglects to pass on the water to the terrace below when his own plot has been wetted, God help him! He will be hounded out of the tribe. Such simple rules of conduct, which custom has congealed into conscience, sanctify the social pattern of the tribesman. In putting it like this, one may be accused of trying to oversimplify, of talking like missionaries to cannibals. But it is the missionary who has gone into this forbidden or uninviting terrain, set up schools, converted the tribes to Christianity and done what little had been done until recently by way of tribal welfare. How could missionaries who everywhere break up tribal life and destroy tribal values win the hearts of the people—if they have won it at all—is a question which our social anthropologists will have to answer. What hits us in the eye is the fact that it is the converted Nagas who lead the separatist movement and that the Naga National Council is all Christian.

The correspondent who writes bitterly about the failure of our policy in the North Eastern Frontier agency in an article appearing

in this issue does not say what India has been trying to do for the welfare of the tribal people. The roads built, the large funds spent on introducing handicrafts, efforts to make the NEFA self-sufficient in food supply and to associate the tribal people, for the first time, in planning their own development—this is going to be a feature, we have been told, of the Second Five Year Plan for the North Eastern Frontier Agency—do not figure at all in this correspondent's account. But suppose all this was made good and it was conceded that the Naga hills and the whole of NEFA were being converted into a land of milk and honey, would it make such a lot of difference? Think of the sneer, the knowing, cynical smile with which we used to greet British claims to have done this or that for India; how we jeered at such 'trumpeted' claims. Even if we had not doubted these claims, would we have accepted good government as a substitute for self-government?

Some of the correspondent's objections can easily be answered but not all. It is easy enough to see why foreigners may not be welcomed, nor is there any reason to allow a free hand to traders to open up these areas to their economic exploitation. But though it is a fact that little news travels outside, the case for allowing freer access to press correspondents may also appear somewhat paradoxical in the light of the correspondent's own assertion that the press does not seem to protest, as it finds no difficulty in explaining the developments behind the purdah as the doings alternately of the missionaries and of the communists. Surely, the correspondent could not have it both ways.

The full light and searching light of publicity, however, is to be welcomed without any reservation whatsoever. India is strong enough to admit mistakes and rectify them; she needs no excuse to suppress facts nor does she lack courage to face facts. Our Prime Minister has just returned from a triumphal tour of the West where he had the satisfaction of seeing some of the principles that India stands for slowly being put into action, largely as a result of his own initiative in the matter. His own ministry which is in charge of NEFA should not shy at applying the same principles at home. It is mean and unworthy to suggest that because Nehru met his only rebuff from the

Naga tribesmen, his administration fails to stand by the same high principles in the North Eastern Frontier Agency or wants a separate standard to apply there from the one which India holds out to the world outside.

India's case can perhaps be put best as follows:—A country of high mountains, forests, rivers and vast wilderness, the North-East Frontier Agency covers an area larger than West Bengal. But it has a population of 6½ lakhs only, composed of many tribes who may be virile and all that but who had been totally and carefully excluded from all intercourse with the Indian people throughout the British regime. Well, some Englishmen with a flair for such a thing might have written beautiful monographs about the tribes but Britain did not use social scientists to administer the tribes. She did not administer the tribal areas at all, beyond leading occasional expeditions to teach the tribals a lesson for doing something wrong, in order to put fear in their minds and to make them respect the British Flag. Not only was all intercourse with the Indian people prevented, the tribal people were made to believe that Indians were hostile to them and wanted to absorb them completely. There was a theory current at the time about Hinduism gradually assimilating the tribal people by offering to take into its fold such of the mlecchhas as would forswear eating of beef and other unclean foods. Tolerant and catholic, the Hindu pantheon could always make some room for the tribal deities.

Be that as it may, free India was faced with the problem of tackling this neglected area, which did not have the skeleton of an administration even. And the Government of India had to establish for the first time contacts with the people who had been completely kept apart for over a century. There were no roads connecting the tribal areas with the rest of Assam. Economically the tribes were backward in the extreme as there was hardly any trade with the rest of India. Socially, well, despite all talk of an idyllic, satisfying pattern of behaviour, head-hunting still survived and so did slavery. Free India gave to the North-East Frontier Agency a special place in the Constitution. It is now administered by the Governor of Assam as the Agent of the President through the Ministry of External Affairs which

exercises administrative control. The Government of India has advanced the administration almost to the border and connected it by road with the headquarters. The Assam Rifles which is a "Civil police force run on military lines" has established a number of outposts in this agency. Under the 3 crore first five year plan, a great deal of development has been in progress, roads have been built, agricultural farms and seed stores etc. established, training is given in agriculture, and animal husbandry, schools and dispensaries are also being opened and so on.

A P I B hand-out issued some time ago, went to the extent of admitting that owing to other pressing problems, the Government of India had not been able to pay full attention to these areas. But this has been remedied through two visits by the Prime Minister followed by visits of administrative and other experts. What the Prime Minister's visit led to, is, however, quite a different story and it has been told elsewhere.

Administration had to be organised from scratch. It began with the appointment of political officers who were carefully selected from the services as well as from outside, with an eye to their broad understanding of and sympathy with the tribal people, physical energy, drive and initiative. The policy was that the tribes should not be looked upon as museum pieces but should be treated with understanding, sympathy and fairness as citizens of India—there's the rub, they have yet to feel Indian—that they should no longer be isolated from the rest of the country, the aim being eventually to absorb them into the normal pattern of so-

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ciety. In order to break down their isolation, contacts with outsiders are being encouraged, though not within the tribal areas. While their economic conditions are being improved, they have still to be protected from exploitation and have to grow and develop in their own way. Leadership is not to be thrust on them; it should rather develop from within the tribes. That is why religious missions and missionaries, Hindu, Muslim or Christian, are being discouraged from going to these areas.

About tribal people in the North Eastern Frontier Pandit Nehru once said that 'they are an extremely disciplined people, often much more

democratic than most others of India, without a constitution and the rest; they function democratically and carry out the decisions made by the leaders or their own representatives almost without exception. Above all they are people who sing and dance and try to enjoy life. The approach to the tribal people should be one of learning from them and having learnt, to try to help and co-operate."

Pandit Nehru sees the same spirit of democracy in the Indian people also. Indeed in a contribution to the journal of Parliamentary Information, he goes much further, and actually claims that in a vague sort

of way, we had also been practising or groping towards the Parliamentary system. The particular variant of it, which is Anglo-saxon, we are told on good authority, is not an export product; but we have been nevertheless working it in a way. Its extension to various groups of people in this wide land, some of whom are isolated from the rest, is not an easy task; but the Prime Minister's high principles and abiding faith in democracy obviously fails to be transmitted through his own Ministry to the NEFA. Between the idea and the reality falls a shadow; it is for him to dispel that shadow.

From the Calcutta End

Dalhousie Square

CLIVE Street seems to have forgotten that New Delhi is committed to implement a socialistic pattern of economy. Stock markets are enjoying near-boom conditions. There are reasons why speculative investors, if not investors, are not much worried about Avadi or Berhampore. After all, Shri Chintaman Deshmukh had to disown the Matthal Commission's directive to raise more resources through taxation after accepting it. Recently, the Finance Minister has assured industry that there is nothing much ultra-socialistic about Avadi.

There is, again, Shri T. T. Krishnamachari, Union Minister for Commerce and Industry and Minister in charge of the newly created ministry of iron and steel, whom stock markets and industry regard as their most sympathetic friend. Last week, TTK deemed it proper to repeat his assurances that the existing iron and steel industries would not be nationalised. Ignorant persons like the present writer may not have known that any such thing was under contemplation by New Delhi. But the stock markets' favourable reaction to TTK's assurances would seem to suggest that investors were apprehensive of some such development. Apparently, TTK believes that economics is nine-tenths psychology. Many others share his belief.

Nationalisation

Nationalisation fears have revived. When the Imperial Bank was nationalised, it was feared that the Government would nationalise banks. This apprehension was confined

mostly to the City Editors of dailies. Bankers were, and are, less troubled with such fears. But insurers seem to have taken this nationalisation business too seriously. Some official spokesmen have admittedly been indiscreet. Pandit Nehru's philosophic comment that every thing has its time and place has been construed to mean that the Government has plans to nationalise insurance sometime before the next elections.

Almost without exception, chairmen of insurance companies have discussed the problem of nationalisation of insurance. Shri A D Shroff, chairman of New India, has advanced formidable arguments against nationalisation. He is objective in his approach to the problem. He is original in his suggestion that, even if the Government decides to nationalise insurance, those among the existing concerns which have stood the test of time should be allowed to co-exist. New Delhi is committed to mixed economy. That is why the Government has no plans to nationalise the existing iron and steel industries, though it has decided to start new ones within the public sector. Shri Shroff demands similar rights and privileges for insurance.

Here, the controversial question of nationalisation of insurance is not under discussion. There is an interesting side-light to this conflict between the public and the private sectors. Spokesmen of private enterprise miss no opportunity to refer to the inefficiency of State enterprises. It is conventional for advocates of nationalisation to retort that service, and not efficiency or economy, is the main aim of nationalisation.

Some time ago, the Finance Minister took a different line on this issue. He deplored that the case of State enterprises was going by default. He expressed the opinion that, if private enterprises were as much or as often subjected to public scrutiny, the former might prove to be no more efficient than the latter. It was amusing to find that the Finance Minister was taken to task for projecting class war to the industrial sphere.

Postal Life Insurance

One of Shri Shroff's arguments against nationalisation of insurance is that the record of private insurance companies compares favourably with that of Postal Life Insurance. Shri S C Jain, Director, Postal Life Insurance, Calcutta, does not accept this verdict. In a letter to a local daily, he argues that, in the last four years, the new business of PLI has increased by over 109 per cent, compared with an increase of only 10 per cent in the new business of Indian life insurance companies. This alone does not disprove Shri Shroff's thesis. But there is much to be said in favour of Shri Jain's action in replying to Shri Shroff's arguments. It is, after all, an elementary principle of jurisprudence that the accused must be allowed to have his say.

Dalhousie Square

To revert to the main theme under discussion, Clive Street is not to Calcutta what Dalal Street is to Bombay. Clive Street may have got over its blues. But Dalhousie Square believes that it can't be fooled so easily. Nationalisation of the Imperial Bank is disapproved by Dalhousie Square. It has noted with satisfaction that

basis of compensation to Imperial Bank shareholders is fair and equitable. But it has not missed the gross Parliamentary Party's hostile attitude to this basis of compensation, and the Finance Minister's logic that such a basis of compensation will not be repeated in the future.

Dalhousie Square is the home of managing agents. Within Dalhousie Square are firms which manage more companies than one can count. Most every floor of every building in Dalhousie Square has more than one impressive and overcrowded name-plate. There has been a change in the complexion of managing agents with head offices in and out of Dalhousie Square. But both Indian and non-Indian managing agents are agreed that the Companies Bill, 1955, will strangle private initiative.

Associated Chambers

Dalhousie Square can no longer associate itself with the Associated Chambers of Commerce of India. But the Chambers, the representative organisation for British business interests, are still an influential organisation. On this side of India, British business interests still continue to be large. That is what makes the Chambers influential. New Delhi uses the Chambers' views and opinions. On major economic policy legislation, New Delhi seeks the opinion of the Chambers, and the Chambers inform New Delhi of their views—just as New Delhi seeks the opinion of the Federation of Indian Chambers of Commerce and Industry, the official organ of Indian private industry.

Spokesmen of Indian private industry were inclined to the view that the proposed institution of secretaries and treasurers would offer opportunities to the existing managing agents to survive in different names and capacities. They are, on second thoughts, doubtful. This explains their revised, and more hostile, attitude to the Companies Bill. Though the Chambers do not endorse the argument that the present Congress Government has no mandate to introduce such revolutionary changes in the form and system of joint-stock enterprise in India, they are peculiarly British in their understatement that the Companies Bill, 1955, confirms their worst apprehensions.

Finance Houses?

It is not the intention here to discuss the Chambers' complicated arguments against the complex pro-

visions of the Companies Bill. But the summary report of the Chambers' representation to the Government, published in Calcutta's dailies, is revealed in some of its emphatic inferences. Managing agents have rendered useful services in the past. One should have expected that the Chambers would emphasise the skill and expert technical knowledge that the managing agency system provides to industry. This aspect of the problem has not been ignored. But the Chambers seem to have emphasised the financial aspect of the managing agency system.

There is an oblique reference in the Chambers' representation to some of the harmful effects of restricting the companies that managing agents

can manage to ten. This will encourage speculative cornering efforts. It has had this effect. But the Chambers are emphatic that managing agents have a useful function to perform as long as the capital market remains undeveloped and the issuing and underwriting houses are not established. That managing agents finance companies, is an argument which is, perhaps, not a good defence for the managing agency system. Industry needs finance. But it is more in need of expert technical and managerial personnel. If managing agents cannot provide these requirements, they should cease to be managing agents and convert themselves into private finance houses.

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Balances in the Plan

D Ghosh

IN this note I have raised what seems to me some basic issues. The essence of planning is (a) to establish targets which are consistent with the fullest use of resources, and (b) harmony or balance between different aspects of the plan by which the targets are to be reached. I have said nothing on the first issue; I do not know whether the Second Five Year Plan is bolder than the First. I have confined my remarks to the issues that belong to the second category. I have, moreover, said little about the financing of the Plan and nothing about its physical balances.

1. Balance between increase of consumers' income and increase of consumable goods and services

The net national income is expected to rise by Rs. 2,900 crores or 25 per cent during the Second Five Year Plan. As savings are expected to increase from 7 per cent to 11 per cent, the increase of national income available for expenditure on consumption would be Rs. 2,249 crores. The Plan-frame unfortunately does not tell us whether the supply of consumers' goods and services would increase by an equal amount or not. It would seem from the data on the rate of growth of the latter that there would be an appreciable gap which must be covered by taxation and/or by inflation. The problem is treated indirectly in the section on Investment and Savings. A direct treatment of this item would, however, have been more helpful.

2. Balance between increases of output of producers' and consumers' goods

The same problem appears in a different garb in connection with the relative increments of producers' and consumers' goods. Where saving is made largely in the expectation of a return in the near future as most private savings are made, any increment of the producers' goods must be matched sooner or later by a corresponding increment of consumers' goods. This can be avoided only by inflation of consumers' goods prices and/or by the State undertaking to finance investment in producers' goods without immediate reference to the profits derivable from their

use in producing consumer goods. The Soviet economy has all along relied on compulsory savings through turnover taxes to finance the relatively higher rate of development of its heavy industry. What is the Indian substitute for this compulsory saving?

3. Relative development of factory industry and small enterprises

Within the field of industry, greater emphasis is placed on the relative development of small enterprises, as a means of reducing the problems created by scarce capital and abundant labour. To achieve this objective, capital issues for competitive factory industries would be restricted and discriminatory duties imposed on their products.

However, the extent to which these measures can succeed without defeating the basic objective of the plan, viz., larger output and increased employment, depends upon the relative efficiency (or rather inefficiency) of the small enterprises. A large rise in the price of industrial goods in India caused by greater reliance upon less efficient modes of production may choke off total demand too early in the process of development. Moreover, factory industries will not expand their output to full capacity unless the aggregate demand for factory goods continues to increase absolutely.

I would suggest that in the field of small industries preference should be given to those whose relative disadvantage is the least, and that it may be better to reserve completely certain fields of production selected on this basis for small enterprises rather than try and divide the same field between factory industry and small enterprise by means of invidious measures. An increased and cheaper supply of power should facilitate the adoption of this alternative.

4. Availability of agricultural goods in exchange for the industrial

There is, fourthly, the problem of exchange of agricultural goods for the industrial. The output of agriculture will increase by 20 per cent in the five years of the Second Plan, food grains increasing by 15% and other foodstuffs and commercial

crops by 25%. The working population outside agriculture will increase by 9.5 million over 42.5 millions in 1955-56 or by 22.2 per cent, and non-agricultural production much more than agricultural. This will require that more than half the increase of food production and the largest part of the increase of commercial goods are transferred to the non-agricultural sector of the economy. Whether this will happen through the operation of market forces, depends upon the elasticity of demand for each other's products on the part of the agriculturist and the non-agriculturist. Even if the former is willing to spend an increasing part of his rising income on non-agricultural goods and services, the prices of these in relation to those of his own products being given, he would be inclined to consume his own products more and more, if non-agricultural prices were to rise relatively to the agricultural. This may happen as a result of emphasis on the employment rather than the productivity aspect of industrial expansion.

5. Adjustment of increased output to aggregate demand

Finally, the Plan Frame does not indicate the manner in which the composition of the increased national output is adjusted to changes in the pattern of aggregate demand that will almost certainly accompany the growth of total income. The problem can, of course, be solved by making consumers buy various goods and services in the quantities in which they are produced by arbitrary marking up and marking down of their prices. But such a method would be hardly consistent with democratic planning under which the prices of different goods and services must approximate to their marginal costs of production. In any event, since a large proportion of the total output would be turned out by the private sector, the scope for manipulating the selling prices of individual goods and services by taxes and subsidies must be limited. Indeed, there is in the Plan-frame an altogether insufficient consideration of the delicate and complex problems that attempts to regulate the private sector in the interest of the total Plan would give birth to.

The P E O's Second Year Report

A Noble Document

Reviewed by Evelyn Wood

THE report of the Programme Evaluation Organisation on the First Year's working of Community Projects was startlingly frank for a Government paper. This shock of pleasure cannot therefore be repeated by the Second Year's Report, though its frank manner is perfectly consistent with the first document. Yet there are signs that the writer of the second year's report has become imbued to some extent with the pale tinge of Delhi thought: "All is for the best in the best of all possible . . . offices." But not quite; there are plenty of acute criticisms of both official policy and performance in this later document.

The P E O's protective Delhi colouration is of course an unavoidable concomitant of its function, and it would be churlish to object to it. The Olympian manner is expected of the Union Government and all its officials, and we mere mortals must learn to like it, or else. But it was not necessary for the P E O's report-writer to imply at points in his Report his quite subjective dislike of "the private sector." After all, the Evaluation Report should be as objective as possible. The P E O has no facilities for making the complex investigations needed to weigh the merits of commercial distribution against Government's distribution, and therefore the sneers at private distribution of, e.g., fertilizers are quite out of order in this otherwise excellent document.

Value Judgments Inadmissible

This is just one of the weaknesses of the official mind with which we others have to bear. One consolation is that it must be far worse in the Ukraine. The P E O in this Report makes no effort whatever to prove that the commercial distributor of, say, fertilizers is less "efficient" (blessed, blanket term!) than Government blundering on the same job. Your reviewer is therefore at greater liberty to state his own view, which is in diametric opposition to the P E O's and probably much less subjective. Your reviewer has inside experience of both patterns of distribution. It seems doubtful if any of the P E O's staff can claim that experience; otherwise this sort

of uninformed value-judgment would hardly be made by so responsible an author as the writer of this Report.

This reviewer and the P E O's report-writer enjoy one more major difference of views, which must be confessed at the outset of this comment. The P E O's writer is evidently sold on the Rural Credit proposals which have emerged at long last from the Reserve Bank's enquiry. This reviewer, from the viewpoint of an old village-resident, and a knowledge of where official credits get to in the villages (to the smart boys who please the Authorities), considers that the mountain of the Reserve Bank plus its distinguished Committee have brought forth a mouse of pitiful pusillanimity. So there had better be no comment in further passages of this review on this distressing subject.

Polemics for Co-operatives

But it is not possible to leave the PEO's report altogether alone on this subject. For its writer wraps up the bitter pill of no credit for the small, unpolitical villager (which he would not admit to be the threat) in the supposed sugar of Co-operatives. It is quite out of place for the writer of an Evaluation Report to propagandize as he has done on the subject of Co-operatives,—which, as he must know, the majority of villagers distrust. In retaliation this reviewer will also step far outside the function of a pure review.

In far too many pages of this excellent Report, polemics for co-operatives as the royal road to all rural collective action are rammed down our throats. This is not good enough. Co-operatives, statutory panchayats, (with their golden chance for the village politicians to make hay), and all the rest of the mummery worked out by non-villagers for village-improvement will certainly not do as evaluation. The P E O's writer actually accepts the principle of the paramount need for villagers to work out on their own plans; but these three foreign ideas are his pet recommendations, and he will drag them, in despite his own sound reasons elsewhere.

It is the reasoned bulk of this Report which makes this reviewer enthusiastic. It is a great thing that Government can publish such acute criticism of itself, and that a man is found who is of a stature to make the official self-criticism so clearly. This reviewer could pray with some passion that both the Union and the State Governments which are responsible for the Extension Services as a whole, including the Community Projects, would really study and use the advice contained in this Report. Some of the advice is implicit, not explicit, so that study would be required. Perhaps if we were all to pray with passion . . . or perhaps if that democracy which we are told we have in this country was worked in a more realistic manner, then there might be no need for prayer. But there is need of passion.

Co-operation: So far as a Government paper can be passionate, the P E O's Report is quite often intense on that level. Let me quote:

page 62 section 141 "... if for nothing else at least for having opened out an opportunity for local leadership and constructive local co-operation, community projects should be welcomed and kept going."

The P E O's Report-writer says this in a paragraph which asks for more emphasis on collective action. He follows this paragraph by a distinct reference to "more institutionalized forms of co-operation, e.g., co-operative societies. . ." But his heart must be in the right place, even if he does love the legalism of the de-tested co-operatives.

Incidentally, this reviewer would like to state that he is personally not at all against co-operative societies; but only against the very peculiar form of co-operation which has always been officially tolerated (one can hardly say encouraged) for many years in India. If, in fact, we were to model our efforts to nurse the Co-operative movement on the French or Canadian practical pattern instead of according to the theories of Fabians and Sarvodaya do-

gooders, the co-op would doubtless become loved. It can be done in India and it has been done where both Fabians and do-good 'Sarvodayans' were absent from the rural scene.

People's Participation: Writing of the people's participation the P E O says:

page 63 section 144. "... impossible to get away from physical limitations, but the people's enthusiasm has in some places even achieved that (skilled labour), leaving the leaders in no doubt as to the extent to which the people are prepared to go in realizing collective welfare by collective effort."

In this passage he is particularly thinking of the construction of school-buildings and wells for drinking water; and this reviewer, too, has seen the miracle of skilled labour conjured up where none existed before.

Another, and perhaps the most powerful quotation of all:

page 58, section 132. "... the rate of progress in most of the community project areas has latterly risen, thus creating a hope that by the end of the period of four years or so almost every village, will have been brought under the influence of the developmental process. . . . Creation of local leadership and activation of local institutional life as sharers in the national effort of planning for welfare, and as the normal means of promoting development, should, therefore, never be lost sight of. If this truth was not clear to everybody at any earlier stage, now that we know how the transition constitutes a challenge to the designers of the whole effort, we ought to be more than ever convinced that nothing will last which the people have not done for themselves."

The italics are your reviewer's. It will be noted however that the PEO has no opinion whatever of planning from outside them for rural areas. Yet he still wants to force ideas of official credit, co-operatives and statutory panchayats on to the necks of unwilling rural folk.

Of course, the reader has only this reviewer's word that the village-folk are unwilling. Well, if the reviewer and the P E O's report-writer are at variance on these matters, isn't it an opportunity for that which seems to scare Governments worse than anything: a full-dress sociological study of the changing attitudes of villagers? Here are those admi-

nable points on which to focus a specific study.

Sociological Studies: It should be emphasised that this sort of study cannot be made under Government auspices. To take one prominent example, the National Sample Survey would be a wholly unsuitable body to make such a study. Such an attitude-enquiry is for independent university people to undertake. Yet, when they do so, as happened in the UP with Cornell University's unit, for example, what a howl there is from India's indigenous and inactive sociological faculties! In this sort of study, of course, nationals cannot do the whole job; they must for objectivity's sake, be brigaded with foreign academic types, who have had plenty of field-experience outside their own countries before coming to India. Then again, the foreigners cannot undertake much in the way of study till they have grown into the feel of rural India, and two years would be a reasonable time for that mental acclimatisation, assuming that the foreign scientists are very sensitive and humble persons.

Extension Not Grasped? The P E O does not have a really clear idea of what is actually meant by Extension. Just following the passage above quoted, the Report says: "Extension... express(es) a two-way process of reformation". This is either very clumsy writing, since the word sought for is "regeneration"; or else the writer does not at all understand the nature of the two-way channel of Extension. Yet his criticisms of those "researchers", as he calls them, who are supposed to provide solutions to villagers' problems are acute, and very much deserved. It would appear that the PEO does not value the Community Projects Administration very highly; or it may be the subject experts who are considered notably weak and disinclined to accept guidance and criticism from the field. These are unhappily true impressions.

This sort of hard-hitting comment enlivens this excellent paper, and it is such criticism that makes it worthy of use as a working manual by the relevant Extension authorities. But... this reviewer will continue to pray and to doubt.

Ethnology of 'Bench March Surveys': For the satisfaction of the scientific mind, more explanation should have been given in this Report as to the manner in which the Bench March Surveys were conducted.

ed. It is anyway a mercy that they were not started till the Extension Service (or CP) programme was well under way.

From the reviewer's fairly extensive personal observation of Extension service patterns as actually worked by the various States, it does not look as if the P E O's samples are otherwise very sound. This is just a pattern of ill-luck; or it could be due to some cover-up on the part of the States' Development Departments. For instance, this reviewer has recently been in a rural area known intimately to him for many years. A particular Gram Sevak, in this area, has 18 villages to service, on an area-diameter of 14 miles. He has no transportation whatever other than the rather exiguous State Transport service in that famine area. This does not square very well with the "ample coverage" report by the P E O.

In justice to the P E O and in further criticism of the State which operates such an unrealistic design of field work, it may be said that the P E O's Report is quite savage about this particular State's method of loading the Gram Sevak with all its village-work, including revenue responsibilities. This, of course, makes that particular State's scattered, casual manner of dealing with Extension all the sillier. The State is incidentally one in which the Chief Minister fancies himself as a huzar administrator, and consequently interferes in every detail imaginable, and in many details which are not normally imaginable. No prizes are offered for the name of this State.

Extension Administratively Negatived: In this apology for a system, the Gram Sevak is naturally regarded by the villagers as the official stooge and excuse maker; hence he gets just nowhere with any Extension teaching. But the villagers in his beat are old hands at self-development, and they manage very nicely without reference to their supposed Extension guide. The poor fellow could, of course, learn from the villagers, if his superiors would let him!

As a matter of fact, the first few pages of the P E O's Report, which are nowhere contra-indicated later on, suggest that the P E O has faith in Community Development as such; but that he has precious little time for Extension and its educational pattern. This is prejudice; for Extension, without any thought of community or collective action, has produced great results in other coun-

tries. Then why not in India, if the village-folk really want it? And this reviewer's clear impression is that they do want it, whereas it is not as all so clear that they want to be developed as "communities". The P E O's writer is quite in error when he says, at the top of p. 15, that "Agricultural Assistants were doing Extension work before the introduction of community projects." They were not. This again suggests no knowledge of what Extension work actually is.

There is in the P E O's Report rather a dim realization of the fact that there have to be both the satisfactions of learning something new and of achieving something new on the two sides of the rural development screen. It is not only the villagers who have to learn and to achieve, in order to get a stimulus to further progress. No, it is not only the villagers; officials, and even the most obdurate and dictatorial ministers, also need to learn and to survey positive achievements which can outweigh the frustration of their interminable failures.

Culture Bias: It seems rather as if the P E O's writer gets pulled away from objective, towards the great majority of rigid intellectuals in India. Moralizing and ethic-devising for other people are grim pleasures which seem to grow on those who work in or with Governments here. Perhaps it is like the drug habit? The impartial attitude which can wait for the people to produce an ethic of their own seems to be unattainable by such "sacrificial" types as Congress approves. For instance, starting from section 50 on page 22, the P E O's report-writer speaks of "orientation... in the basic moral and social value..." This is with reference, if you please, to democracy and the Welfare State! This reference betrays the wishful operation of a culture bias; possibly also a Brahmanical determination to teach ethics—or morals, as they would today be miscalled in India. This is a totalitarian danger. It is in any case not suitable for an Evaluation body to state such principles of value-judgement. The P E O's writer is clearly not concerned (as he should be) with logically posited values, which are challengeable; but with Arthashastric, Vedantic (perhaps) or Harijan-periodical disseminated theoretical values which bear no necessary relationship to the practical, day-to-day living values of people, in villages or elsewhere.

This will not do, more especially if there is to be acculturation in rural India, which your reviewer sees as already irrevocably begun. The P E O's writer terms this process as "culture-change" which is unfairly euphemistic, for this phrase nullifies the conflict and tension in the subjects of subject.

Acculturation

Real Acculturation: The point missed for jubilation by the P E O's

writer—probably because of his own adopted system of moralized "values"—is that a real acculturation is inevitably taking place. It began even before the war. In this, the best of the urbanized Extension workers in contact with villagers for the first time of intimacy for hundreds of years, are now learning in the hard way about the tranquil, yet potentially explosive life of the villages. The villager, on the other hand, is

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learning with ease of that world which he had before feared as something menacing and quite alien to him. It therefore appears to this reviewer as if a real exchange is proceeding, at the end of which the middle-class, urbanized official and the villager will share a common culture with the rest of us. Probably, this state of affairs may not arrive for a couple of generations. If so, the glorious possibility exists that Ministers and other politicians may also be touched, if not transmogrified by the new forms of acculturation. This is taking a very hopeful view indeed; but why not? This reviewer does not, by the way, suppose that all the features of the fresh, common culture which is developing in rural India are going to be very pleasant for non-villagers.

The P E O refers to the need for "orientation" of officials. This word really should be re-examined outside its American matrix. To have the freedom which rises from a culture in which all persons in a society, at all its educational and economic levels, are imbedded, orientation is certainly a prerequisite; but orientation to a constellation of values which are preconceived even by a Planning Commission will not serve this transcendental purpose. No; the orientation needed in this case is a cosmic re-orientation, of the kind which men and their national plans should be humble enough to eschew attempting.

Extension is certainly required to reach this happy state; or to aim at it, if possible, Gita-fashion, without any personal concern as to whether it be reached or not reached. Extension in this sense will be the proper aim of the new Service: to implant in every villager who is able to feel the need for it a desire to collect and weigh evidence so as to make choices therefrom. In other words, Extension would offer to village-people precisely that education which it is now the function of the world's finest Universities to give their undergraduates—and for that matter, their dons as well.

This level of Extension work is a very practical possibility in India, which already has the right educational tradition, still vital in the villages. The students in such Extension universities-of-the-countryside could be not only the villagers, but also others, Sarvodaya or scientific types whose vocation is truly to work with and for the villagers. It is certainly most essential that the Sarvodaya type of rural worker should be uplifted. Just at present, this

useful type, though apparently less numerous and less vocal than he used to be, thanks to systematic Extension work, is sunk in his morass of "moral values", which bear no true relation—but only a false relationship soaked in hypocrisy—to the lives of anyone, rural or urban. Extension can raise the ethical level of moralizing Sarvodaya do-gooders, as no other pattern of service could.

For all these reasons, any persons, Extension officials and others, who really mean to work with villagers as a life-time-career will do well to learn Extension methods and philosophy. These techniques can reconstruct their own value-systems along with the change-desirous villagers. The specifically Extension techniques of education are right, because they do not try to impose any kind of value upon village-people.

Fluidity of Real Values: Social values are, after all, factors which are every whit as fluid in their application as the improved seeds of today's agriculture which will be out of date for crop quality ten years hence. Just as therapeutic methods in medicine change from one generation to another, so social values which work with the fathers of today may quite well cease to have meaning for their sons. Expressed values must be kept fluid in any scientific endeavour. This is true whether we think of the mensuration science of which westerners are so enamoured today; or of the intuitive scientific systems of thought out of which the Upanishads were constructed.

Therefore, in our own time—now—as we work with village-people at their own chosen targets of self-development, we can feel that they know these fundamental things, as we do not. They cannot reason about them and express themselves as we can; they know. At all costs and for the good of all mankind, Extension must preserve this profound knowledge. Let village folk determine the way they will go and the speed at which they will move; and let Extension be their systematic vehicle. That is all and plenty! And now this has ceased to be a sober review of a fine Government document; it has become that passionate kind of prayer at which your reviewer jibed in the earlier pages of his own work!

One Last Dig At 'Community': It is still necessary to debunk this Community fallacy, because it recurs again and again in all Government

pronouncements; and even in this, on the whole very objective Report. Communities or collective and co-operative action cannot be created from the outside in social groups which have the vitality that Indian villagers possess. The villagers will form their own kind of cohesive action; it will, please all Powers, be nothing like the nightmare of sol-disant democracy from which all the rest of the world, including India—and Russia—suffers.

In village India there is the hope of smashing this pretence of people's rule through ballot boxes. There is no hope elsewhere. Extension which is education can bring this hope to fruition, if any system can do so. The escape from the whole world's vicious circle of mass-politics lies in rural India and the continuance of Extension for three or four generations, with the official foot taken off the 'democracy' loud-pedal.

It should be recalled that what Extension can elicit from the villages of India in this way is not a new culture. The traditional Indian way has always been democratic in the Greek sense—and eclectic besides. The villagers can return by way of the education which Extension offers—by a door which again opens to the surrounding world—to a possibility of reasserting realistically that democratic and eclectic spirit. Most Indian villagers are not yet sunk in a morass of moral values; they have merely custom and not the false assurances of rationalizing to hold them to their standards, such as they are. And choice can destroy custom, when custom is not good. It is to destroy false, rationalised 'values'.

With new standards, worked out by themselves, and a free choice, once again the potentialities of Indian villagers for regeneration appear far greater than any which now exist anywhere else in the world. To your reviewer, it seems as if the PEO's writer has personally seen all this; but in his capacity as a (temporary) Government servant, he had to tone his vision down in favour of the official values and the official 'morality'.

When real freedom of choice, with free access to a world full of constantly new information is opened to hundreds of millions of Indian villagers, then will come the justification of Extension. Rural India can yet rise from its vast plains and its rocky hills with a social structure as noble as Notre Dame, and as imaginative as the soaring towers of Kajoraho in its heyday.

From the Chair

The Metal Box Company of India Limited

Review by the Chairman H Chiswell Jones

Sales

THE general improvement I anticipated over the unsettled conditions in 1953-54 materialised. Notwithstanding the time lag between the country's increased economic activity and its translation into demand for our products, we were able to achieve an expansion of 10% on the previous year's sales volume. This increase was in no small part due to a vigorous effort to expand our sales and we took full advantage of the opportunities offered by the improved demand for packaged consumer goods.

Our fortunes are intimately linked with those of the middle classes and measures which by design or effect reduce their purchasing power will adversely affect all the consumer goods industries we serve. As you know, we have been the pioneers of the small branded consumer package for foodstuffs, the increasing use of which is highly important if India is to make the most efficient use of her food resources. Of the total fruit and vegetable crop, amounting to several million tons, a considerable portion goes to waste. If a substantial fraction of this was canned, India's requirements of processed food containers could be raised from 6 million (compared with Japan's figure of 700 million) to as much as 1,000 million cans per annum; a fact that emphasises what tremendous savings could be achieved by a well-organised canning industry. It is gratifying to know that the development of this important industry is being considered for the Second Five Year Plan. But, even a small reduction of consumer purchasing power would block progress and mean continued wastage of food. More generally, since the small pilferproof consumer-package must of necessity be slightly more expensive, it could lead to a return to the old insanitary bulk pack, undermining those efforts which must relentlessly be applied if the quality of consumer goods and their hygienic presentation is to be improved.

The purchasing power of the public shows signs of remaining steady and, provided no serious economic crisis arises, I consider the prospect for the year is a continued expansion of sales.

Profit

The increase in sales, forecast at the time of my last Review, together with the strict maintenance throughout the year of the operational economies introduced earlier, resulted, as expected, in a better trading profit.

Although competition is keen, I have confidence that the upward trend of sales can be maintained and a reasonable profit level sustained.

Finance

The dividend on the Ordinary Shares has been maintained at 10% since 1951; the year in which the Indian public acquired an interest in the equity capital.

Fixed Assets during the four periods ended 31st March, 1955, have increased by approximately Rs. 70 lacs, i.e. nearly 70%, and this substantial increase has been largely financed from profits retained in the business.

The Directors feel that it is reasonable for shareholders to expect some return on the additional finance they have thus provided for the Company's modernisation and expansion programme. With this in mind the Directors are recommending a final dividend of 7½% on the Ordinary Shares, making a total of 12½% for the year.

Raw Materials

In June last year we were informed that a crisis in tinplate supplies was likely to develop later in the year following a temporary shortage of steel bars and a considerable over-booking of orders by many consumers in anticipation of a scarcity. In consultation with the authorities, it was deemed necessary to import tinplate from America in order to safeguard our customers' supplies. With the help of our Associates abroad early delivery was obtained and the crisis averted.

Indigenous tinplate production is presently running below demand, but expansion plans are well advanced and early next year, a substantial additional tonnage should be available. The present shortfall is being met by importation.

There has been no change in the

price of Indian tinplate during the year.

As a result of continued expansion of local manufacture and packing of previously imported goods, our consumption of aluminium is increasing. For collapsible tubes we obtain satisfactory indigenous material and, though at one time last year there was a temporary shortage of supply, this has since been remedied.

However, the special aluminium sheet required for the production of pilferproof seals, screw caps, penicillin phials and general containers is not at present produced in the country to the required standard and finish and, from time to time, delay in obtaining import licences, coupled with a steadily increasing demand, has kept us on a hand-to-mouth basis. There appears to be a good case for either an increase in the quotas granted to established importers or placing the material on Open General Licence; representations have been made to Government.

Generally, costs of other raw materials remain steady but the new Excise duty will increase the cost of coatings, lacquers and varnishes, paper for packing purposes and board for the manufacture of composite containers.

Industrial Relations

In Bombay and Madras relationships with our workers have been excellent throughout the year. In Bombay our Works' Committee has rendered most valuable service, acting as the vital link between Management and the main body of the workers on day to day matters, whilst in Madras the position exemplifies the fact that excellent labour relations can be maintained given sound Union leadership and a responsible Works' Committee.

In Calcutta, I am distressed to report a deterioration which, shortly after the end of the financial year, resulted in the temporary closure of the factory.

Towards the end of 1954 the Union leadership passed into the hands of extremists—a dismissed employee was elected as Secretary of the Union and, through his instigation, a series of acts of indiscipline were staged including assaults on supervisory personnel for which the as-

sailants were dismissed. A stay-in strike took place on March 30th and, notwithstanding that Conciliation proceedings were in progress, a further strike was called and took place on April 20th. It being clear that normal work could not proceed without an assurance that these acts of indiscipline would cease, the Company decided, for security reasons, not to resume work until a satisfactory undertaking of good behaviour was obtained.

The closure lasted for 18 days with consequent loss to the Company, its workers and its many important customers in the Calcutta area, whose patience and understanding is gratefully acknowledged.

We have always been willing to sit down with our employees and discuss their reasonable aspirations and representations, but, when attempts are made to coerce Management by threats, by restraint and by attacks on the staff, we have no alternative than to take such action as will ensure the safety of our employees and the protection of our property.

It is impossible for a large industrial undertaking to function in an atmosphere of worker indiscipline; yet, in the majority of cases those responsible are a mere handful of the total labour force. These irresponsible elements—themselves with little to lose for they are often paid by outside sources—lead the main body on with extravagant promises. Such situations rarely, if ever, lead to any lasting benefits for the workers, and more often than not, to suffering and hardship.

The situation in the Calcutta factory is now much happier and I hope will remain so for a long time to come.

Developments and New Projects

Having successfully overcome the inevitable teething troubles inseparable from a new undertaking, full scale production of aluminium pilfer-proof seats for glass bottles commenced in Bombay in the latter half of 1954. This new development has been well received by bottlers throughout the country; a substantial demand is forecast and we now plan to manufacture in Calcutta as well.

The Technical Development Section are manufacturing the special machines required to apply these caps.

Owing to unforeseen difficulties over the lease, now settled, the open-

ing of the small scale factory at Delhi was delayed; production has since commenced.

The Technical Research Laboratory at Calcutta has been completed and is expected to make a valuable contribution to the development of improved surface finishing materials. The Laboratory will work in close co-operation with indigenous manufacturers of printing inks, coatings, varnishes and lacquers, to attain agreed standards on an all-India basis, which should ultimately result in operational economies.

We have recently extended the agreement with our Technical Consultants, The Metal Box Company Limited, London, to cover all aspects of Flexible Packaging—a generic term covering bags, pouches, pockets, satchels or wrappers made from viscose or thermoplastic films such as polyethylene, or laminated combinations of these with paper or cardboard. Through our Consultants we will receive the benefit of technical knowledge and research in this promising new field, but so many varied developments are currently taking place in Europe and America that we are proceeding cautiously in order that we may obtain the benefits of the latest techniques and equipment.

The Mangalore factory has completed its first full year of operation and is working smoothly and successfully.

I referred in my last Review to the start we had made on the production of Industrial components. From the trade response it is clear that we are providing a valuable service, making it unnecessary for manufacturers to set-up specialised equipment for limited production of component parts which, in themselves, are merely ancillary to their main production. We expect a steady expansion of demand in this promising new field.

Until recently collapsible tubes greater than one inch diameter had to be imported, but further extrusion and printing equipment covering a larger size range has been installed and we are now making all sizes of tubes presently required. The same equipment enables us to make larger sizes of rigid aluminium tubes. Machinery has also been installed to provide internal lacquering for products which react with aluminium and need this additional protection.

The new prifiting factory at Cal-

cutta has been completed and is in operation.

Staff

Once again it is my pleasure to thank all the staff for their fine effort throughout the year. Their keenness, enthusiasm and loyalty to the Company has contributed in no small measure to the satisfactory results attained.

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Not So Quiet on the North-Eastern Front

(From a Correspondent)

WHILE the liberation movement in Goa is filling the front pages of all Indian newspapers, the North East of India is modestly shaded by its old purdah, inherited from the British period, and civil war continues quietly but without interruption behind this closed door—a door closed to outsiders of any kind. If you are a business man, you are not welcome to the Naga Hills and NEFA, because you might exploit the innocent hill people. If you happen to be just a curious tourist, you obviously have no business there and therefore your interest is highly suspicious. If you belong to an opposition party (in this particular case the PSP) you cannot get a permit to enter Kohima even when your wife's brother is a high officer there, and your wife has to face the trouble of a journey with small children quite alone. If you are a foreigner, you are bound to be either an American or a communist spy, inciting the ferocious headhunters to anti-Government activities.

Nagas Turn Back

Few heard about the Naga National Council before their famous public meeting at Kohima, where their leaders were not allowed to read out their address to the Prime Minister, and so all the fifteen thousand of them walked out before the Prime Minister could start his speech. This was perhaps the only experience in Pandit Nehru's life, that some people could resist his personal charm, and this fact rather than anybody's interest in the Nagas themselves, brought the matter into the press. Since that time two or three other reports leaked out, from which it appeared, that the North Eastern Frontier, in spite of its excellent climate, was not the most ideal holiday place for the Indian Forces, but they were cited as rare incidents caused by the wild uncivilized head-hunters, excited by foreign agents. Unfortunately, it is not so simple and the incidents are more frequent than it seems from the press reports—not so long ago about fifty Assam Rifle men died after they had drunk water from a poisoned stream in NEFA. Their mothers and wives might be interested why such accidents go on happening and who is responsible for the mishandling of the situation in this large area.

However it seems that the other side also has got some genuine grievances and here are some examples of the protection which the Government agencies offer to the Naga people:

The Assam Rifles succeeded in burning the following villages in NEFA: Tsungmi, Imbang, Kokhir, Khodir, Jumer, Juthokor, Samir, and some villages in the Phom and Kaliukenyu areas. In the Naga Hills they are mostly satisfied with driving the villagers from their houses into the jungle, so that they cannot cultivate their fields. This was the fate of several villages in the Mokokchung subdivision, namely: Lungkhum, Mangmetong, Mokongtsu, Kensa, Lakhoni and Diboya.

In some other villages in this area, the Armed Forces took to a different kind of recreational activity: they invaded at night and did things to make the villagers more obedient which Nagas find it difficult to forget. The tale of atrocities is too nauseating to be recorded in detail. And it goes on and on. The police force is accused of taking away from time to time domestic animals without the permission of the owners; and the list of charges does not stop there.

How it began

But how did it all begin? According to some persons from the Naga Hills, an Assam Rifle party once was sent to a village, but the villagers refused entry to them. The officer started negotiation and meanwhile ordered his men to be prepared, but not to fire. Yet some of them opened fire and two Nagas were killed. This unfortunate incident was explained and amends were made, but it was only the spark needed to start a chain of mutual vengeance between the two parties who never had too much affection for each other.

Who are the Nagas and why do they not consider themselves to be Indians? Geographically, they are today divided between India and Burma and of those three lakhs inside India, the majority stay in the NEFA and the Naga Hills, some in Manipur State and some in Assam east of Silchar. Racially they are Mongoloids like all the tribes in that area, linguistically they belong to the Tibeto-Burman group, though they

speak innumerable dialects and there exists no one common Naga language. Yet culturally they feel one.

Their arguments for an independent Naga State appear to be identical with those used by other hill people of Assam in favour of a Hill State. They all feel to be culturally different from the Hindus and other people in the plains in that they know no caste or class differences; they possess a decentralised democratic administration of their own and they wish to develop their own languages instead of being forced to learn the Assamese or Manipuri language from the primary school up. Finally, they state that the hills never belonged to India and that they were defeated only by the British who occupied portions of Naga territory from 1879 till 1947 and that they hoped to be independent again since the British had left India. This is as far as the official addresses, pamphlets and memoranda go. If you talk to the Nagas, you will soon find that the most painful spot lies not so much in history or language, but in their respect for woman. No woman was ever kidnapped or molested by a Naga—as far as I could find out—while many Naga girls and women were very badly treated by the Indian Armed Forces. To this must be added the psychology of newly converted Christians—and all the Naga leaders are Christians. They don't like any Hindu influence and they deeply resent the expulsion of all American missionaries from the hills. Since the Naga movement did not stop with the departure of the missionaries (though some hospitals had to be closed), the Press comfortably transferred the blame for it on the communists. But it is ridiculous to try to cure internal troubles by transferring the responsibility for them to any popular outside agency which is at hand.

Naga Leaders all Underground

The present leaders of the Naga National Council went underground three years ago and have remained underground ever since. Though some of the previous leaders accepted attractive Government jobs and gave up their political activities, this process of combating the claim for independence would take probably a few centuries. At the same time the atrocities continue on the usual scale with the same intensity and

frequency and this is really moving some of the younger generation into a conciliatory mood. Not that this would speak highly of the means used by the Government and their application of Gandhian ideals, all the same, it appears that this is what somehow works. Openly the Naga National Council policy is still "rather to be wiped out than to submit," but many would prefer a compromise.

The problem which remains is how to give opportunity to those elements among the Nagas who would be willing to accept autonomy, a complete autonomy of all the Naga territories united into a single State. The present leadership is not likely to agree even to this much; it cannot go easily back. So the only hope lies in the creation of a new political party in the hills, but as long as terror rules, the Nagas will pre-

fer unity even against their own political convictions. So, little can be hoped for if peace and decency are not restored. An impartial inquiry into the happenings in the Naga Hills and NEFA should be the first step to start with. And in the future public opinion should be more trusted and full information and free access to all places at least to the Press should be assured.

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Land Problem in Travancore-Cochin - II

D S Chauhan

IN the first part of the article, some of the consequences of heavy population pressure in Travancore-Cochin have been examined. The consequences discussed so far are under the following heads: (i) Smallest size of holdings, (ii) disproportionate land distribution, and (iii) high proportion of non-agricultural population. Some further consequences of population pressure are discussed below.

(iv) Highest Proportion of Agricultural Labour Class. The All India Agricultural Labour Enquiry Committee reported that the agricultural labour class in T.C. was 39.5 per cent of the total families, the highest in the Indian Union.

Livelihood Classes	% of families
Land owners	19.0
Tenants	8.1
Agricultural labour	
with land	20.8
without land	18.7
Non-agricultural families	33.4

Of this, 20.8 per cent of the families had 32.8 per cent of the holdings and held 10.8 per cent of the cultivated area having 0.8 acres as the average size of holding; the remaining 18.7 per cent families had no land. The Census of India 1951, in the tables relating to livelihood classes (mentioned in the previous section) records that 20.2 per cent of the general population and 22.1 per cent of the rural population derives the major share of its income from agricultural labour.¹ Amongst the agricultural class, the proportion of the agricultural labour is 36.8 per cent. In the different districts, the proportions are—Quilon 32.3 per cent, Kottayam 34.9 per cent, Trivandrum 36.3 per cent, and Trichur 46.4 per cent.

Besides, recently there has been a considerable switch over among the working class from non-agricultural occupations to agriculture, as is in-

¹ The class "agricultural labour" in the two reports mentioned above is not identical. In the former it refers to the percentage of agricultural labour families to total families, and in the latter it refers to the percentage of population deriving the major part of its family income from agricultural labour.

dicated by the change in the ratio²

Livelihood Classes	Proportion of Principal Earners	1931	1951
1. Owner cultivators	24	21	
2. Tenant cultivators	5	6	
3. Agricultural labour	18	24	
4. Rent receivers	1	1	
Total agricultural class	48	52	
5. Producers other than agricultural	25	24	
6. Commerce	9	6	
7. Transport	2	3	
8. Miscellaneous	16	15	
Total non-agricultural class	52	48	

of agricultural and non-agricultural 'principal earners' from 48:52 in 1931 to 52:48 in 1951, which is mainly due to the increase in the proportion of agricultural labour from 18 per cent in 1931 to 24 per cent in 1951³

Such a high proportion of agricultural labour is a sign of growing agrarian distress, and it shows the emergence of a substantial section of population without stable economic base.

(v) High Degree of Unemployment. There has been a considerable dec-

	1931	1941	1951
	%	%	%
Principal earners	30.9	27.1	28.5
Earning dependents	17.1	9.5	7.6
	48.0		36.1
Non-earning dependents	52.0	63.4	63.9

² Census of India, 1951, Vol. XIII, T.C., Part IA-Report.

	Average days per year			
	All	Men	Casual	Women
			Attached	
1. Employment				
Agricultural Labour	185	185	298	133
Non-agr. Labour	30	31	—	14
2. Self employment	42	41	67	—
3. Unemployment	108	108	—	—

Agricultural Classes	Trivandrum	Quilon	Kottayam	Trichur	TC State
Owner cultivators	52.2	58.2	53.2	21.6	48.0
Tenant cultivators	9.3	7.5	10.3	28.2	13.0
Agricultural Labourers	36.3	32.3	34.9	46.4	36.8
Rent receivers	2.2	1.7	1.6	3.8	2.2

line in the proportion of workers (principal earners plus earning dependents) to total population from 48 per cent in 1931 to 36.1 per cent in 1951. This is definitely an index of increasing unemployment since 1931. The All India Agricultural Labour Enquiry revealed that there were 108 days of unemployment per year on an average for all male workers and for casual workers in agriculture. Further, it is estimated that the maximum period for which agriculturists in T.C. are actively at work is roughly 8 months. And only 19 per cent or about one-fifth of the agriculturists derive any additional income from secondary sources. Therefore, nearly four-fifths of the agriculturists are idle for about 4 months in the year. Thus, there is huge underemployment in agriculture mainly due to the small size of holdings which fail to provide enough work to the men and their families. Unemployment and underemployment are also indicated by the fact that though non-agricultural occupations have developed to a higher level in T.C. (45 per cent of the total population depends on non-agricultural occupations), the distribution of this class between rural and urban areas is very much different from that in other states, where

³ During the previous period low agricultural prices and incomes, and meagre wages were responsible for turning working class to industrial or non-agricultural pursuits; and during the last decade the rise in agricultural prices, in farm incomes, and in wage levels combined with the non-availability and shortage of food, were responsible for switching the labouring class to agriculture.

it is almost equally divided between rural and urban areas. But here, out of 4.19 millions, 3.07 millions (or 73.2 per cent) are in the countryside and only 1.12 millions (or 26.8 per cent) are in urban areas. And further, considering the urban population only, while in other states it is predominantly non-agricultural, in this state, 25 per cent of it is agricultural. Such a high percentage of non-agricultural population in rural areas and the dependence of so large a proportion of urban population on agricultural occupations must conceal a considerable degree of underemployment.¹

(vi) **Movement of Population Towards Hilly Tracts.** The acute land scarcity has given rise to a movement of population to hilly tracts in search of land for cultivation for some decades.² During the last decade, this tendency has become more pronounced; and there is an agitation for allotment of reserve forest land in the highland. But these forests being a boon to the state, any large-scale allotment of forest land for cultivation will be a short-sighted policy, since large-scale deforestation will adversely affect cultivation and will accelerate soil erosion. The results may be disastrous in the long run.

(vii) **Adaptation of Cropping Pattern to Population Pressure.** Cropping pattern is basically influenced by soil and climate; but the pressure of population has exercised a decisive influence on it, within the range of crops determined by the basic factors. Trichur is essentially a low-lying area where 72.6 per cent of the total cultivated land is devoted to paddy, while Kottayam is mainly hilly, where most of the plantation crops are localized.

Rice is the staple food of the people. Paddy is by far the most important crop in the low-lying areas; and the whole of the wet land is devoted to it (which can support the maximum number of persons in comparison to other food

¹Unemployment and under-employment are not peculiar to agriculture alone, but are common to industrial occupations also. It is mostly in the case of unskilled workers; and the period is irregular. Besides, there is educated unemployment also.

²Percentage of increase in total population 1891-1951:—
Lowland 44
Midland 84
Highland 355

crops) though the soil and climatic conditions are suitable for growing other crops. These are clear signs of agricultural adaptation to population pressure. Further, the fact that mixed cropping is the characteristic feature of garden land, is again an index of land-use and cropping system evolving in response to the same influence.

The difference in density of population in the different districts reflects itself remarkably, in the proportion of areas devoted to food and plantation crops. Kottayam with a density of 604, has only 31.5 per cent of its total cultivated area under paddy and tapioca, and 41.3 per cent under plantation crops. On the other hand, the other three districts where the density is more than 1,100, the percentage of area under paddy and tapioca is 58-80 and that under plantation only 3-8. Quilon which has a higher density than Kottayam, but lower than that of Trichur and Trivandrum has 58 per cent under paddy and tapioca (i.e. a lower percentage than in Trichur and Trivandrum which have 80 per cent and 66 per cent); and it has also a larger proportion of its area under plantations than the other two. This shows the relative pressure of population, reflected in the varying proportion of the cultivated areas devoted to food and plantation crops.

Analysing the distribution of the total area under each crop it is found that food crops on the whole are fairly well distributed over all the districts, while commercial crops are concentrated. Again, plantation crops are mainly concentrated in Kottayam which has the lowest density and is also the richest district; paddy and tapioca are grown

	up to Rs.	Rs.	Rs.	Rs.	Above
1 Annual consumption expenditure per consumption unit	100	100-150	150-200	200-250	250
2 Percentage of families	24.4				

Districts	Density	% of cultivated area under			
		Paddy & Tapioca	Plantations	Coco-nut	Sugar cane
1. Kottayam	604	31.5	41.3	22.9	4.3
2. Quilon	1,109	50.1	7.8	32.8	1.3
3. Trichur	1,176	80.2	3.4	15.8	0.7
4. Trivandrum	1,444	66.0	7.6	26.4	—

Districts	Paddy	Tapioca	Rubber	Tea	Pepper	Coffee	Ginger	Coco-nut	Sugar cane
1 Kottayam	14.6	14.4	55.8	91.0	80.1	47.0	82.6	24.3	66.4
2 Quilon	26.5	42.4	30.3	5.2	1.2	22.0	3.1	41.9	24.4
3 Trichur	45.2	7.74	8.3	2.7	1.3	26.2	2.0	20.0	1
4 Trivandrum	13.7	35.5	5.6	1.1	17.4	4.8	12.3	13.8	9.1

THE ECONOMIC WEEKLY

only in small quantities. Quilon which has the next higher density has a lower proportion of plantation crops. On the other hand, Trivandrum and Trichur, which have still greater densities, have the smallest proportion of plantation crops, and a considerably larger proportion of food crops.

(viii) **Deterioration in the standard of cultivation and of living.** During the past few decades, in spite of fresh land being brought under cultivation,¹ cultivated area per capita has gone down from ½ acre in 1921 to about 0.29 acre in 1955. There is likewise a reduction in the irrigated area per capita. On the other hand, the agricultural class has increased during the last decade,

Agricultural class	% of growth	
	1931-40	1941-50
Owner cultivators	—9	18.0
Tenant cultivators	25.8	37.8
Agri. Labourers	—10.1	98.6
Rent receivers	9.0	29.0
All	—1.6	48.4

by 48.4 per cent while the general population has risen by 23.7 per cent. The average annual income per family of 5-6 persons is estimated to be Rs. 600 only and food deficit is estimated to the extent of 50 per cent. The table below taken from the Report of the All India Agricultural Labour Enquiry, 1954 gives an idea of the standard of living of the people in general.

The returns from land are very low. An average family invariably

¹Population has been growing continuously, but during the last 4 decades the unirrigated area per capita has remained almost the same. This shows an addition of the new land under the plough in each decade.

THE ECONOMIC WEEKLY

runs into debt. The standard of cultivation has gone down. Cultivators do not have enough to buy good seed and manure and maintenance of livestock is proving beyond their resources. The result is that many cultivators are compelled to neglect cultivation, as is clear from the previous analysis of the livelihood pattern. In a heavily populated state, this is really a very serious situation.

Again, a decline in the proportion of workers (principal earners and earning dependents) and an increase in that of non-earning dependents, as shown previously, indicate the growing burden on earners. The capacity of the earners to shoulder the burden of dependents not increasing proportionately, there must be a corresponding fall in the standard of living. Further evidence of a fall in living standards in the agricultural section can be found in a strange situation which has developed in this state. The proportion

Agricultural Classes	Effective earners	Dependents
Owner cultivators	28	72
Tenant cultivator	31	69
Rent receivers	36	64
Agri. Labourers	40	69

of effective workers is lower in the principal agricultural classes (and the proportion of dependents correspondingly greater) than in the class of agricultural labour. This indicates the extent of burden an earner carries in different classes. The greater the burden, the greater are the chances of a lower standard.

IV Signs of Growing Distress

More than 92 per cent of the cultivable land has already been brought under cultivation. The limits of agricultural extension having been almost reached, there is little chance of bringing fresh land under the plough. The return from land is already very low, and a decline in the price level will bring distress. Population is increasing very fast. Though the volume of immigration is steadily falling and that of emigration rising, it is strange to find that in such a heavily populated state there has been for long considerable net immigration and it still continues to some extent.¹ Poverty and unemployment face a large number of educated youths. Naturally the future is gloomy; it may become dangerous. Unless they are directed to new channels of economic activity the educated unemployed youths may become

vocal, and the voice will not be ineffective.

V Some Suggestions

The scarcity of land is acute, and the pressure of population tremendous. The remedial measures should broadly aim at increasing production on the one hand and population planning on the other. The percentage of literacy being very high, the measures of population control should prove more effective and quick than in other parts of the country. Besides, the T.C. government should explore the possibilities of planned emigration to the thinly populated central states. This would relieve the pressure in the problem areas of T.C. and would be helpful in stepping up the rate of progress in the latter.

In respect of production planning, it should be recognised that this state cannot be self-sufficient in food supply. Hence that should not be the aim. Secondly, it is equally important to realise that for the major problems of agriculture the real solutions lie outside the field of agriculture, i.e., in general industrialization and the creation of non-agricultural occupations, to provide a source of wealth and to absorb the surplus working population.³ Coir, fishing, poultry and dairying have to be organized as subsidiary occupations for farmers, and the development of other cottage industries should be given an important place in the state's Second Five Year Plan.

Of late, public lands have been protected against encroachment, and the reserve forests have been free for occupation. There should not, however, be any large-scale clearing of these forests, since rivers and streams flowing from them are the important means of communications and sources of hydro-electric power; besides, forests are, and can further be developed into a valuable source of wealth. The state may reconsider its policy regarding public lands.

Subsidiary sources of food, particularly fishing, should be organized more extensively. Besides, in respect of the cultivated area, irrigation and manure are the two major requirements. Of the net area sown one-fourth is wet and three-fourths is dry; and if the irrigation targets in the First Five Year Plan are fully achieved, there will be an increase of 4.9 per cent over 1949-50, and the extent of irrigation by 1955-56 will be 34.3 per cent of the total area sown. Though the annual rainfall is quite heavy, and is also fairly

regular and uniform, the need for irrigation is nevertheless very great, for increasing the double-cropped area, and for enhancing crop yields. The form of irrigation will, however, depend on the local conditions. Regarding the choice of crops, the state can profitably extend cultivation of spices.

There is a popular cry for putting a ceiling on land holdings. Sometimes doubts are expressed that larger estates being plantation estates, it may not be advisable from the view-point of their operational efficiency to break them up. In the case of others, the number of rent receivers is rather small, and even the redistribution of bigger holdings may not very much improve the lot of the surplus population. The concentration of land holding, however, is there; and in such a heavily burdened area ceiling has to be fixed from the view-point of public

Years	Immigration (mils.)	Emigration (mils.)	Balance (mils.)
1901	2.18	.43	1.75
1911	1.91	.60	1.31
1921	1.78	.58	1.20
1931	2.61	.77	1.84
1951	2.23	2.22	.01

The bulk of the immigrants comes to work in plantations in highlands. Nearly 91% immigration is from Madras and 83% of emigration is also to Madras.

²The extent of literacy is 45.8 per cent (Males 54.8 per cent and females 37.0 per cent for general population, and 53.8 (males 64.5 and females 43.2) for population over 5 years of age.

³There are no heavy industries in T.C., and scarcity of capital is quite obvious. Factory industries relate to cashewnut, coir, cement, aluminium, glass, fertilizers, rayon, cotton textile, plywood, tiles, ceramics, paper, oil and soap, etc. But except in the cashewnut factories in Quilon and coir factories in and around Alleppey, very small number of labourers is employed. By far the major part of the non-agricultural labour is employed in cottage industries, the most important of which are handloom weaving, coir and fishing; others are jaggery making, bell metal work, making of screwpin mats, baskets, articles of furniture from cane, pottery, etc. In highlands, plantations absorb practically the whole population.

Hind Cycles has a New Unit

peace and social justice. Under a democratic frame-work, the popular cries are usually effective. The limits for ceiling suggested by the Land Policy Committee, Travancore-Cochin (1949-50), were—double crop (wet-lands) 50 acres; single crop 75 acres; dry lands other than coconut gardens 75 acres; coconut gardens 50 acres. The limits suggested by the Socialist Party in 1954 were double crop lands and coconut gardens 15 acres; single crop lands 22½ acres; and dry lands 30 acres. For such a heavily populated area these limits are too high. In order to make the idea of ceiling effective in reducing social distress, the limit should closely conform to the optimum size of family holding, so long as individual farming remains the common pattern of agriculture. The limit should not exceed 10 acres. The case of plantations, however, has to be treated separately, both in regard to ceiling and to other ameliorative measures. Proper land-use and operational efficiency should not be sacrificed. And for improving the conditions of labour one may think of the measures which are generally adopted in industries, i.e., enhanced wages, bonus and profit sharing, etc.

THE balance sheet and other accounts of the Hind Cycles Ltd. for the year ending December 31, 1954, indicate improvement in performance over the previous year. During the year under report, the company's Establishment No. 2 at Kandivlee started production of cycle chains. Sales and manufacturing expenses on the one hand and establishment expenses on the other, both went up from 13.09 lakhs and Rs. 1.38 lakhs in 1953 to Rs. 16.10 lakhs and Rs. 1.62 lakhs respectively in 1954. Nevertheless net profits were also higher by Rs. 1.07 lakh, and amounted to Rs. 4.40 lakhs in 1954. This improvement was due to the noticeable increase both in production and in the value of sales; thus the number of cycles manufactured increased from 120,232 to 130,232, while the net value of sales rose from Rs. 1.42 crores to Rs. 1.55 crores. The company's contribution to provident fund and Employees State Insurance increased to Rs. 2.60 lakhs during the year from Rs. 2.34 lakhs in 1953. The allocation to depreciation was slightly higher by Rs. 0.19 lakh, at Rs. 6.28 lakhs, bringing up the Depreciation Reserve

Fund at the end of 1954 to Rs. 53.6 lakhs against a gross block value Rs. 73.31 lakhs.

The company has always regarded its well "looked after" and satisfied labour force as an invaluable asset. Hind Cycles pays its workers handsomely: thus, during the year 1954, wages per head per annum averaged about Rs. 2,625. This would be found to compare very favourably with the standard of wages in the engineering and other comparable industries. The wage level in Hind Cycles has been going up steadily since 1950, and the company is very proud of the fact that it has on its rolls highly paid 'daily' workers, some of whom pay income tax.

The company has plans to install additional plant and machinery. Orders have been placed for machinery worth Rs. 15 lakhs and expansion of factory building has been taken up. For financing the expansion programme, the directors are considering expansion of capital of the company.

The directors have recommended that the dividend should be raised from Rs. 8 to Rs. 10 per share of Rs. 100 each.

Revived Spurt

Wednesday, evening

FIRM in the latter half of last week, the Calcutta Stock Exchange developed an irregularly lower trend in the last few days. Fluctuations in Indian Iron have tended to dominate price movements in equities in general in the last two weeks. An uncertain trend in Tea shares has been partly responsible for halting the upward trend in equities. Jute shares remain irregularly steady, while raw jute and jute goods have tended to be erratic in their up-and-down movements.

Three factors have helped the spurt in Indian Iron in the last three weeks. There was a considerable "bear" position in this scrip. Technically, the position in Indian Iron was such as to enable bold speculators to rig the market up in the event of the least favourable development. Some real and some imaginary factors have helped "bulls" to squeeze "bears" out. Improvement in Tata Steel has helped this process.

Iron Dividend

Basically, Indian Iron are moving up because of better dividend expectations. Last year's output and profits were higher. On balance, the output for the first quarter of the current year is also higher. There is no doubt that the Company's earnings were higher last year. From this, it does not necessarily follow that dividend disbursements will be higher. In the Chairman's speech last year, nothing more was promised than the maintenance of dividend. It was implied that higher profits will have to be earmarked for servicing the loans and for gradual elimination of prior rights.

Though Indian Iron have been stagnant until recently, it has been evident since the release of 1953-54 accounts last year that the financial position of the Company is sound. With higher output and profits in the year to March, 1955, the Company can distribute higher dividends. Whether it should, is a different matter. There are some who argue that payment of any higher dividend requires prior sanction of the Government. Whether this is the correct state of affairs for the year to March, 1955, is not quite clear. There is, however, no doubt that the prior sanction of the Government

will be necessary for raising dividend payments for the current year.

There is another reason why Indian Iron are going up. Expansion projects are under contemplation. To implement these plans, the Company will need finance. There is also something in the argument that the Company's capital structure justifies an increase. There are hopes that the Company may decide to raise capital through bonus issues. This will also require New Delhi's prior sanction. But this request is likely to be granted more easily than any request for stepping up dividend payments.

Coal Shares

When equities are, or any particular equity is, moving up, the market does not lack reasons to justify the rise. One of the factors responsible for the recent spurt in Indian Iron seems to be Sri T. T. Krishnamachari's assurance that the existing industries will not be nationalised. Twice last week, TTK gave such assurances in his statements in Madras and Coimbatore. On both occasions, Indian Iron improved on the argument that such explicit assurances may encourage the Company to hasten its plans for expansion.

It could not have been a mere coincidence that, for the first time in recent months, selective coal shares met with active support last week. In the 1953-54 boom, Coal shares were neglected. There were reasons why Coal shares did not participate in the boom. For one thing, the industry was suffering from over-production and falling exports. Fears of rising labour costs and of nationalisation hang heavily over Coal shares.

For some time now, it has been apparent that the position of Coal industry is not as gloomy as pessimists would have the market and the Government believe. Dividend payments may not have been raised, but the disbursements have been maintained. But nationalisation fears persisted. For more than a year, the market has been anxiously awaiting the report of the Committee appointed to investigate the industry's problems. Meanwhile, TTK's assurance that the existing industries will not be nationalised seems

to have emboldened some speculative investors to test the market.

Tea Shares

Throughout last week, the local market has tended to be dull and inactive on the days when Indian Iron has been stagnant or irregularly lower. That is because the other influences which have a sustaining effect on the Calcutta Stock Exchange have not been in operation. Neither Tea nor Engineering nor Miscellaneous shares have been consistently moving up. Most of the days, these groups experienced occasional profit-taking. There were not many dividend announcements last week to bolster Tea shares up. This factor will not have as much sustaining influence on Tea shares hereafter as it has been hitherto.

Stock markets thrive on anticipation. Because the belief is widely held that tea prices and profits will be lower this year, Tea shares remain irregularly lower. But current developments are not unencouraging.

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Paid-up Capital	3,14,54,250
Reserve Fund and other Reserves	4,00,55,696
Deposits as at 31-12-54	1,24,21,26,680

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Average export auction prices remain well above expectations. Floods in Assam are causing delay in arrivals of tea because of disruption of communication. Statistics confirm that the scheme for voluntary restriction of output is being more rigidly implemented. These are arguments not for a rise in Tea shares, but for a more realistic appraisal of the nearby outlook.

Jute Shares Irregular

Jute dividends for the last half-year may not be unpromising. Developments for the current half-year may not be less adverse than those in the preceding six months. Despite expectations that last half-year's dividend payments will, at least, be

maintained, Jute shares remain neglected. This is the only group which refuses to look up either on dividend buying or on selective support to sound scrips within this group. This is an ugly feature of recent price movements on the local stock market. If Jute, Coal and Tea Shares remain depressed, can Clive Street experience any sustained spurt?

As in Jute shares, so in raw jute and jute goods. With the realisation that there may not be any glut in raw jute this season, the prices have ceased to fall. But raw jute is not moving up. Neither are jute goods. Data relating to stocks at the end

of June showed a sizable decrease in the stocks of sackings and almost a proportionate increase in the stocks of hessian. But the improvement in B. Twills has not been sustained, though hessian prices are not appreciably lower. These movements in parities may not be favourable to Jute shares. But there is reason to believe that the demand for sackings is consistent. Hessian stocks also may be lifted as and when shipments to Argentina against that country's orders are made according to schedule. These are possible developments which do not seem to justify any unduly "bearish" outlook on Jute shares.

Around Bombay Markets

Dalal Street in High Spirit

Thursday, morning

THE stock market remained in high spirits. Prices made further headway on bull operations and covering on behalf of shorts. Fears, doubts and suspicions engendered by various official policies and pronouncements have given way, for the time being, to a feeling of optimism. That the Government's policy with regard to nationalisation is likely to undergo a change or that economic policy would be more practical, ensuring accelerated industrial production, is also mentioned as a cause for this marked change in sentiment. But the real reason is different—brighter dividend prospects. The fear that Government may tax bonus share issues has induced many concerns to follow a somewhat liberal dividend policy. And this has given a fillip to the stock markets.

Hopes that Tatas as well as Martin Burns would fall in line with the rest have brought support to Tata Steel and Indian Iron. After the recent steep and sensational gains, Dalal Street is likely to pause on its onward march and naturally there is also an inclination to await the Prime Minister's impressions of Russia. Market commentators consider it significant that on his return to Delhi, Pandit Nehru made the observation that foodgrains in Russia were cheap but clothes and other consumer goods were rather costly. This is regarded by some as a hopeful pointer.

In view of the fact that cloth prices are relatively high and have not reflected the decline in raw cotton prices, the impression is gaining ground that the cotton textile industry would fare well during the current year. That is why textile shares have been up. Mention may be made particularly of Kohinoor and Century. Central India, however, is subdued in view of the unfavourable dividend prospects for the year just ended.

Tata Steel as well as Indian Iron forged ahead to new high levels. Profit taking sales have been well absorbed. The market has now an eye on Tata dividend which is to be announced next week. The majority expectation is for a dividend of Rs 11 as against Rs 10-8 last year.

Bombay Burmah has boomed on expectations that the final dividend may come to Rs 25 as against the interim one of Rs 11-4. A C C met with resistance at the higher level. Belapur Sugar has received fair support in view of the fact that the Dacca factories are able to realise a better price in view of the booking difficulties from UP and Bihar. National Rayon met with fair inquiry but as some of the holders were inclined to realise profits, the upward trend did not proceed much further.

Scindias continued to be in doldrums, and in sympathy, Premier

Construction has lagged behind. There was no business in Great Eastern Shipping.

Among engineerings, Alcock advanced by Rs 25 on some influential buying. Tata Locomotive moved up to Rs 140 while Hindustan Motors at Rs 10-1 and Premier Automobiles at Rs 82-8 have remained steady.

The gilt-edged market is ruling quiet, while in Banks, Insurance and Electrics, business has been sporadic with the undertone slightly easier.

Trading in Bullion Suspended

TRADING on the bullion market has been officially suspended in view of the recurrent squeezes in silver attempted by the bull operators. A move is already well advanced for declaration of an emergency so that outstanding business in Shravan delivery can be either squared up by fixing rates or within the limits that may be determined by the Board in concurrence with the Government. The contract is to be amended so that sellers may have to pay minimum penalty for non-delivery in future. It will take some days before the scheme is finalised.

The nominal rates for silver and gold are reported at Rs 160-14 and Rs 92-9 respectively.

Cotton Reacts

COTTON prices have reacted sharply from the highest level recorded during the previous week. This decline is mainly to be attributed to large-scale unloading by prominent bull operators as well as the nearness of the commencement of business in the new crop contract which is based on fine Jerilla of 13/16" staple length. There will be only one contract and delivery months as usual will be February, May and August. Some changes, however, have been made with regard to deliveries. All tenderable varieties under the new contract will be tenderable only up to 2/32" 'on' and 1/32" 'off' for staple. As 3/4" Jarilla will also be tenderable as at present, it has been decided to split Jarilla into two categories 'A' and 'B'. Under 'B', 3/4" Jarilla would be tenderable without tolerance and without any 'on' balance for staple.

I C C August which was recently taken up to Rs 613 declined to Rs 591 to be placed at Rs 593. Several cotton growing areas are still in need of rains. The market outlook is not bearish in view of the dearth of tenderable varieties. But the uncertainty of the fixation of tenderable differences and tenders has undermined confidence. Moreover, business against fresh export quotas has been moderate and this has failed to sustain bullish fervour.

Oilseeds Slightly Lower

AFTER the recent rise the oilseeds market was in a subdued mood as buyers were reserved at higher levels. The Government of India is not expected to issue any fresh export quota in groundnut oil in the very near future, at least not until the monsoon has progressed. This has led to some selling in groundnut oil. Reports of rains in Saurashtra have also been a contributory factor.

Castorseeds fluctuated irregularly. With the commencement of business in new crop for 1956 May delivery, the bullish fervour was dampened in September delivery which came down to Rs 97 from Rs 105, to recover to Rs 102 and to be placed finally at Rs 99 while May delivery was at a discount of Rs 10 to Rs 8. Castor oil commercial has reacted to Rs 10-12 from Rs. 11-2 per quarter.

Groundnuts bold ready were sold down to Rs 23-10 from Rs 24-12 while August delivery came down to Rs 23-8 from Rs 24-14. The new crop December-January delivery opening at Rs. 21-15 improved to Rs. 23-8, finally closing around Rs 22-12. Groundnut oil prices have receded to Rs 12-11 from Rs 13-4.

In the absence of fresh business in linseed oil, linseed was quiet. Bold ready turned lower at Rs 26 while August-September eased off to Rs 25-10 from Rs 26-4. Business in linseed oil was done at Rs 16-2 to Rs 15-13.

HANDLOOM FABRICS MAKE NEWS

ALTHOUGH handloom fabrics enjoy official encouragement, they make news on account of the marketing difficulties they encounter. However handloom products hope to survive mill competition, provided necessary marketing facilities are assured to them.

The All-India Handloom Board is now actively handling marketing of

handloom products both in India and abroad. It has set up show rooms and emporia and grants rebate on retail and wholesale sales, as well as on sales for export. There is already a Central Marketing organisation and an All-India Handloom Fabrics Marketing Co-operative Society has been proposed to be set up.

The Board's external marketing Scheme looks after sales for exports, under which four marketing officers

MARKET LEADERS DURING THE WEEK

Steel Shares	July 13, 1955	High	Week's range	July 6, 1955.
Tata Ordinary	249-4	249-12	244-4	241-8
Indian Iron	36-11½	36-11½	35-15	35-6½
Textile Shares				
Bombay Dyeing	505-0	505-0	491-14	485-0
Century	414-8	415-0	403-0	395-0
Kohinoor	349-0	350-0	338-12	336-8
Simplex	162 x d	169-0	164-0	164-0
Swadeshi	210-8	210-8	205-0	205-0
Miscellaneous Shares				
Associated Cements	189-8	190-0	188-0	187-4
Belapur	319-8	321-0	316-8	312-0
Burma Old	548-12	550-0	531-14	496-14
National Rayon	211-8	212-0	209-12	201-0
Premier Const.	155-0	155-8	152-12	152-0
Scindia	14-15	15-4	14-12½	14-11
Tata Chemical	15-10½	15-11	14-15½	14-12
Bank of India	146-8	147-0	146-0	145-4
New India Assc.	46-0	46-8	45-8	46-8

MARKET LEADERS DURING 1955

Steel Shares	High	Low
Tata Ordinary	255-8	222-8
Indian Iron	36-13	32-1
Textile Shares		
Bombay Dyeing	505	452-8
Century	415	348
Kohinoor	350	307
Simplex	174	146
Swadeshi	240	190
Miscellaneous		
Associated Cements	194	167
Belapur	336-8	299
Burma Old	550	436 4
National Rayon	222	189
Premier Const.	165	143 12
Scindia	18	14 6
Tata Chemical	18-8	13
Bank of India	155	145-4
New India Assc.	66	45-8

INDIAN SEEDS AND OILS

Seeds	July 13, 1955	High	Low	July 6, 1955
Caster Sept 1955	100-8	102-0	96-12	105-0
May 1956	92-12	95-0*	88-0	—
Groundnut				
Aug-Sept	23-9	24-10	23-8	24-13
Linseed Aug-Sept	25-10	25-14	25-4	26-4
Kardi Ready	15-6	15-4	14-12	14-14
Nigerseed	23-12	23-12	23-6	23-8
Oils				
Castor oil Com.	10-13	11-4	10-13	11-6
Groundnut Oil R R	12-12	13-4	12-12	13-7
Linseed Oil	15-14	16-8	15-14	16-13

* Trading started at Rs. 95 on July 8.

posted abroad supply information regarding foreign market for Indian handloom fabrics. The Union Government has provided financial assistance to the Board amounting to Rs. 6.10 lakhs as at the end of December 1954. A latest measure taken by the Government is the appointment of a Deputy Textile Commissioner (Handloom) to attend to the problems of handloom cloth first in the South and then in the North.

JUTE STATISTICS

	May 1955	April 1955	Mar 1955	July to May '54-55
Production ('000 tons)				
Hessian	32.2	33.0	35.0	365.0
Sacking	46.2	49.3	50.5	519.6
Others	3.3	3.4	3.4	33.0
TOTAL	81.7	85.7	88.9	917.6

Total Production in the corresponding months of:				
1953-54	71.3	75.0	75.6	791.1
1952-53	72.5	74.3	74.4	818.7

Stocks* ('000 tons)				
Hessian	40.6	39.0	34.0	—
Sacking	53.1	62.9	59.0	—
Others	1.2	1.5	1.6	—
TOTAL	94.9	103.4	94.6	—

Stocks at the end of the corresponding months of:				
1953-54	86.5	91.4	92.9	—
1952-53	138.8	137.3	138.7	—

Despatches:† ('000 tons)				
Hessian	30.2	28.3	27.1	361.0
Sacking	56.6	45.3	47.6	519.0
Rope, twine, etc.	2.8	2.4	2.0	24.1
TOTAL	89.6	76.0	76.7	904.1

Total despatches in the corresponding months of:				
1953-54	76	76	78.1	835.6

Raw Jute Consumption:				
(lakh bales of 400 lbs each)				
1954-55	4.72	5.08	5.25	51.98
1953-54	4.10	4.32	4.63	46.16
1952-53	4.15	4.39	4.38	47.78

IJMA Mills' purchases of raw jute (lakh bales)				
Pakistani	0.95	1.0	0.73	9.54
In corresponding periods of:				
1953-54	0.80	1.49	0.51	8.45
1952-53	1.55	0.90	0.31	12.42
Indian	1.79	2.19	2.55	41.10

In corresponding periods of:				
1953-54	2.54	2.90	2.67	34.64
1952-53	4.81	4.02	3.15	39.42

* Stocks at the end of the month.
† Despatches include exports and sales for internal consumption.

Source: Monthly Summary of Jute and Gunny Statistics issued by the Indian Jute Mills Association.

BANKING RETURNS

	Latest Week†	A Week ago	A Month ago	A Year ago
Rs Crores				
Reserve Bank				
1. Note circulation	1321.64	1312.72	1331.28	1176.69
2. Rupee Coin	105.08	105.6	103.80	98.57
3. Deposits				
a) Central Government's	84.07	58.96	55.35	116.55
b) Banks'	46.87	46.14	48.95	42.65
c) Other Governments'	17.67	12.34	11.58	23.84
d) Others'	14.9	35.70	21.68	35.92
4. Foreign Securities	652.04	652.04	652.04	653.15
5. Balances held abroad	63.32	61.86	66.11	93.76
6. Rupee Securities	543.65	543.65	543.65	421.22
7. Investments	61.24	46.55	40.52	91.29
8. Loans and advances to Governments	0.86	0.91	1.36	0.17
Scheduled Banks				
1. Demand liabilities (net)	593.03	590.2	581.43	536.33
2. Time Liabilities	397.91	396.74	391.40	335.62
3. Cash on hand	35.9	34.27	35.02	32.18
4. Borrowings from Reserve Bank of which against Usance Bills	27.68	17.22	20.62	12.64
5. Advances and Bills discounted of which Imperial Bank's	22.42	16.71	19.14	6.85
6. Investments of which Imperial Bank's	578.23	568.75	580.65	532.83
Cheque Clearance	116.97	115.60	121.34	119.64
7. Investments of which Imperial Bank's	350.46	346.56	344.49	327.31
8. Advances and Bills discounted of which Imperial Bank's	89.01	89.58	90.29	82.15
Cheque Clearance	135.41	125.85	117.6	106.38

† For Reserve Bank and Cheque Clearance week ended 8-7-55. Scheduled Banks week ended 1-7-55.

Bombay Money Rates	8-7-55	1-7-55	10-6-55	9-7-54
Inter-Bank Call Rate	2%	2%	2%	2%
3 months deposits	2%	2%	3	2%
6 months deposits	2%	2%	2%	2%

Bombay Bullion	14-7-55†	A Week ago	A Month ago	A Year ago
Gold Spot				
„ (per fine tola)	93-14	93-2	93-6	84-9
Forward „	92-6	91-14	92-5	83-7
Silver Spot				
„ (per 100 tolas)	161-8	159-12	160-10	155-5
Forward	161-4	159-4	161-4	155-9

† Nominal, market closed

INDEX NUMBER OF WHOLESALE PRICES.

(Base: Year ended August 1939 = 100)

Group & Sub-Group	Week ended 25-6-55	A Week Ago	A Month Ago	A Year Ago
I. Food Articles	290.8	284.9	276.2	338.0
Cereals	340	331	308	377
Pulses	246	231	214	287
Others	229	229	242	290
II. Industrial Raw Materials	389.9	393.1	389.6	431.0
Fibres	403	410	411	410
Oilseeds	358	352	341	478
Minerals	406	422	415	432
Others	417	415	419	402
III. Semi-Manufacturers	332.6	330.1	331.4	356.7
Leather	389	385	401	369
Mineral Oils	218	221	221	221
Vegetable Oils	371	351	353	451
Cotton yarn	419	422	424	467
Metals	244	244	244	239
Oilcakes	338	321	312	418
Others	330	329	328	302
IV. Manufacturers	369.5	369.3	373.6	378.7
Textiles	406	406	413	422
Jute	416	413	421	441
Cotton	403	403	406	419
Rayon & Silk	467	467	503	457
Woollen	285	285	310	310
Metal Products	343	343	343	340
Others	286	286	286	290
V. Miscellaneous	565.7	565.3	548.8	647.4
All Commodities	346.1	343.9	341.0	378.4

FINAL ESTIMATE OF SUGARCANE

	1953-54 (Revised)	1954-55 (Final)	% Change
Area ('000 acres)	3,498	3,932	12.4
Production ('000 tons)	43,873	54,648	24.6

IRON AND STEEL PRODUCTION FOR THE QUARTER ENDING JUNE 30, 1955.

	Indian Iron & Steel	Tata Iron	Total
Pig Iron (tons)	1,85,605	91,700	2,77,305
Steel Ingots („)	1,34,333	80,900	2,15,233
Semis („)	36,912	17,200	54,112
Finished steel „)	79,369	45,400	1,24,769

SUGAR PRODUCTION

(Million Metric Tons)

Region and Country	1951-52	1952-53	1953-54
Europe	8.7	8.0	10.4
USSR	3.3	3.4	3.8
Cuba	7.2	5.2	4.9
USA	1.8	1.9	2.2
North and Central America (Excluding Cuba and USA)	4.0	4.0	4.2
Brazil	1.9	2.1	2.3
South America (Excluding Brazil)	2.6	2.7	2.8
Asia	8.7	9.2	9.5
of which, India	3.8	3.5	3.4
Africa	1.5	1.7	1.8
Oceania	1.8	2.1	2.5
(Australia, Hawaii & others)			

COFFEE PRODUCTION

('000 metric tons)

Country	1953-54 (Preliminary)	1954-55 (Forecast)
Brazil	1,111	1,054
Columbia	408	426
Other Latin American Countries	451	526
Africa	350	360
Asia and Oceania	104	97
World Total	2,424	2,463
Exportable World Production	2,020	2,030

Source: FAO

FINAL ESTIMATE OF DRY CHILLIES

	1953-54 (Revised)	1954-55 (Final)	% Change
Production ('000 tons)	297	356	19.9
Area ('000 acres)	1326	1472	77

Source: Ministry of Food & Agriculture.

ELECTRICITY GENERATION AND DISTRIBUTION

(Monthly Average or Calendar Month)

(in million kwh)

	Genera- tion	Domestic con- sumption	Commercial light and small power	Industrial power	Public lighting	Traction	Irrigation	Public works & sewage pumping	Total
1948-49	390.1	34.8	20.3	206.0	4.2	23.8	11.0	14.7	427.9
1952-53	525.1	51.5	29.2	275.6	6.0	27.7	19.2	19.4	464.4
1953-54	573.1	68.3	31.7	298.1	6.5	29.7	19.1	20.6	474.0
1954-55	646.6	62.6	28.9	344.6	7.5	31.7	20.0	22.1	517.4
1954 April	613.3	59.9	39.4	318.9	7.0	34.5	22.1	22.6	504.4
May	639.9	61.1	40.5	325.6	6.9	33.8	23.6	23.8	515.5
June	629.4	61.6	37.7	325.9	6.9	32.6	22.2	23.2	510.3
July	633.4	62.3	37.5	338.6	7.1	31.9	15.6	22.9	515.8
August	635.0	64.9	37.2	338.8	7.3	27.3	11.7	23.2	510.5
September	647.6	65.0	37.4	344.6	7.4	27.6	18.4	23.1	523.3
October	626.5	63.7	35.3	336.6	7.7	30.8	14.9	22.6	511.6
November	656.5	63.4	35.2	351.2	7.7	31.9	22.5	22.6	534.6
December	683.5	63.2	36.2	370.9	8.1	33.2	23.0	23.5	558.0
1955 January	668.5	62.1	36.3	362.5	8.0	32.1	21.4	22.9	545.2
February	628.7	60.8	35.1	346.7	7.5	29.4	20.7	21.5	521.8
March	698.7	63.3	38.7	375.5	7.9	35.2	24.2	23.6	568.3

Source: Ministry of Irrigation & Power

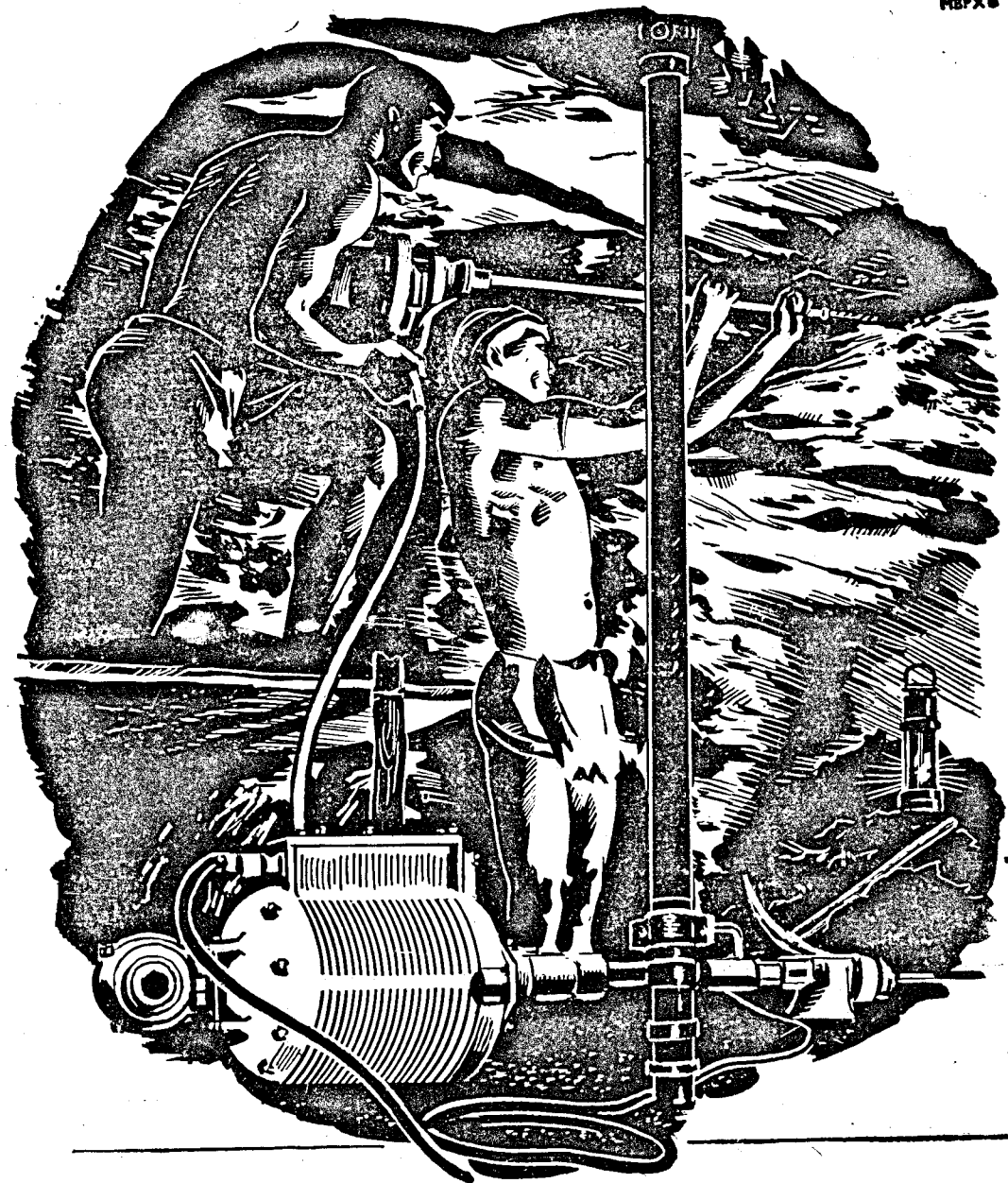
The Economic Weekly

A Journal of Current and Political Affairs

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Good Start

TWO facts emerge clearly out of the Geneva talks to date among the Heads of State. Their sincere intention to make an honest effort to reach an agreement is beyond doubt. Both Marshal Bulganin and President Eisenhower emphasise that the Heads of State have not assembled at Geneva "merely to catalogue our differences". There is a reassuring admission in President Eisenhower's opening address that the "talks at the summit" reflect the eager hope of the people throughout the world that their Governments should have the wisdom and the diplomacy to arrive at an understanding to ensure peace. Each of the Heads of State has been at pains to be conciliatory and cordial in his opening speech. If President Eisenhower has paid a compliment to Marshal Bulganin for the latter's emphatic realisation that world peace is the most fervent desire of the common man, Marshal Bulganin has promptly responded by making yet another significant gesture towards peace. In his opening address, he announced Russia's decision to contribute her share of atomic materials to the International Atomic Energy Agency as and when this international organisation was created to implement President Eisenhower's plan for an international pool of atomic resources.

From the prompt acceptance of the agenda, as well as from the conciliatory tone of the opening speeches of the Heads of State, it is clear that both sides are sincere in their attempts to reach an understanding. This does not necessarily mean that either side is prepared to accommodate the other beyond certain well-defined limits. If President Eisenhower was deliberate, in his opening address, in excluding Far Eastern problems from the purview of the "summit" talks, Marshal Bulganin was frank in stressing the importance of Formosa and of the Far East in any arrangement for attaining world peace. If President Eisenhower was equally deliberate in his reference to post-war developments in Eastern Europe and to the activities of the Cominform, Marshal Bulganin made it clear in his opening address, that these were topics which were outside the agenda for the Geneva talks. Even so, the agreed agenda leaves scope for each side to introduce issues which the other may be reluctant to discuss. Though the agenda excludes Far Eastern issues, the flexible arrangement under which the Heads of State can agree on "any additional items" offers scope to Russia to discuss Far Eastern issues. Again, as development of East-West contacts is an item on the agreed agenda, nothing prevents America from raising the problem of the "iron curtain" during the Geneva talks.

It would be idle to pretend that no dispute would ever arise among the nations of the world. Differences are inevitable. "Such is life", as Marshal Bulganin, in his philosophic mood, explained to journalists during the first Press Conference ever held at the Kremlin on the eve of his departure for Geneva. But the fundamental thing is to agree to reconcile such differences through negotiation. From the agenda, as also from its order of priority, it is evident that this basic principle is now better appreciated by both sides. Britain, France and America are agreed that Germany is the most important problem under discussion at Geneva. Russia is more logical in her insistence on a European

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Weekly Notes

Prohibition—Final Round?

THOUGH advertised as the final round, it is unlikely that the prohibition controversy will be settled for good when the Planning Committee of the National Development Council meets this week to consider the interim report submitted by the Prohibition Enquiry Committee to the Planning Commission. From the manner in which the latter committee has been packed with prohibitionists and in view of the known predilections of the National Development Council, the outcome is not left in doubt; but the pace and timing of it cannot be laid down in advance so confidently in view of the state of State finances and also the administrative capacity of the different States to enforce prohibition.

It was the latter consideration, viz., the administrative capacity of the States to enforce prohibition, which half of the members of the Taxation Commission considered to be of primary importance and not the fiscal aspect of it, which they admitted to be secondary. The other half of the Commission, however, rejected the idea wholesale that progressive reduction in consumption of intoxicants could ever be brought about by an excise policy which aimed at maximisation of revenue. The members being divided equally on the issue, the Taxation Commission was not in a position to make any recommendation on the subject at all.

Whatever be the findings of the present committee—one of the members has protested that press reports on the subject are wrong and misleading—The Andhra Enquiry clearly established that prohibition had failed in that State. Present policies in different States differ widely in the matter of intoxicants other than opium; the consumption of opium alone is regulated at the instance of the Government of India in a uniform manner in all the States. The picture is a variegated one, and has been summed up as follows in the Taxation Enquiry Report.

1. Complete Prohibition — Bombay, Madras, Andhra and Saurashtra.
2. Partial Prohibition — Uttar Pradesh, Madhya Pradesh, Mysore, Orissa, Travancore - Cochin and Coorg.

Others:
(a) States with some dry areas—Assam and Punjab.

(b) States observing a temperance policy—Bihar, West Bengal and Madhya Bharat.

(c) In the remaining States—Hyderabad, PEPSU, Rajasthan, Himachal Pradesh, Ajmer, Bhopal, Delhi and Vindhya Pradesh—there is neither a policy of partial prohibition nor even of temperance.

While the importance of this source of revenue is not to be minimised, excise being second in importance for a majority of the States, All-India prohibition will not cause a loss of revenue of Rs. 150 crores per year, as has been erroneously reported. The total collections under this head were estimated at only Rs. 44 crores in the 1954-55 budget; on the other hand, if prohibition is abandoned, the increase in revenue could hardly exceed Rs. 20 crores on present showing and the maximum increase will not in any case exceed Rs. 30 crores.

Progressive introduction of prohibition is among the directives of the Constitution but it is only one of several such directives. It is unfortunate that the issue has been discussed so long almost exclusively as a financial one on the one side and as a purely moral or ethical one on the other. Social policy cannot ignore either, but it has to steer between the two and keep within the administrative competence of the State. Above all, it has to meet the test of a realistic appraisal of the existing situation.

Focussing on Change—Tin Cans

ATIN can may be simple enough to look at and even the collapsible tube from which you squeeze out tooth paste or shaving soap every morning may not appear to be such a marvel of science or industrial engineering. Appearances, however, are deceptive in both cases. Most advanced techniques—the latest and the best—the fruits of industrial research of a high order go into the making of both. And behind it is one of the world's best streamlined organisations, for Metal Box makes the tin cans, whether it is in UK or USA or in this under-developed country of ours where canned foods are still somewhat foreign, food processing is in its infancy and enormous quantities of perishable stuff, fruits and vegetables, go to waste every year.

So Metal Box is focussing on a process of change which will, some

day, revolutionise agricultural production and marketing. Judging from the company's balance sheet, the job of helping this process of change is not unremunerative. The undertaking used to be a 'sealed unit' so far as the technique and even a large part of the organisation were concerned. Even in the worst days of scarcity of metals, during the Korean boom, Metal Box had no problems or if it had any, it did not care to talk about them. The company is more disposed to talk now. It is developing its research organisation in India and the difficulty experienced last year in getting its raw materials such as tin plates and aluminium was solved "in consultation with the authorities," and by timely imports.

The increase in the value of its sales from Rs. 321 lakhs in 1953-54 to Rs. 348.6 lakhs in 1954-55 is an index of the growing popularity of the company's consumer package products and the vigorous efforts made to push their sales. As a result, profits, after providing for depreciation and taxation, rose from Rs. 16.5 lakhs to Rs. 22 lakhs in the year ending March 31, 1955. During the year, the company undertook production of aluminium pilfer-proof seals for glass bottles. The new product has been well received. The company's Technical Research Laboratory at Calcutta is working on the development of improved surface finishing materials. Besides, as a result of the extension of the Agreement with its Technical Consultants, Metal Box of Great Britain, the company expects to receive the benefits of advanced research and technical knowledge in developing Flexible Packaging—covering bags, pouches, pockets, satchels etc. The manufacture of industrial components has met with encouraging response from industrialists. The printing factory at Calcutta has started operation.

The dividend on ordinary shares maintained at 10 per cent since 1951, is proposed to be raised in view of the shareholders' contribution towards the expansion programme of the company through the investment of retained profits. The directors have recommended a higher dividend of 12½ per cent (5 per cent interim and 7½ per cent final) per share of Rs. 10.

Wind Mills for Low Power

THERE are high-powered ministries and ministries which are not so high-powered. The Ministry of Natural Resources, therefore, appropriately enough, concerns itself with such things as cooking by sun's rays—frigidaires from surals is not, however, on its cards—and power from windmills. When the question of introducing windmills in India was first mooted three years ago and a sub-committee was set up by the Council of Scientific and Industrial Research to investigate their possibilities, the question that naturally occurred was why this country which is believed to have given the wheel to the world had never gone on to windmills? The wide-scale diffusion of simpler and inexpensive techniques, inventions and designs, is a subject worth closer exploration. Some devices catch on in some parts of the country but not in others.

But someone has to make a beginning somewhere and the Natural Resources Ministry has drawn up a 7-crore project for the installation of 20,000 to 30,000 windmills in the

course of the Second Five-Year Plan. The Wind Power Sub-Committee of the C S I R has designed a low-cost wind mill which can be constructed from local materials like bamboo and wood, and which will cost about Rs 800 to Rs 1000. Maintenance and repair would be inexpensive and should not cost more than Rs 50 per year. The unstated assumptions, of course, are that the village carpenter or the blacksmith should be able to fix a windmill, if it went out of order and do the necessary repairs.

Needless to say, wind mills would be of no use unless adequate wind power is available for the better part of the year. An earlier investigation suggested that the Western Coast had favourable wind conditions. A British expert who surveyed the country for the purpose recommended extended wind velocity surveys and experiments with a 10 kw. wind-driven electric generator plant. It is not clear from newspaper reports whether wind conditions have been adequately surveyed or not, but at the moment it should not be a crippling handicap, because the project now under consideration

is not very ambitious. One of these windmills should be adequate for supplying power for irrigation to a 5-acre farm. This is only for mechanical power, but the cost data and the performance claimed are interesting. Such a windmill can drive a pump to lift 12,000 gallons of water a day on the average, while a man working with a pair of bullocks, under similar conditions, can lift only 5000 gallons of water a day, and that at a cost of Rs 2/8.

Windmills for generating electricity, however, have to be much bigger and they would prove more costly. Together with generator, one will cost about Rs 20,000 and should be able to generate 8 to 10 kw. power which will be sufficient for the needs of a small village. But such mills will need stronger and steadier wind power. Of course, the idea can be infinitely expanded, such as using a windmill to pump water into a dam, when wind conditions are favourable and later using the stored-up water for irrigation or for power generation. At present experiments are being carried on in a small way in Rajasthan and

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Saurashtra. Equipment for recording wind velocity is still to be supplied by the Meteorological Institute at Poona for installation at different places in Saurashtra, Bombay and Madras, for a more extensive study of wind conditions.

Central Control Board?

WHEN a Cabinet Minister speaks on the radio, does he give out his own ideas or does he outline the policy of the Government? The question is raised pointedly when so soon after Pandit Nehru's eulogy of workers' participation in industry in the Soviet Union and in Yugoslavia, his Labour Minister, Shri Khandubhai Desai, suggests that "an effective and compact Central Control Board should be set up for all the major industries with statutory power to administer and implement Government's declared policy." The Board, the Minister goes on to say, "should be advised by a tripartite Committee representative of all concerned interests. Besides exercising powers of licensing, regulation and control, the Board will be responsible for dealing with the various special problems that arise from time to time, such as rationalisation. While Government should lay down the policy in regard to all such important matters, it should be the responsibility of the Board to give effect to the policy, especially when there is any difference between employers and workers."

At the time of his predecessor, it was well-known that the views held by the Labour Minister were his own; they did not represent the accepted policy of the Government or of the Cabinet. Is Shri Khandubhai Desai following the same precedent, or is there more to it? If it is his own views that the Labour Minister is airing, it would be better for him to convince the Cabinet first and then to address the public on the subject. Ministers, like workers, have their responsibilities; surely it is not too much to expect that they would explain and clarify Government policy, instead of confounding the public.

Not By the Acres of Land...

THE progress of Bhoodan is no longer being advertised by periodical publication of the target set and the collections made by a certain date. Not that the impact of the movement on the minds of men can be or should be judged by the number of acres of land donated or

any other numerical measure. But since at one time a kind of inter-State competition was sought to be encouraged and the number of acres collected and the target set were publicized in order to enthuse the workers, it may be noted in passing that the official figures just released show that all-India collections till the end of May this year totalled 3.8 million acres as against a target of 6 million intended to have been achieved a year ago, i.e., by April 1954. Bihar as usual led with a donation of 2.3 million acres. But Bihar had set itself a quota of 2½ million acres to be achieved by April last year before the Sarvodaya Sammelan met in Bodha Gaya. When this target was announced, it seemed fantastically optimistic but it was nearly achieved. Judged by the number of acres donated, the rate of progress of Bhoodan since then seems to have slowed down. By 1957, Bhoodan workers promised to collect 50 million acres.

More than donations of land promised or collected, the success of the movement and its strength depend on the success achieved in distributing the land among the landless in such a manner that instead of adding to the evils of fragmentation, which is already bad enough, a process of land utilisation is set in motion which will change the face of the countryside. Writing a year ago in these columns, Hallam Tennyson whose book on Vinoba Bhave entitled "Saint on the March" has become a best seller on both sides of the Atlantic had correctly pointed out that the real test of Bhoodan would be whether it satisfied the first vital need of the agricultural revolution which was for the peasant himself to participate actively in its achievements.

Water Rates and Socialism

SO well has Lohia done his job that party directive or no party directive, Congressmen everywhere will back out from enhancement of water-rates. Andhra provides an excellent illustration. In the debate in the Andhra Legislative Assembly, on the Gopala Reddy Ministry's proposal to enhance water rates by 25 per cent, increase the wet assessment—a composite levy including water rates on certain categories of land—by 18 per cent, and to levy a surcharge on land revenue, not a single member appeared to favour the enhancement. The main argument put forward was that it

affected the poor cultivators who were unable to bear the higher rates, and also that the enhancement of rates would bring only Rs. 40 lakhs. So, it was unsocialistic!

The Taxation Commission has clearly shown how bad the situation is. Not only the cost of new irrigation works—both minor and major works—but also that of maintenance of old works has gone up. An analysis of the financial results of certain works (taken at random) shows that the average running expenditure on major systems has varied between 54 to 77 per cent of gross receipts during the year 1948-49 to 1950-51 as compared to 40 per cent in 1938-39. The accumulation of interest charges and the cost of extension and renovation of small scale schemes have further added to the irrigation expenditure of state Governments. Thus in 1953-54 (R.E.) total receipts of all Part 'A' and 'B' States, under irrigation, amounted to Rs. 10.62 crores, while interest and other charges under the same head amounted to Rs. 18.66 crores. It is only natural under the circumstances that the States should find it necessary to impose additional charges or increase existing rates the scope for which has been provided by the rise in prices of agricultural produce during the war and post-war years.

It is true that water rates should not be made to yield profit. Ordinarily, the principle to be observed is no profit no loss, but exceptions will have to be allowed. In the case of an irrigation work for a scarcity area which is being developed, it may be necessary to adopt the no profit and some loss principle, while a policy of some profit and no loss would be justified where an irrigation work is provided in an economically developed area and where, consequently, the users of irrigation facilities derive substantial benefit.

The members of the Congress party in the Andhra legislature, who are supposed to interpret the Government's tax measures to the people at large, themselves spearheaded the opposition. Outside the legislature, they were actively supported by the Pradesh Congress Chief. At a time, when all possible efforts have to be made by the 'popular' Congress leaders to convince the people of the need for taxation, if party 'bosses' begin thwarting the tax-efforts of the Government, from where will it be salted, if the salt should lose savour?

From the Calcutta End

Assam is West Bengal's Younger Brother

MUCH is being heard, and written, about the controversy between Dr B C Roy, West Bengal's Chief Minister, and Prof Mahalanobis, Statistical Adviser to the Union Cabinet. One curious fact seems to have escaped those who have now joined the controversy. There is much that is common between the Mahalanobis Plan and the West Bengal Development Commissioner's emphasis on the village and on small-scale industries. As both Barrackpore and Raj Bhavan (West Bengal's Development Department is housed in Raj Bhavan) are agreed on fundamentals, one should have expected enthusiastic support of Writers' Buildings to the Draft of a Draft Plan-frame.

West Bengal's Statistical Bureau has issued some brochures which show an implied bias to small-scale industries. Its Development Commissioner is the most enthusiastic supporter of small-scale industries and of resuscitation of village economy. One had occasion to eavesdrop to discussions of these problems by some top-level officials connected with community projects—cum national service extension-cum refugee rehabilitation work. They seemed to agree that Fulia, in West Bengal, and not Nilokheri or Fariabad, is now the most successful centre for these combined experiments and activities.

Barter Economy

One may have some mental reservations in accepting the West Bengal Government's plans for encouraging the barter system in village economy. But its Development Department takes pride and pleasure in showing the results of its efforts to inquisitive newspapermen. A colleague, whose views this writer appreciates, had recently an occasion to see for himself the way how this barter experiment is working at Habra. He was very well impressed with the achievements to date. Many competent observers have recently expressed agreeable surprise at the enthusiastic response of villagers to national extension service and community projects.

This is building up from below. To this, as well as to the Plan-frame's emphasis on small-scale village industries, neither Dr B C

Roy nor his Development Commissioner can have any objection. Dr B C Roy's objection that the Plan-frame will experience administrative bottle-necks has been anticipated by the author of the Plan-frame. To the criticism that it minimises the importance of consumption, the author will probably reply that re-vitalised small-scale industries will supply consumer goods.

In conclusion, an interesting incident in this controversy may be noted. Calcutta University's University Professor of Economics was one of the twelve economists who met the Chief Minister to discuss the Plan-frame. He is a member of the Panel of Economists. To explain his contradictory behaviour, he is now suggesting that the Memorandum submitted by the Panel of Economists is not the same thing as the Draft Plan-frame.

Common Issues

Assam's Chief Minister was in Calcutta last week. He met West Bengal's Chief Minister to discuss "matters of common interest to the two States". During the talks between the two Chief Ministers, the Presidents of the Pradesh Congress Committees of Assam and West Bengal were present. These talks ended on a cordial note. Assam's Chief Minister expressed the hope that West Bengal, which was like an elder brother to Assam, should treat Assam like a younger brother. Dr B C Roy reciprocated by assuring Sri Bishnuram Medhi, Assam's Chief Minister, that Assam was entitled to elder-brotherly treatment from West Bengal. These talks will be resumed when Sri Medhi returns from New Delhi.

Since last year's "incidents" in Goalpara, it has been suggested that the two Chief Ministers of these two neighbouring States should meet to ensure better understanding between Assam and West Bengal. Dr B C Roy was to have gone to Gauhati. But, somehow, that visit was postponed. It is right and proper that the Chief Minister of Assam, which, Sri Medhi emphasises, is like a younger brother to West Bengal, should pay a visit to the Chief Minister of West Bengal, Assam's elder brother. For decades, Assam, Bihar and

Orissa have been treated by West Bengal in a manner which these States have complained as being aggressive, selfish. This is the main psychological problem behind the respective boundary claims of these States.

Role of Congress

This was the main problem under discussion between the two Chief Ministers and the Presidents of the Pradesh Congress Committees of these two States. Measures for promoting good neighbourliness between the States were discussed. From the presence of the Pradesh

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Congress Committee Presidents of the two States, it would seem that the role of Congress as the unifying force was stressed. This aspect of strained relations between West Bengal and Assam, Bihar and Orissa has been emphasised on more than one occasion by the Congress President. Talks between the Chief Ministers of Assam and West Bengal will be resumed soon. Only after the end of the final talks will it be known what precise measures are to be taken to avoid repetition of Goalpara.

Industrialisation

Shri Medhi was more formal in his speech at the luncheon arranged by Shri Tushar Kanti Ghosh, Editor of Amrita Bazar Patrika. Assam's Chief Minister appealed to industrialists, and particularly to West Bengal's industrialists, to start industries in Assam in order to make that State self-sufficient. Assam is rich in mineral resources. She has a well-developed tea plantation industry. But she is not an industrial State. In recent years, Assam has experienced floods every year. For four or five months of the year, she is cut off from the rest of the

country as a result of flood damage to communications. This is the main reason furnished by Assam's Chief Minister for his plea to outside industrialists to help Assam's industrialisation.

Shri Medhi's main argument for Assam's industrialisation is that it will help that State to avoid the consequence of poor communication facilities. Assam's industrialisation is desirable on more relevant grounds. Industrialisation will expand employment opportunities. This is the main problem of Assam. Relations between Assam and West Bengal have not been cordial. Assam resents the presence of Bengali refugees within her borders. These refugees aggravate the unemployment problem. Industrialisation will serve the double purpose of absorbing the refugees and expanding scope for employment to the people of Assam. There are historical reasons why the industrial development of Calcutta has hampered the growth of industry not only in other parts of West Bengal, but also in the neighbouring States of Assam, Bihar and Orissa.

Assam Link

Industrialisation is necessary. But it will not solve the problem of Assam's communication difficulties. To-day, the recurrent flood-damage to communications cuts Assam off from the rest of the country for four to five months every year. As long as the Bhutan and Sikkim rivers are not tamed and trained, the floods will continue. Even industrialised Assam will have communication problems. Shri Medhi's efforts to industrialise Assam will have the support of that State's well-wishers. But there is need for simultaneous improvement in communication facilities within that State and between that State and the rest of the country. Partition has aggravated the problem. There has been a welcome revival of river-borne traffic to Assam via Pakistan. Such traffic arrangements need to be encouraged. Even then, there is need for improvement of rail communication facilities within Assam and between Assam and the rest of the country. This will not be denied. Whether the aim can be achieved, as Shri Medhi suggests, by creating a new railway zone for Assam, is another matter.

From the London End

Floating Pound?

THE European Continental money market persist in their belief that the depreciation of sterling is imminent, and this continues in spite of the strenuous denials issued by the British Government. The background to this belief is partly found in what transpired at the June Meeting of the O E E C Council of Ministers and partly in the almost continuous relapse of sterling in the overseas exchange markets since July, 1954. The latter of these two factors has been explained by a British Government spokesman in terms of "heavy inward shipments of tobacco and grain", or "the periodic dock workers' strikes in British ports". Such factors cannot explain the year-old slump in sterling.

In fact, sterling's persistent limp at the lower limit of the official exchange rate and at a discount of some 3 per cent on the free markets, is nothing less than a symptom of the strain resulting from the investment boom in Britain. What is interesting about the current relapse in sterling is that the foreign exchange markets continue to be sellers rather than buyers of sterling, in spite of the sharp increases in money rates and the credit stringency that is prevailing in Britain. There can be little doubt that the dear money policy of the Conservative Government is not restraining to any sizable extent the overall boom conditions in the economy, nor is it attracting foreign capital funds to strengthen sterling's international position.

E P U Agreement Modified

The June Meeting of the O E E C Council of Ministers was possibly more important in provoking the type of rumours that are now so rife on the Continental markets. That meeting was concerned with the problems that would arise when the convertibility of sterling was restored. The decisions of the Council were indicative of the way the British Government was thinking. In the first place, the European Payments Union was renewed for a further year. The system of settlement between the countries through the Union was, however, hardened to the extent that henceforth all debtors were to pay their

monthly accounts on a 75:25 ratio between gold and credit respectively. Secondly, the Ministerial Council agreed to set up a European Fund whose resources would come from the E P U (when liquidated) and whose purpose would be to provide financial assistance to those countries which are planning to restore the convertibility of their currencies.

That such decisions should have been taken was all the more remarkable in view of the serious differences that arose between Britain on the one hand and the Continental European countries on the other. It was the British view that when the convertibility of currencies was restored, there would be no place for a multilateral system of payments as that provided by the E P U. Behind this notion was the belief that when sterling became convertible, London's pre-eminent position in international trade and finance would be restored and that if any multilateral offsetting of accounts between countries was to take place, then London would provide the venue by virtue of its experience and its numerous financial institutions. There may have been another reason why the British Government was not prepared to countenance a continuance of the E P U, or of some other supra-national settlement agency, when convertibility of sterling was restored. It is possible that in British thinking the continuance of supra-national European institutions involving the UK in a particular field would tend to foster European economic integration to the point of reducing Britain's importance in Europe, and, in the present case, of reducing the importance of sterling in international trade and payments.

Britain and the Continent

The "Europeans" were of the opposite view on this matter. They argued, and argued very strongly, that a clean break with the E P U system would endanger the balance of payment stability of many European countries. They argued that the psychological advantages were all on the side of maintaining a proven instrument of European co-operation like that of the E P U

and that in the uncertain period ahead, not all European currencies could become convertible. In view of all this, some multilateral compensation mechanism was necessary. The "Europeans" were even prepared to accept a multilateral system of payments involving a 100 per cent gold settlement.

Directly attached to this controversy was the question of the system of exchange rates to be adopted with convertible currencies. As it was apparently decided at the 1952 Commonwealth Finance Ministers' Conference, the British pressed for agreement on flexible exchange rates rather than what is currently in practice. Here the 'Europeans' were as sticky as on the first question. They believed that flexible exchange rates would be a fore-runner to competitive currency depreciation and to economic war. It would foster "beggar-my-neighbour" policies and so lead to a worsening of international economic relations and to a reduction of world trade and, more important, to that of Europe's place in world trade.

Compromise—Flexible Convertibility

On both points compromise positions were reached. The compromise in each case suggested an early restoration of sterling convertibility. While agreeing to the renewal of the E P U for a further year, a sub-committee of the Ministerial Council was set up to examine the forms which multilateral compensation between European countries can take in conditions of currency convertibility. The sub-committee was given a month to complete its work and its report is now eagerly awaited. On the question of flexible exchange rates, the United Kingdom accepted the Dutch compromise proposal which required the UK to state each month the particular exchange rate at which it would be prepared to clear its balances through the E P U mechanism.

The Dutch solution is suggestive of an early change in Britain's sterling policy. It strongly implies that during the currency of the present E P U Agreement (and dependent on the recommendations of the Ministerial Council's sub-committee) the UK will possibly abandon the fixed parity rate and the current

Post Script to Draft Plan-frame II

Large Enterprise Versus Small

D Ghosh

I AM assuming that the large enterprise is, generally speaking, more efficient than the small. If the supply of capital were adequate, there would be no case, in purely economic terms, for the small industry; we could achieve maximum output and maximum employment through the development of large industry alone. The supply of capital is, in fact, however, inadequate, and we are required to choose between maximum production (by way of large industry) and maximum employment (by way of small industry). The argument for small industry also assumes that it requires smaller investment not only per worker but also per unit of output than the large industry.

Suppose S = total savings (or Investment) of the community; L = total labour force (number of workers). Assume that if the large industry method is employed, only '1' workers out of 'L' would be employed, $L-1$ workers finding no employment whatsoever. If p_1 and p_L represent productivity per wor-

ker by the large and the small industry methods, then for the former method to be justified, not only

$p_1 > p_L$, but $1.p_1 > L.p_L$ or—

$L > \frac{1}{p_1/p_L}$ or productivity of the large

industry must be more than proportionately higher than the decrease in the labour force employed. e.g. (If $L=100$, and $1=60$ then $p_1 > 10$ —>—).

$p_L > 6$

We should now take into consideration two other factors, one economic and the other social-economic-political. The large industry method implies a deepening of the capital, i.e. tying up of investment for a longer period than the small industry method. The rate of return on capital expected in the former must be therefore greater than that in the latter. If we indicate these by i_1 and i_L respectively, $i_1 > i_L$ so that for the former to be chosen $1.p_1 - i_1.S > L.p_L - i_L.S$

Secondly, the unemployed working force (rather they and their families) have to be maintained. Assume a tax "t" required for this purpose. Then the large industry method is justified if $1.p_L - i_1$ (S-t) $> L.p_L - i_L.S$.

The possible adverse effect of the imposition of "t" on savings and productivity would have to be taken into consideration. Two other factors should be, finally, taken note of. First, the investment in either method of production includes investments in the ancillary processes of transport and distribution; these are decidedly greater for the large scale method with higher degrees of localisation (concentration) than for the decentralised small scale method. Secondly, the difficulties and costs of distributing investment and of securing enough enterprise even though of a lower grade, may be much greater for the decentralised small industry method.

(I have assumed throughout that employment as such is not an economic good).

buying and selling official rates. The new exchange rate system in this case can either be that of a complete fluctuating one (which the I M F will regard with some disfavour) or the maintenance of a fixed parity rate with the corresponding official buying and selling rates widened by a margin of some 3 per cent, thus bringing the present unofficial dealings in sterling into line with the new variable exchange rates system. The monthly compensation of balances, that is, those balances which remain uncleared between authorised commercial banks, would then be put through the EPU mechanism (or some substitute) at an exchange rate which the Bank of England would determine in consultation with the central banks of the other EPU member countries. There is little doubt that such an exchange rate would be the average of the daily ruling rates in each month.

Decisions of Great Moment

The decisions taken so far are of considerable moment—those being reached at technical level will equally be decisive for the future of sterling. While there can now be little doubt that some important change in sterling's status is imminent, there is some perceptible confusion in British policy or as the *Financial Times* puts it, "Britain continues to speak with two voices". On the one hand there is the voice of the vast financial institutions in the City and of the Bank of England, who believe, in all justification, that the foregoing changes, when introduced, will not be accompanied by any catastrophic consequences for sterling, or for Britain's foreign trade. Already, non-resident sterling is fully convertible into gold or dollars—at a price—on the unofficial exchange markets of Zurich and New York and the Bank of England is now struggling to reduce, as far as is possible, the gap between the rates of exchange in the unofficial and official markets respectively, even at the cost of losing some of its reserves of gold and dollars. The other voice emanates from the portals of the Treasury—it is a hesitant, academic voice, reflecting full concern over the political controversies which the suggested change in policy would provoke, and more than that, indicating that it is very much alive to the longer-term problems of international economic co-operation and internal economic balance, which are necessarily involved.

Continued Payments Problem

What, then, are the longer-term problems which convertibility and flexible exchange rates will create? In essence, flexible exchange rates assume the existence, or the possible future existence, of balance of payments difficulties. If this were not the case, there would in fact be no difference between fixed and variable exchange rates. A permanent condition of balance of payment equilibrium will involve an unchanged rate of exchange, whether the policy pursued is one based on fixed or on flexible exchange rates. The standard remedies for balance of payments problems under a policy of fixed rates are principally three in number. There is, first, the remedy through the pursuance of an internal deflationary policy as the gold standard rules have required. Second, balance of payments difficulties can be met by quantitative restrictions and exchange controls. Finally, there is the remedy of a straight devaluation as is provided for in the 'fundamental disequilibrium' clause of the International Monetary Fund rules. All these remedies have been applied in one form or another in the post-war period, but in spite of the considerable improvements that have taken place in the financial conditions of almost all the West European countries since 1949, there can be little doubt that the improvements experienced were not the result of the application of these remedies. The improvements have largely been the result, either of a sharp increase in national production or in the sustained outflow of dollars, either under the Marshall Aid, or, as is now the case, under military aid for Western Europe.

The remedies suggested have, in each case, serious weaknesses. A deflationary internal policy possesses potentialities of creating mass unemployment, a sharp fall in output and in standards of living. Such a solution is utterly repugnant in the current climate of social and economic opinion. In any event, the Conservative Government have employed a severe deflationary monetary policy with little success in restraining the boom or the impact of the boom on the balance of payments. With regard to quantitative restrictions and exchange controls, the whole movement of European trade liberalisation suggests that no country will dare to invoke this remedy at the present

time. As for devaluation, the consequent strain arising from speculative capital movements will only bring back the same difficulties in the balance of payments which devaluation is supposed to remedy.

Merit of a Variable System

The merit for a variable system of exchange rate lies in its claim that a country pursuing such a policy can both avoid quantitative import controls and follow, at least within certain limits, an independent monetary policy, i.e., a policy not accompanied by deficits and surpluses in the balance of payments. In stating this merit, your correspondent is aware of the many assumptions that are necessarily implied here, but it is, nonetheless, pertinent to note that the British policy of flexible rates in the 30's was highly successful and, so too, has the Canadian policy been in the post-war years.

In the current situation, the case for (or against) flexible exchange rates is only an aspect of sterling's international problem. Sir Oscar Hobson, the *News Chronicle's* financial editor, taking his cue from the recent experience of the outflow of short-term capital from London, has suggested that "a floating pound will lead to a sinking pound" and, thus, to a further loss of confidence in sterling. This is certainly a strong possibility. The factors making for the flow of capital one way or the other in times of peace are largely psychological and, being psychological, are not easily susceptible to rational analysis. Once sterling's international value is associated with notions of depreciation, strong cumulative forces are likely to operate in such a way as to make the depreciation a reality.

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Standardising Statistics

Principles for a Vital Statistics System, Series M/No. 19, Pages 28, Price 2 sh.

Sample Surveys of Current Interest (Fifth Report), Series C/No. 6, Pages 45, Price 3 sh.

List of Statistical Series Collected by International Organizations, Series M/No. 11, Pages 78, Price 6 sh.

Directory of International Standards for Statistics, Series M/No. 22, Pages 19, Price 1 sh. 6d.

All published by the Statistical Office of the United Nations, New York. Available from Oxford Book & Stationery Co., Scindia House, New Delhi.

THE papers published by the Statistical Office of the United Nations form a class by themselves. Through them have emerged uniform procedures and standards which have either been adopted in most countries or are in the process of introduction.

The absence of an adequate and efficient organisation for the collection of vital statistics has probably been the largest single weakness in the statistical organisation of the backward countries. Even amongst the advanced countries, differences in principles or procedures have vitiated comparison, apart from reducing the utility of the data collected even for the more limited purpose of economic analysis of the country concerned. The study on *Principles for a Vital Statistics System* sets out standard forms and procedures together with principles of analysis with a view to remedying these deficiencies.

Among the recommendations made in the report is one suggesting that all countries should try to collect and report certain data as a minimum. A list of basic items whose collection is desirable is given under five heads—live birth, death, foetal death, marriage and divorce. Under each head, the items suggested are arranged in alphabetical order but priority items are indicated. To ensure accuracy in collection and also international comparability, the report provides definitions of the terms used in the study or that should be used in the statistical compilations of different countries.

In general terms the goals which such compilations should set before themselves are

(1) The provision of total monthly or quarterly summary counts of live births and deaths (and of foetal deaths, marriages and divorces if these are included in the collection programme) on a time schedule prompt enough to provide information for administrative or other needs; and

(2) The production of detailed annual tabulations of such type and

on such time schedule as will make possible their effective use for the scientific analysis of the interrelationship between demographic, economic and social factors, for planning, operating and evaluating public health programmes, and for other purposes as required.

The place of sampling in a vital statistics system has also been commented upon in the report. While this cannot be expected to replace legal registration or the tabulation of data obtained by legal registration, it has obvious applications where detailed data are not available through normal methods or for the detailed analysis of census data. In fact, sampling surveys, whether on national basis or for limited purposes, have become a recognised procedure for the filling in of gaps in existing data on all aspects of economic and social activity. The Statistical Office of the United Nations has been drawing attention to the main features of each of these sample surveys in its publication *Sample Surveys of Current Interest* the fifth issue of which is now available. Of special interest to the demographer will be the report on the "Sample Tabulation of the 1950 Population Census" carried out in Japan. The object of this tabulation was two-fold:

(1) To obtain information in advance of the complete tabulation about basic characteristics under study in the census for the country as a whole as well as for each prefecture and large city, and

(2) To broaden the scope for the tabulations by obtaining samples of some population characteristics which were not to be studied on a hundred per cent basis.

Another survey of interest reported in the present volume is the "Master Population Sample Survey" of the Ryukyu Islands designed to facilitate the conduct of major sample surveys of economic, sociological and demographic characteristics. The report is of interest because it shows how sampling methods can

be useful in the earliest stages of the collection of statistical data in relation to a region where no previous work had been done at all.

Of special interest to India where a large-scale programme of community development projects is under way is the "Survey of Social Participation in the Rural Community" in Puerto, whose object was to obtain information which would provide (i) a benchmark against which it would be possible to measure the progress due to the community education programme, (ii) details on the level of people's thinking and behaviour in respect of community problems, and (iii) specific information on the number and type of people who read the materials and see the motion pictures produced by the Division and on the reaction of the people to the mass media employed by the Division. The three sample surveys referred to above are of course only illustrative of the type of material contained in the present issue and show how useful this little publication is. It should be found in all libraries of any importance.

The *List of Statistical Series collected by International Organizations* is in the fact a list, its utility being obviously as a reference work for tracing sources. Statistical series published by the United Nations, the regional Economic Commissions (principally for the areas covered by them), the specialized agencies and certain inter-governmental organizations are included. Having been revised and brought up to date, it represents a comprehensive catalogue. The list has been classified by subject, and the frequency of appearance and the names of the publishing organisation and the publication are mentioned for each series. The use of a code for the names of organisations and publications has made it possible to present the list neatly and in a short space without reducing its readability.

The *Directory of International Standards for Statistics* is another

useful little publication which lists "statistical concepts, definitions, methods and classifications established by international conventions, or regulations resulting from the final action of the competent body of an international organisation." The various decisions are presented in a

summary, except where the length of the original official statement permits reproduction in full. In each case, however, the source or sources containing the full authoritative text are given and in addition, the sources from which the publications can be obtained are given in an appendix.

The Board of Economic Enquiry Punjab (India)

THE publications Nos. 21 to 24, namely (1) Family Budgets, 1950-51, of twenty-six cultivators in the Punjab, (2) Farm Accounts in the Punjab 1951-52, (3) Family Budgets 1951-52 of eleven cultivators in the Punjab and (4) Oilseeds Crushing Industry in the Punjab, confirm the popular impression about the high standards maintained by the Punjab Board of Economic Enquiry. Though, perhaps, the reader may not find the last up to his expectations, the other three publications giving first-hand data will be of interest to any student of agricultural economics.

The family budgets series, it may be noted, were started in the year 1932, with a study of four tenants of a Government farm. In 1951-52, budgets of 11 families were studied. This is one of the few cases in which comparable data for a period of 20 years or more are available. One may well ask whether a study of only 11 families is of much use in view of the small size of the sample. But in answer, one may point out that it is perhaps better to get exact data from a small number of cultivators than spread oneself thin over a large population and get inexact and questionable data and then arrive at some quantitative estimates whose accuracy is subject to grave doubt. It is the paucity of reliable data which makes these unassuming publications so valuable.

The family budgets give statistical data only for one year, there being no attempt to compare the data for the different years. In the absence of details regarding the variations in coverage from year to year, a reader is apt to find it difficult to interpret the data. Further, the Farm Accounts 1951-52 give data which do not appear to be comparable to those given in Family Budgets 1951-52. If in a combined publication both the data

relating to Farm Accounts and Family Budgets had been given and if these were analysed together, the utility of these publications could have been considerably enhanced.

The study of family budgets for 1951-52 is of particular interest; some noteworthy figures and statements of facts are given below:

(1) During the year 1951-52, nine out of the eleven peasant-proprietor families showed a deficit; in 1950-51 on the other hand, only four out of the twelve peasant-proprietor families showed a deficit.

(2) About 60 per cent of the total expenditure was in kind, that is to say, the value of goods produced on the farm and utilised by the cultivator constituted 60 per cent of the total expenditure, the corresponding proportion being 86 per cent in the case of food, 96 per cent in fuel and 11 per cent in clothing.

(3) A peasant-proprietor family spent 62 per cent of its total expenditure on food, the proportion being 12 per cent in the case of clothing, 5 per cent each for housing and fuel, 4 per cent on education, 3 per cent on social activities, 2 per cent each on travelling, religion and amusements and luxuries and one per cent each on lighting and medicine.

(4) For the group of the eleven families as a whole, there was a net deficit for the year 1951-52 as can be seen from the table given alongside:

The other publications also contain valuable first-hand data. One would have liked to see in the publication on Oilseeds Crushing Industry some data relating to relative efficiency of village ghanis vis-a-vis mechanical oil expellers with reference to input-output ratios; in the absence of such data, the conclusions given towards the end of the study appear to hang rather loose, all by themselves.

The list is complete up to September 1, 1954 and it is proposed to keep the Director up to date by issuing supplements from time to time. Slowly but steadily, the task of making one's way through the mass of available material is being rendered easier.

	Total in Rs. for the eleven families
1. INCOME	
1.1 Farm cultivation:	
Gross income	4,810.79
minus expenditure	2,913.15
Net income	1,897.61
1.2 Milk Production	
Gross income	836.19
minus expenditure	818.22
Net income	17.97
1.3 Wages of labour	242.98
1.4 Interest on Capital	207.34
1.5 Miscellaneous	196.51
Total Income	2,562.41
2. EXPENDITURE	
2.1 Food	
Furnished by farm	1,501.66
Purchased	236.78
Total food	1,738.44
2.2 Fuel	
Furnished by farm	155.74
Purchased	6.82
Total fuel	162.56
2.3 Clothing	
Furnished by farm	38.09
Purchased	322.71
Total clothing	360.80
2.4 Housing	147.92
2.5 Travelling, lighting, medicine, education, religion, social amusement and luxury and miscellaneous	406.20
Total expenditure	2,815.92
Net Surplus or Deficit	-235.51

This table, therefore, indicates that the financial position of the peasant-proprietor in the Punjab in 1951-52 was far from satisfactory.

Indian Tradition and Social Change

D P Mukerji

Presidential address delivered at the First Indian Sociological Conference held at Dehra Dun on April 17, 1955, under the auspices of the Agra University

ALLOW me to express my gratitude to the sponsors and the conveners of the First Indian Sociological Conference for kindly inviting me to be its general President. One of the principles of modern democracy is the superiority of general acceptability to the electors over considerations of merit known only to the elite of the community. Shall I be wrong if I suggest that the position in which I find myself today has been determined by some such democratic principles? There are others who are better, and better known, sociologists and more devoted to their field of study than I am. Sociology was not my first love, nor have I been its constant lover. I had come to it because, being interested in developing my personality through knowledge, I realised that none of the social or the natural sciences I had to study in my earlier days could give me, at one and the same time, the synoptic view, the large vision and the understanding of the milieu of knowledge which were necessary for the fulfilment of my being. It has all been a personal affair, not a matter of sociology for the sake of sociology. Not only that: soon after I began to think for myself it was also borne in upon me that I was an Indian, that I could not but be an Indian, that I could develop my personality only by understanding Indian culture. And Indian culture I found to be essentially social. I also felt that the Indian History I knew was merely political history, that the Indian economics and politics I studied were detached from the context of Indian institutions, and further, that the Western metaphysics in which I became interested in the process of my social studies, did not suit my modes of thinking, feeling and being. My mind worked in this way: India might or might not have had history in the Western sense of the term; of politics, again in that sense, India had had little experience—she was becoming political only recently; her economics had been 'unproductive' and subsistent; and her metaphysics, again in the Western sense, was poor. Positively, my conviction grew that India had had society, and very little else. In fact, she had too much of

it. Her history, her economics and even her philosophy, I realised, had always centred in social groups, and at best, in socialised persons. Yet, this elementary fact was missing from the books I read. The scholars were competent in their own fields, but because of the indifference to that solar fact of Indian culture, viz., its rootedness in the social realities which made up India's social system of action, their work appeared to be narrow, circumscribed, fragmented and partial in outlook and treatment. I could not appreciate this type of closed scholarship, its unrealism and its complacency. At the same time, their profession was mine, and with my limited talents, I could not do anything about it.

Sociology showed me the way out. This does not mean that for me sociology is the final science. Perhaps, some day I shall realise that sociology too is not enough for me, unless it is differently orientated. Please pardon me for this personal note. My main purpose is to tell you frankly that I am not a sociologist as sociologists would like me to be. So I guess that deep below my acceptability to the conveners of the Conference flows the common feeling that knowing is more important than knowledge, that living comprehends knowing, that for an Indian, this business of living, despite India's increasing involvement in the world, is primarily Indian living which, in its turn, is essentially social living, that is, living in groups through stages of growth until one is to be so socialised that freedom will have become co-terminous with existence and institutions turned into agencies of growth.

Many Social Disciplines

This autobiographical beginning lays down certain basic postulates of sociology as I have been growing to understand it, and naturally, as I would like to see it develop in India. Sociology has a floor and a ceiling, like any other science; but its speciality consists in its floor being the ground-floor of all types of social disciplines, and in its ceiling remaining open to the sky. Neglect of the social base often leads to arid

abstractions, as in recent economics. On the other hand, much of empirical research in anthropology and in psychology has been rendered futile because its fields have so far been kept covered. Yet within this mansion of sociology the different social disciplines live. In so far as they live on the same floor they are bound to come into conflict with each other in the name of autonomy. To pursue the analogy, they seek to divide the house and close the door against each other. But a stage comes when exclusiveness ceases to pay. Such a stage seems to have been reached by nearly all the social sciences. So the restless spirits among the social scientists are trying to discover inter-relations, and the bolder ones among them are building up systems. Much heart-searching is going on among them today to attain to some form of unity in diversity. I do not mean that the barriers have been demolished, or that the unity has been established. But the dissatisfaction is divine. This development in the social sciences is illustrated by the search for: (a) some basic, neutral and lowest common multiple concepts, e.g. human group, status, mobility, solidarity or cohesion, sympathy, conflict, co-operation, community, etc., in sociology; propensity, welfare, preference, indifference in economics; power and again welfare, in politics; (b) some common methodological principles derived from modern refinements of logic; (c) re-orientations and ways of inter-relations, or cross-breeds; and (d) a philosophical approach. Each type of search has its own merits and demerits, and it is the duty of a trained mind to avoid the pitfalls associated with the method adopted. The popularity of a method is often dependent on academic fashion.

Flight from Philosophy

The philosophical approach is at present out of court. The large sale of Toynbee's works is indicative of religious frustration rather than of a mounting philosophical temper. In certain American universities, and also under the auspices of the UNESCO, a genuine effort is being made towards discovering the inter-relations of the social sciences. Even

there, the logical approach as such is not much cultivated, because it is generally considered to be futile. It seems that the debate between the logic of the natural and the logic of the social sciences continues without coming to any conclusion which could be useful either for research or policy. The effort is thus mainly directed towards bringing the experiences and techniques of different social disciplines to bear upon relatively small, concrete, specific problems. Recently, the India Government, through its Education Ministry, has drawn our attention to this aspect of the matter. There are numerous difficulties in the way of making the effort a success at once. All social disciplines are not of the same level; experts are not always used to team work; and each discipline is apt to build vested interests round a department inside a Faculty. Requisite personnel who can rise above specialist interests are also rare. But, in my opinion, the real difficulty comes from the growing indifference to theory. When I say theory I do not mean "an isolated proposition, summarising observed uniformities of relationships between two or more variables" howsoever useful and precise the establishment of such a proposition may be. I mean by theory another type of generalisation which logically hangs together, from which 'statements of invariance' can be derived, and into which the type of isolated propositions mentioned above can be logically fitted. Most modern sociologists are averse to such theory and are content with isolated propositions between two or more variables. In this they find the statistical apparatus very handy. The exceptions, like Max Weber, Von Wiese, Karl Mannheim, Becker, T. Parsons, and Merton, are not content with isolated propositions. One could, of course, dismiss them as Teutonic.

But I must confess that an Indian sociologist finds 'theory' congenial to his temperament and traditions. I also suspect that in the course of its flight from 'philosophy' which is almost always used pejoratively in these days, scientific social research has been hopelessly dispersed. As an Indian I find it impossible to discover any life-meaning in the jungle of the so-called empirical social research monographs. While statistics seek to give some sort of precision in trends, precision becomes non-significant in the absence of any theory and direction. In India, the danger arising out of the aversion

from 'philosophy' is much less than in Europe or the U S A, though I am not sure how long it will remain so under the high-powered pressure of modern academic fashion. Therefore, I would like to think that if Indian sociologists really tried, they could materially contribute to this vexed question of inter-relationships of the social sciences. Indian sociologists would not be true to their temperament in feeling apologetic for their pre-disposition to theory, or, philosophy, as it is loosely called. If they are sure of their ground, which is offered by social traditions in the main, and if they still retain the traditional gift of logic and theory, they may soon be doing things to which the restless and the bold spirits among the Western sociologists are aspiring today. In the social disciplines at least, the knowledge of traditions shows the way even to break them with the least social cost, if that is necessary or inevitable. We Indians have the advantage of being pre-scientific in our thought, just as we have that of backwardness in our economy. We need not traverse the whole path of Western evolution, step by step, of knowledge and economy. It is uneconomical to reject theory in the name of science and then come back to it when science has failed to produce a synoptic view and generate understanding.

Social Traditions

The first task for us, therefore, is to study the social traditions to which we have been born and in which we have had our being. This task includes the study of the changes in traditions by internal and external pressures. The latter are mostly economic, and we know what they are. But the way in which the economic pressures work is not that of a mechanical force moving dead matter. Traditions have great powers of resistance and absorption. Unless the economic force is extraordinarily strong—and it is that strong only when the modes of production are altered, traditions survive by adjustments. The capacity for adjustment is the measure of the vitality of traditions. One can have a full measure of this vitality only by immediate experience. Thus it is that I give top priority to the understanding (in Dilthey's sense) of traditions even for the study of their changes. In other words, the study of Indian traditions, which, in my view, is the first and immediate duty of the Indian sociologist, should precede the socialist interpretations of

changes in the Indian traditions in terms of economic forces. It has been held that participation, not to speak of life-long participation, is the enemy of 'scientific detachment.' I know how our scholars are taken in by that mysterious phrase. Nishkam will not do for them, oh, no! But weighing the two in the balance, viz. the advantage of insight that comes from participation and that of being in the swing and being internationally recognised as scholars in accordance with a supposedly common standard of 'scientific' technique, I find it tilting on behalf of insight. In any case, participation by long conditioning, which is the first requisite of understanding, should make it less possible to pass on the most jejune and vapid generalisations about Indian problems with which we are being familiarised today in the name of scientific research. I do not in the least suggest that foreign scholars should be barred out of Indian problems, but I am only referring to the greater ease of insight and understanding that can be secured by the sociologist when he is saturated in his own traditions. His capacity to judge is a matter of acquired discipline, but in the matter of understanding, empathy precedes sympathy.

Thus it is that it is not enough for the Indian sociologist to be a sociologist. He must be an Indian first, that is, he is to share in the folkways, mores, customs and traditions, for the purpose of understanding his social system and what lies beneath it and beyond it. He should be steeped in the Indian lore, both high and low. For the high ones Sanskrit is essential, and for the low ones the local dialects. Anthropologists and ethnologists try to pick up the latter, and sometimes succeed in doing so. Yet the spirit is often missing and the letters alone abide. I do not think that many social scientists operating on Indian problems today know Sanskrit; and none care for Persian or Arabic. This state of affairs is deplorable. Unless sociological training in India is grounded on Sanskrit, or any such language in which the traditions have been embodied as symbols, social research in India will be a pale imitation of what others are doing. It pains me to observe how our Indian scholars succumb to the lure of modern 'scientific' techniques imported from outside as a part of technical aid and 'know how', without resistance and dignity. In the

intellectual transactions which are taking place, it seems that we have no terms to offer, no ground to stand upon.

A System of Culture

You will pardon me if I unfold my mind a little more on this vital matter. I am not equating sociology with the cultural anthropology of the modern man. So long as the generalised relationship between culture and social structure is not more clearly understood, that equation does not hold. With Parsons I maintain that "a 'system of culture' is a different order of abstraction from a 'social system' though it is to a large degree abstraction from the same concrete phenomena." My interest is merely to bring to the urgent notice of fellow sociologists only two major points: (a) the common concrete phenomena of which both the social system and the culture are 'abstractions' are the subject matter of sociology; and (b) in so far as the Indian society is concerned, those common concrete phenomena had best be studied through group-action and group-traditions. This is not the occasion for an elaborate thesis. I can only offer a few hints of the way my mind has been moving towards that conclusion. I have a feeling that the frame of reference, which is the first requisite of a theory, is not the 'actor-situation', as Parsons would have it, for the simple reason that the unit of the Indian social system is not "the individual as actor, as an entity which has the basic characteristics of striving toward the attainment of 'goals', of 'reacting' emotionally or affectively toward objects and events and of, to a greater or less degree, cognitively knowing or understanding his situation, his goals and himself."

Action for the Indian is not individualistic in that sense; it is "inherently structured on a normative, teleological", but not on a "voluntaristic system of co-ordinates or axes", with the result that the failure to attain it does not lead to "frustration." The Indian has no such fear of loneliness. We too have our axes in "purushartha", but the operational system seldom permits any "voluntarism" on the ground of individual desires. The individual, if such a term is permissible in the Indian context, no doubt, desires, except probably when he is a Buddhist monk; but not even when he has renounced the world for sannyas, or when he is solely dedicated to moksha or salvation, does

he act in protest against the system of action traditionally prescribed for the attainment of his desires. The common Indian 'individual's' pattern of desires is more or less rigidly fixed by his socio-cultural group-pattern and he hardly deviates from it except under severe economic duress. Protestants there have been many in our history, but very, very few of them have abjured the wider group-traditions. Every saint has sought to prove that he is in the line of great masters — purvasuri, acharya. This accounts for the curious fact, that each one of the thousand and one sects has dissented only to come back to the fold within about three generations contributing its own special technique of normative, teleological, goal-seeking patterns of behaviour to the broad, general stream of the Indian design. In this sense, India's religion is the traditional way of living; so is her culture. Hence her social system is basically a normative orientation of group, sect, or caste-action, but not of 'voluntaristic' individual action. So there is no escape from traditions if you are an Indian, and additionally, an Indian sociologist. I make little difference between the Hindu and the Muslim, the Christian and the Buddhist in this matter.

Voluntarism

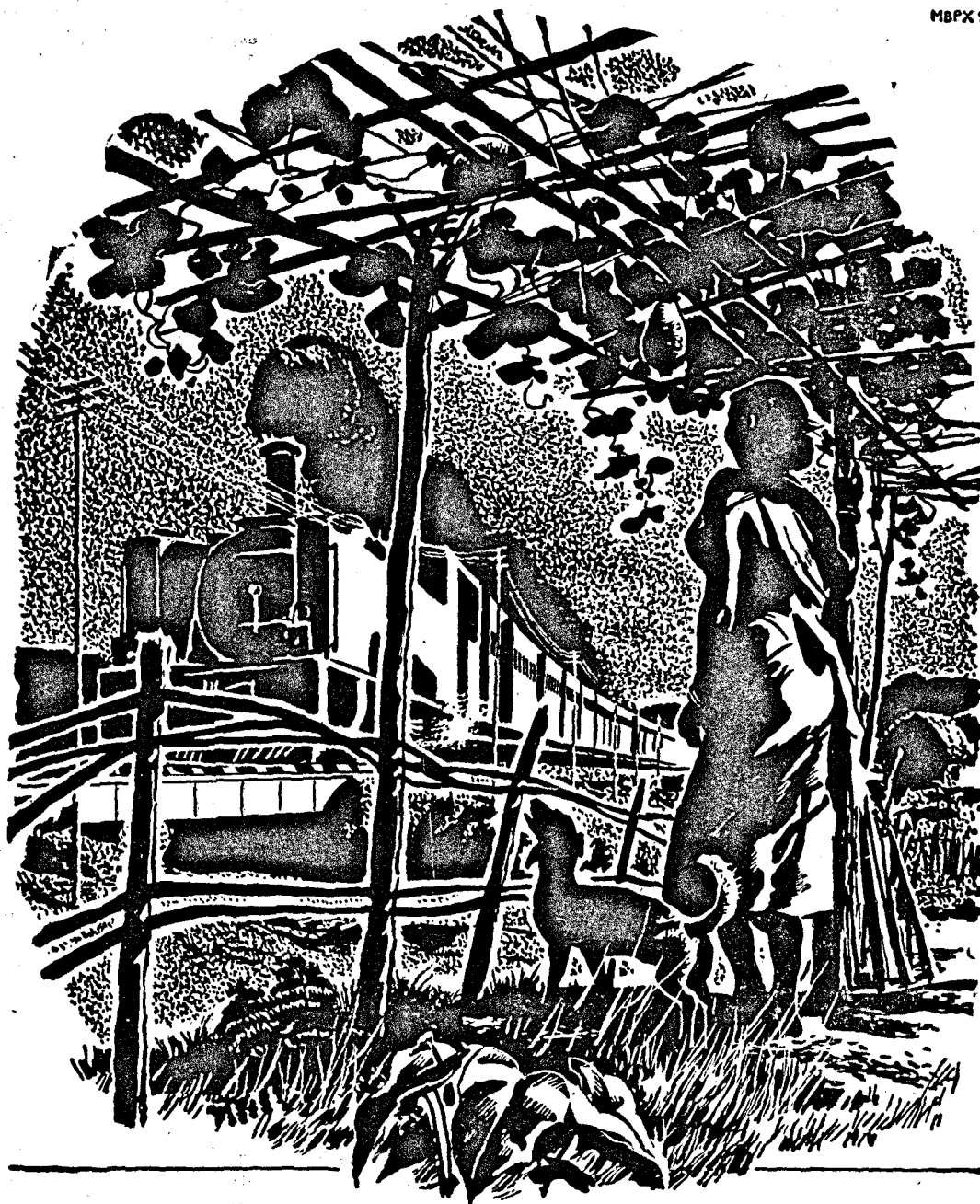
Of course, 'voluntarism' is coming up, particularly among the middle classes in the cities, towns and their fringes. But they form an interesting special study for the Indian sociologist. They are vocally important, but if you watch their behaviour closely, you will find that their anti-traditional individualism is also developing a tradition of its own, a tradition of revolt which tends to become a little boring. In my view, the real reason why we have not done more than what we have done through planning—and we have done none too badly—is the yet unresolved conflict between the traditions which are the principle of *dhruti*, that is, *dharma*, that which holds, maintains and continues, and the new traditions which the urban middle class have been trying to build up in the last hundred years or so. Bureaucracy is not the villain of the piece. The sociologist would look at it from the point of view of the growth of traditions through conflict. Be that as it may, the absence of voluntaristic action has done Indian society one good at least. Excluding the middle classes, if you will, the absence of frustration that leads to all manner of psychoses is a remark-

able phenomenon of Indian life. The poise of the Indian peasant and the head of the family is there for all to see. Perhaps it is on the low 'level of aspirations,' as the psychologist would call it, but the point is that level is still being governed by traditions which set the level of culture and values for most Indians. This should not be missed in our urge for uplifting the level of wants.

Indian Concept of Freedom

One point I want to make here in passing. It will be said that if the group is still the unit of action, aspiration and orientation, normative, affective and cognitive alike, then the Indian social life is the life of bees and beavers, regimented, totalitarian, in fact, almost communistic. I almost accept that argument. We are a very regimented people, but the beauty of it is that barring a stratum of people who repeat 'individual values,' 'freedom,' 'cultural freedom,' like parrots, or who have become morbid by their very un-Indianness, the majority of us do not feel regimented. In fact, quite a number of honest and true men have felt free, and they are not fellow-travellers either. They are men like Sri Aurobindo, Ramana Maharshi, Ramakrishna, Dayanand, not to go further back. And not all Indian women either—and it is they who count most—feel, as an eminent politician put it, 'oppressed, suppressed, repressed and depressed.' Our conception of freedom is different, because our conception of man is 'purusha' and not the individual, or *vyakti*. I wonder how many times the word 'vyakti' occurs in our religious texts, or in the sayings of the saints. This, however, would be a small point if the whole paraphernalia of modern communications were not trained on us to make us belong to a 'free' society of individuals each exercising his right of choice despite advertisements, press-chains, chain stores, and empty purse too, which, you must admit, does not leave much scope for 'consumer's sovereignty.'

The Indian sociologist thus, I am afraid, will have to accept the group as his unit and reject the individual. He should, however, launch on his career with open eyes. If science deals with facts and with nothing else, then he cannot be a 'scientist'; if, similarly, history is the study of facts and hardly anything else, then he cannot be a historian of social change either. In other words, he will have to brave the brave new scientific world and be unpopular.



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Tradition, which will be his central theme, is not a fact; it is a forgotten fact. As it has been aptly said, "In fact it is generally when the tradition is no longer a description of an actual fact and when it has become somewhat evanescent as a rule of conduct that it most clearly justifies its name and performs its real functions. Strictly speaking, the study of traditions need not be unscientific, at least, in the modern sense of science, which has trade and traffic with quite a number of 'somewhat evanescent' things. In the mid-passage of this century, it is a little out of date to dismiss that rather vague world of fact and values, norms and symbols, as outside the pale of closely logical scrutiny, which, after all, is all that matters. About the study of traditions being non-historical, it should be enough to remember that tradition comes from the root 'tradere,' which means to transmit. The Samskrit equivalent of tradition is either parampara, that is succession, or alihya, which has the same root as itihās, or history. Traditions are supposed to have emanated from a source, which may be scriptures, sages (apta vakya), mythical heroes with or without names. Whatever may be the source, the 'historicity' of traditions is recognised by most people. They are quoted, re-called, esteemed; in fact, their age-long succession becomes an assurance of value which has already accrued in the process of its instrumental functioning as a constituent of social cohesion or social solidarity. In Roman law, 'traders' also signifies safe keeping and deposit of something precious; and so it involves confidence-worthy persons whose normal and legal duty is to preserve the precious thing in tact. The Samskrit equivalents of each term used above will at once occur to us all. The persons are either the Brahmins, or the sampradaya, which is the corporate custodian; the succession is by birth, or initiation; the preciousness is of the order of sacredness; and the methods of keeping the traditions intact are correct speech, or pronunciation of sacred texts, psychological fixations to maintain the social structure and vice versa, mainly by the caste-system with the custodians on top.

Chain of Traditions

In short, the chain of traditions. sampradaya parampara has been the true historicity of the Indian social system so far. Through the normative system thus evolved has the con-

tinuity of the Indian social system been maintained so long. As I have no time to go further into this question, I can only mention that both sound and sight have been harnessed for this work of tradition-conservation. The role of sound is best manifest in Om, and nama japa, while that of sight is in the images, or deva-rupa. The two are combined in the idea that the sage is the seer of mantram, which is to be repeated for one's own hearing and imparted only to the initiate. In India the highest value has been given to rectitude, which is correct pronunciation, correct technique, correct initiation, correct conduct and correct meditation. The overtone of the word *riti* is rectitude. No wonder that the style of writing and the style of behaviour are both called *riti*.

One easy conclusion from the above is likely to be the idea that tradition is nothing but the act of conserving, hence conservative. But that conclusion will be wrong, as I have hinted before. Traditions do change. I am excluding the external factors of change in this address. Among the endogenous ones also, I am not taking into account the class-relations, and for two reasons; (a) in our society class-conflict has so long been smoothed and covered by caste-traditions and the new class-relations have not yet sharply emerged; and (b) we are more or less ignorant of the socio-economic history of India. (Here lies a fertile field of study in the inter-relations of social sciences.) In India a full account of the subtle methods of the internal, non-economic changes would thus be the immediate occupation of dynamic sociology. I guess that it would probably be an object-lesson to those who are legitimately proud of having produced revolutions by consent and without much bloodshed, by the democratic procedure of parliamentary government. So far as I have been able to find out, three principles of change are recognised in our traditions, *sruti*, *smriti* and *anubhava*. It is *anubhava* or personal experience, which is the revolutionary principle. Certain *upani-shads* are almost entirely based on it. But the matter did not end there.

Collective Experience

Personal experience was no doubt the root, but it soon flowered into collective experience. The entire history of collective dissent throughout the middle ages down to modern times proclaims the supremacy of generalised *anubhava* as the principle of change. If we care to know

the origins of the numerous sects, *panths*, we find that their saint-founders started with their own experience, had little or no account with rituals, temples and priests, spoke in dialects, and not in Samskrit, to the lower classes and castes, gave an equal status to the women and preached the doctrine of love, *prem* and *sahaj*, spontaneity, which came like a tidal wave flooding the soil and leaving a rich deposit on the banks of time and tradition. The high traditions were predominantly intellectual and centred in *smriti* and *sruti* where the principle of change was supplied by dialectical exegesis. We find more or less the same process among the Indian Muslims. The *sufis* among them have always laid great stress on love and experience. I think, reason in the western sense, has not been the highest category with us. *Nyaya*, or dialectical skill was no doubt exercised with extraordinary subtlety, but it will not be far from right to say that discursive reason, *buddhi-bhāra*, has been historically inferior to *anubhava*, experience, or love, *prem*, as an agency of change of traditions.

Rationality has not had much chance in our social system except through philosophical speculation and the rules of exegesis. Interpretations have sometimes sabotaged traditions, but in almost every case, the interpreters seem to have fought shy of the implications of their deeds. Even Samkar, whose philosophy dismisses life and the social system once and for all, puts it within the ambit of Vedic traditions. So when the high and the low intellectual traditions, to use Turner's phrase, had a chance of coming into conflict, they were comprehended and brought together within some abstract modes of thought and feeling. Here the well-established elite-group re-asserted its power and all the revolutionary experimental urges were sucked into its orbit of influence. Tradition was victorious once again. Indian social action has so far proceeded in that fashion. It has given latitude to rebel within the limits of the Constitution. An excellent example of squaring tradition with experimental ardour indeed! The result has been a caste-society, a society that has prevented the formation of classes and burked all forms of class-consciousness without the religion of 'free enterprise.' You may like it or dislike it, but there it is. My information is that in most

Indian elections class-consciousness is often submerged by caste-feeling.

Depth Analysis of Social Reality

I have so far followed Turner's simple classification of traditions into high and low. But one could, on the basis of the argument carried thus far, come close to what Gurvitch has called the 'depth analysis' of social reality. This analysis starts from the surface, goes down the various levels of traditions and traditional lore to the deepest level of spiritual values and their collective, immediate and integral experience, involving spiritual and sense data alike. Even on the surface of human geography and demographic pattern, traditions have a role to play in the transfiguration of physical adjustments and biological urges. In India, for example, things like city-planning and family-planning are so bound up with traditions that the architect and the social reformer can ignore them only at the peril of their pet schemes. Lower down are the organised and the unorganised superstructures operating through rituals, achar, kria, which consolidate collective behaviour and give it style. Here, usually, the dynamic element of traditions stops for most Indians. But if the social symbols, which are really and truly 'presences,' hiding and seeking, revealing by concealing and concealing by revealing both the spiritual and the social reality, render these rituals active—and in my experience they do it for many Indians—then the dynamics may proceed. Now begins the creative aspect of symbols. Symbols are neither signs, nor expressions, nor appearances of certain things. They are the things themselves. Symbols have no syntax; they have no subject, object, predicate, and no preposition. Of course, there are symbols and symbols, some of them social and others not so social:

"Social symbols are inadequate expressions of the spiritual realm adapted to concrete social situations, to typical social structures, and to definite collective mentalities, in which different aspects of the spirit realize themselves and by which it is grasped. Social symbols are thus simultaneously conditioned by social reality and the spirit which realises itself therein: they vary in function to this reality, as well as in function to this spirit. That is why symbols are to at one and the same time products and producers of social reality and why they are the principal object of the sociology of the human spirit."

Most of you, like me, will react sharply against this kind of mystical jargon and say that sociology came out of this mumbo-jumbo long ago. And you will be right. But we will be very wrong if we miss the meaning of it in our dislike of the terms. That meaning is simple: the study of sociology is principally the study of traditions; the study of traditions, in the ultimate analysis, involves that of symbols which, under certain conditions and on particular levels, are explosively creative and dynamic; and, therefore, the values and norms retain and enrich their noetic connection with specific social structures and concrete historical situations. All this is very relevant to Indian conditions.

Group Action

In my view, the genuine relation of the social sciences to each other is ultimately established through the understanding of the different levels and layers of the way the person works in, through, and out of society. Gurvitch, as you know, calls it depth-sociology on the lines of depth-psychology. An Indian who thinks of patal down below would like to give it another name. Whatever that name is, the descent to the deeps and the ascent to the heights are relative activities. The point is this: sociology should ultimately show the way out of the social system by analysing the processes of transformation. And, I think, the Indian society and the Indian sociology—all our shastras are sociological—both do it excellently, but in the limited sphere of non-economic endogenous group-action. As a corollary, I may state that as different philosophical systems of India mark the different stages of the spiritual growth of people and men, so the different social disciplines appear to the Indian person as rings of the tree of life, which for him, has its roots up above, with no Ygdrasil to burrow from below. Sciences have begun to disagree since the Western society began to disintegrate. The Indian society too is changing, but without much disintegration. This is an advantage for the Indian sociologist. So, naturally, Indian sociology, for yet some more time to come, cannot but be interpretative with greater dependence upon the method of insight that comes from active participation in the Indian system of social action than was permitted by nineteenth century science. Investigation will always be there, but it will have to be investigation "into the spirit of

things observed, that is to say, symbols. Other investigations are necessary, but subsidiary.

Study of Traditions

If this address were to be delivered a few years ago my emphasis on the need of the study of traditions would have been much less sharp. Meanwhile, I have seen how our progressive groups have failed in the field of intellect, and hence also in economic and political action, chiefly on account of their ignorance of and unrootedness in India's social reality. Besides, the study of traditions by dependent people could degenerate into an argument for traditionalism via the need for self-respect and national vanity. For a free young people who are apt to get groggy with the fumes of progress, however, study of their own traditions may be a guarantee of steady and balanced growth. Revolution is often a leap but after every leap one must stand steady and sane. And there is plenty of room for sanity in this mad world. Even if one chooses to take sanity on the stride, is it not true that the deeper down you go to the roots the more radical you become? That saying of Marx is good enough for me in this context. And if Marx is considered backdatish along with Marxism, I shall go further back in history to be up-to-date, to Cato, whose approval was for all lost causes. But is the cause of spirit, which functions in the context of traditions, really a lost cause? Is the method of insight an altogether decadent, futile method? Is interpretation useless in modern human knowledge? I do not quite know. If it is not, then Indian sociologists should take courage in both hands and openly say that the study of the Indian social system, in so far as it has been functioning till now, requires a different approach to sociology because of its special traditions, its special symbols and its special patterns of culture and social actions. The impact of economic and technological changes on Indian traditions, culture and symbol follows thereafter. In my view, the thing changing is more real and objective than change per se.

I thank you sincerely for giving a patient hearing to an un-scientific, or perhaps, a pre-scientific address. In any case, I hope and trust that my plea for the study of Indian traditions by the Indian sociologist will not be confused with, and exploited in the name of, traditionalism and reactionary revivalism.

Tribal Welfare: A New Approach

Sankho Chaudhuri

A SUBJECT which has attracted much attention of late is tribal welfare. We often use the term 'uplift' in this connection, thereby implying wrongly that we belong to a better class than they and that we are going to salvage them. If that is the attitude we have, I do not think we can do better than tinker with their lot, take away their only 'asset' which is their pride in their pattern of life and leave them with an inferiority complex.

We blame the missionaries for what they have been doing, sowing dissatisfaction among the tribal people; but have we asked ourselves if we are doing any better? I had occasion to meet some responsible persons working among them. One obsession they very often suffer from is to judge a person or tribe by food habits. For example, as staunch vegetarians, they look upon the tribal people who eat meat or fish as inferior; their innocent drinking habit is decried as sinful and their dances are dubbed immoral. Even smoking is looked upon as an unwholesome habit.

Interesting Toys

In Gujarat some very interesting toys are found among the tribal population. When asked why no attempt was made to collect and preserve these specimens in a village museum, the answer was: to irresponsible artists these may be symbols of beauty or of the creative faculty, but to us these are things we would like the people to forget, because they are symbols of savage habits, of animal sacrifice, of communal dance and drinking and such other practices we want to save them from. I was told that an attempt was being made now to substitute these dances by healthy 'keertans' or 'bhajans' and that people were being asked to refrain even from smoking.

I do not understand how this attitude is in any way different from that of the notorious missionary, Dubois, who found in Hinduism only horrible orgies of sacrifice and sex. I am even sceptical about the preaching of prohibition among people in tribal areas, because we must not mix up the excesses indulged in by industrial labour in the slums of an industrial town where people

take to drink partly to escape the drudgery of factory life with the innocent, normal drinking habits of tribal people especially when they are associated with religious practices, after vouchsafing non-interference in personal faith and practice in our Constitution.

If one visits the tribal areas, it is not rare to find that these 'converted' people mention that they have become 'pure' now. Apart from the ethics of such an attitude and coercion turning into conversion, there is the question of health involved. It is known that most of these tribes are not agricultural, most of them do not possess lands and the majority are not favourably disposed towards tilling etc.

A river and what it gives and a few wild birds and animals supplement their food to a considerable extent. When we slowly poison the minds of these people about the evil effects of this food or impress on them the superiority of vegetarianism, what have we got to offer them by way of substitute, unless we want them to become labourers or beggars flocking to cities!

Then again, after alienating these people from the core of their tribe, where do we leave them? We are not prepared to admit them into our society and give them equal status. The Government of India continues to dub these people—how-

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ever educated and qualified they may be—as 'Backward Classes, and with the noble intention of encouraging more people to get thus educated, reserves seats and employment as 'Backward Classes' and 'Scheduled Castes', terms which would make any sensitive person revolt against the system or the social justice thus shown.

Those wedded to the sanatani or 'bhakt' way of life—people who, by their hard labour, want to save the untouchables—may well realise that this small, but very important, factor of our attitude to food habits and so on might have turned large sections of these people to Christianity or Islam, wherein whoever is once admitted is never grudged equal status, and never segregated. On the contrary, these creeds give more importance to converts by favouring them with priority in job etc. I think this attitude brings us to the problem of untouchability, because what is untouchability but the outcome of this policy of segregating people because of their origin or position which is a little different from ours?

If we want to undo the wrong done by missionaries, we must decide what we want these people to be. Certainly it is not proper to make anybody feel that he is small

on account of his origin. We should find out what the qualities are which should enable any person to be a proud citizen of India, irrespective of social customs, food habits, religion or belief.

Elements of Injustice

Apart from anything else, Government or the party in power has to view this problem from the election angle too. With adult franchise in force, proper steps should be taken to see that these elements of injustice, social and economic, are not exploited by political parties for securing seats or capturing power. It seems as though the Congress and other parties have not given this problem the attention it deserves.

One of the main problems of resettling the tribal people is to find out better means of subsistence for them. Dr Verrier Elwyn and Mr Archer have written about tribal art. The tribal people are very often found to be deft with their hands. They also procure lac and cocoons and collect hides and skins, bones and horns. If we open small craft centres to teach them silk spinning and weaving and lac laboratories to train them in various uses of lac, and promote centres for handicrafts, we can encourage the production of fascinating articles of beauty and utility.

Similarly, tannery centres to teach better techniques of tanning leather and making utility leather products will be useful in preventing these tribes from becoming landless labourers to flock factories or mining centres and copying the worst habits of a large town, and also in enabling them to lead a healthy life in their own locality, bringing in more spirit and zest into these desolate places.

Towards Self-sufficiency

Most of the tribes wear peculiar costumes of their own taste (very often of admirable design and colour); but it is a peculiarity that except in Assam, the tribes never weave their own cloth. Invariably they are procured from traders in nearby towns. Introduction of weaving will be a step towards self-sufficiency in this respect, which will, incidentally give them more employment and perhaps add to the variety of a city emporium. Merely opening a night class or school is not of much use, because education will not provide employment. It is combining education with a craft that can make their life richer and happier, incidentally saving them from the outside glamour of big cities and descent to a sordid life therein.

Europe's Atom for Peace Programme

(From Our London Correspondent)

THE United Nations Conference of Scientists to be held in Geneva next month marks the first serious attempt among nations to discuss the peaceful uses to which atomic energy may be put. In some quarters the forthcoming Conference has already been described as a "turning point in twentieth-century affairs". The Conference will have the task of blue-printing the application of nuclear engineering on a world scale and this, by itself, is sufficient to make the Conference of unprecedented significance. Depending on how far the Big Four will be able to agree on disarmament and, more than that, on M. Faure's proposal to devote the consequent savings (from disarmament) towards assisting the underdeveloped countries, the meetings of the world scientists may very well lead to something real and substantial. What is likely to be more noteworthy about the meeting is the certainty that the late Professor Einstein's warning about the horrors of nuclear warfare will re-echo with an authority and an impact which will force the pace towards world disarmament.

While it is certain that the forthcoming Conference will present the new horizons which nuclear engineering has in store for mankind, sight will not be lost of what has been done in some countries already. And here the programming that is being very seriously, though silently, thought out in Western Europe will be highly pertinent to the discussions.

Primarily for Fuel Needs

In Western Europe, as probably in most other countries, the peaceful application of atomic energy is primarily being considered in terms of "fuel needs". The economy of Europe is essentially based on coal. It has not been able to derive very much of the benefit, like the United States, of those economic (and social) transformations commonly associated with the discovery of oil. Of the total primary energy consumed in Western Europe, crude oil represents less than 16 per cent compared to about 40 per cent in the United States. With the advent of atomic energy, as a recent United Kingdom White Paper put it, "a turning point" in economic relations, bordering on, if not similar in magnitude to, the revolution which the

steam engine wrought, is in prospect. Similarly, an OEEC study describes this prospect as "another critical stage in the development of energy resources for Europe".

The large-scale use of nuclear fission for generating power in the two atomic reactor research stations in Britain is cogently described in the U.K. White Paper of February this year. It says that nuclear fuel is represented by three fissionable materials, uranium 235, plutonium 239 and uranium 233. Only the first is found in natural form (as part of natural uranium), while the other two can be produced in atomic piles or reactors. When these three materials are introduced into a reactor under particular conditions, the customary splitting process takes place, accompanied by a chain reaction (as that in an atomic explosion) but which is now controllable. The enormous release of heat in this controlled chain reaction is recoverable. More than that, a type of reactor is being constructed (the breeder reactor) which would at the same time produce further nuclear fuel, thus reducing the intake of the three basic materials referred to above over a period of time.

Cost of Nuclear Energy Falling

Until recently, one of the larger problems concerned with the manufacture of atomic fuel was its cost. The world reserves of fissionable material was unknown, and, more than that, the capital cost in building a reactor was considered to be prohibitive. The U.K. plans for the development of nuclear energy in the next ten years appear, however, to reduce the complexity of this problem. Similarly, statistics published in the United States show that the cost of producing nuclear energy is now within the realms of competitiveness with other fuels. The U.K. White Paper estimates that the cost per Kwh should be about 6d. or \$0.07 which is somewhat lower than the average cost of generating thermal power. Other cost estimates of nuclear power per Kwh have been of the following order:—

\$0.075 by Messrs. Isard and Whitney in Atomic Power 1952.
\$0.077 by the Manhattan Project in 1947.
\$0.065 by the Cowles Commission for Economic Research.

\$0.8 by Gordon Dean in Report on the Atom 1954.
\$0.09 by the N.Y. Consolidated

Edison Company.

It is believed that the advent of the breeder reactor may considerably reduce these estimates.

Capital Cost Less Certain

The probable investment in monetary terms is less certain. It is believed that the cost of building nuclear power stations ranges between \$300 and \$400 per Kw of installed capacity. Some recent projects in the United States cost on an average about \$250 per Kw. It is interesting to compare these figures with the cost of producing the traditional type of plant in Europe. For thermal power, the cost averages about \$180 per Kw while that for hydro-electric power about \$270. Although the cost of nuclear plant would appear to be higher than that of the traditional plant, there is, as the OEEC's study puts it "every likelihood that they will settle down in the near future somewhere between thermal and hydro costs".

From an economic standpoint, one of the most important features of atomic energy is that it enables power to be produced wherever it is wanted, and at a cost largely independent of its location. In this sense, the development of atomic energy may profoundly alter economic geography. No longer is it necessary to concentrate large industrial concerns around particular natural sites—coalfields and large-scale hydro-electric stations.

European Organisation for Nuclear Research

The action already taken in Western Europe to obtain advantage of nuclear energy has not proceeded beyond the planning stage. The United Kingdom is, however, the exception. The February, 1955 White Paper was bold enough to state that while the reactor station may take a long while to build and may cost more as work proceeds, "Her Majesty's Government consider that these risks must be accepted". The European Organisation for Nuclear Research has been set up for the whole of Western Europe. The Convention setting up the Organisation in July, 1953 was signed by twelve West European Governments, each

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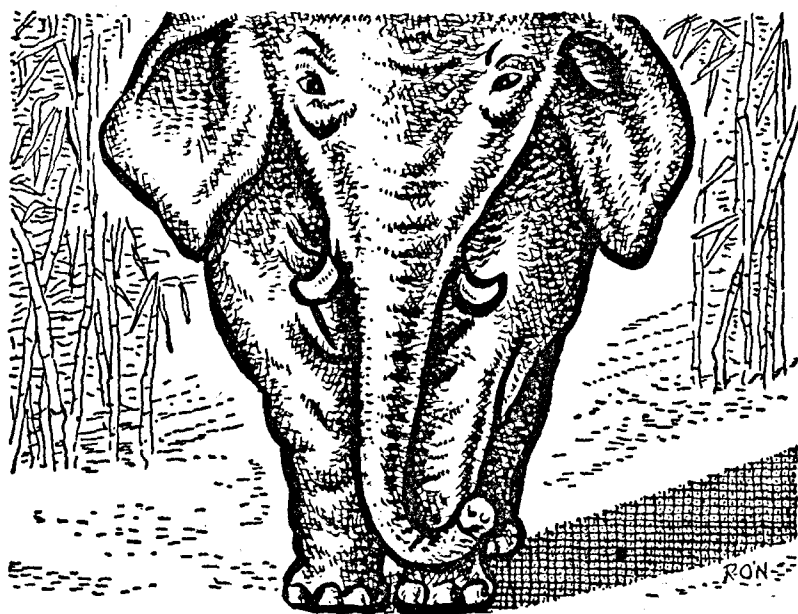
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undertaking to contribute towards the cost of the research. The programme of this organisation includes the construction of a laboratory (at Meyrin, Geneva) for research on high energy particles and the sponsoring of co-operation on nuclear research among nations. A staff of over 300 has already been recruited.

More than this, the OEEC Council of Ministers have agreed to consider the recommendations of an expert Committee on European co-operation

for the dissemination of information concerning research into atomic energy and the co-ordination of member countries' policies regarding the generation of nuclear energy. The Committee describes the import of its suggestions in the following terms:—

"If all this were done, Europe's prospects in nuclear energy would be as favourable as those of the United States, as all other conditions are substantially the same in both continents."

The need for co-operation was equally stressed in the UK White Paper—only with the "greatest possible co-operation in the peaceful uses of nuclear energy" can full use be made of "this great new scientific development for the benefit of the world". While the principal aim of these protestations remains confined to Western Europe (and, of course, the USA), there can be little doubt that the movement for co-operation is fast becoming a global one.

Around Bombay Markets

Easy Trend in Equities

THE stock market on the whole reflected an easy trend during the week with the closing quotations in almost all sections showing a distinct loss over the week. Sentiment has been affected by conflicting reports about Tata Steel dividend. Early in the week, there were reports that the dividend would be stepped up by at least half-a-rupee to Rs. 11 per share on Tata Ordinary. Towards the close of the week, however, it was rumoured that the status quo would be maintained and hence there was a decline in steel shares. When longs in Indian Iron liquidated their holdings partially, price of Indian Iron was also depressed.

Exports of cotton textiles having been on the decline and rise in mill shares being sudden and steep, operators preferred to liquidate with a view to booking profits which resulted in a general lowering of prices in the textile section. However, there were exceptions—Simplex, Gokak and Standard each showed fair improvement.

In the miscellaneous section, Digvijay Cement, Premier Construction and Tata Chemicals were spotlighted in that order. National Rayon also were slightly better.

Tata Ordinary opened around Rs. 249 which was the highest for the week. They declined to Rs. 243-8, but closed at Rs. 244-12, with a net loss of Rs. 4-8. Indian Iron also declined from the highest level of Rs. 36-13 to Rs. 36-4 on liquidation by Calcutta longs. The closing was fractionally higher than the lowest for the week, but lower by 5½ as. from the previous week's closing.

Bombay Dyeing for want of fresh incentives suffered a loss of more

than Rs. 12 to close at Rs. 493-2, the highest and lowest levels being Rs. 503-12 and Rs. 486-4, respectively. Century lost Rs. 4-12 and closed at Rs. 409-12, the lowest touched during the week being Rs. 404-8, Kohinoors came down from Rs. 349 to Rs. 337 to close fractionally higher at Rs. 338-8. But Simplex closed higher by 2½ points over the previous week's closing at Rs. 164-8, the lowest for the week being Rs. 161. Swadeshi moved between Rs. 217 and 207 and closed at Rs. 210.

In the insurance section, conditions remained more or less the same as in the previous week with New India closing at Rs. 46, the same as last week.

Amongst bank shares, Bank of India and Central Bank remained steady at Rs. 147-8 and Rs. 47, respectively.

In the miscellaneous section, Digvijay led with a gain of more than 12 points to close at Rs. 200, on reports of better working results and prospects of higher dividend. ACC closed Rs. 3-12 lower at Rs. 185-12, the highest being Rs. 190-12. In the sugar section, Belapur declined from a high level of Rs. 321-8 to close weak at Rs. 316. But Phalton Sugar, after being quoted as high as Rs. 132, closed firm at Rs. 131. Bombay Burmah Old lost Rs. 6-4-0 from the highest of the week to close at Rs. 547-8, the lowest during the week being Rs. 543-12. National Rayon closed more than 2 points higher at Rs. 213-12. Premier Construction and Scindias looked up on considerable speculative support to close at Rs. 158 and Rs. 14-15-6 respectively from the low levels of Rs. 153 and Rs. 14-13. Tata Chemicals finished 5 as. higher at Rs. 15-15-6.

Thursday, Morning

COTTON FUTURES DECLINE

THERE has been a steadily declining trend in the cotton futures market during the week under review. Prices have been adversely affected for more than one reason. In the first place, there were continued reports of imminent announcement of American export subsidy. As a result, there was a sharp break in prices in the Liverpool cotton markets which lost more than 50d. in a single day. Besides, reports of better rains in the cotton tracts and option dealers' selling also adversely affected sentiment in the local market. Longs in the August contract were reported to be unwilling to take cotton on the docket and speculators were reported to have switched over to the new contract by selling the current contract and buying the unofficial new crop contract, February 1956. All these had the cumulative effect of bringing down cotton prices. ICC August which quoted as high as Rs. 596-8 on the opening day of the week came down to Rs. 585, registering a net loss of Rs. 11-8. The closing was Rs. 585-4.

In the spot section, quietly steady conditions prevailed during the week. Local mills were interested in Vijay and Khandesh varieties. A leading group of mills is reported to have bought about 1000 bales of Khandesh cotton at around Rs. 30 off. The basis for Wagad, Morvi and Kalyan remained around the lowest levels.

OILS AND OILSEEDS DULL

WITH no prospects of export business in groundnut oil or castor oil and due to rains in the interior, the oilseeds market presented a dull appearance. There was also straddle business in castor futures. The gap between the September and May

contracts which was as wide as Rs. 7-8 at the opening of the week narrowed down to Rs. 1-8 at the close, indicating greater selling pressure in Castor September. Operators were evidently unwilling to take deliveries against their purchases. In the event, Castor September which was quoted at Rs. 110-8 only last week, after improving to Rs. 102, lost Rs. 10 per candy to close the week at Rs. 92. The May contract registered a loss of Rs. 2-4 over the week to close at Rs. 90-8.

In the groundnut section also, there was a distinctly bearish trend and quotations were generally lower than in the previous week. Groundnut August-September closed at Rs. 23-4 as against Rs. 23-9 while groundnut oil shed five annas to close at Rs. 12-7.

Linseed, however, remained steady at Rs. 25-10 for August-September but Kardi lost about 12 as. and was depressed at Rs. 14-10. Niger seed remained quiet at Rs. 23-10 with a loss of 2 as. Linseed oil showed a loss of 10 as. over the week because of lack of overseas enquiries and sales by shippers.

EMERGENCY CLOSURE IN BULLION

THE bullion market remained closed throughout the week. An emergency was declared and the Board of the Bombay Bullion Association is to meet to decide what measures they should take to curb unhealthy speculation.

Meanwhile, both gold and silver declined (unofficially) to Rs. 92 and Rs. 158-8, respectively as against Rs. 92-6 and Rs. 161-8 in the previous week.

Around Calcutta Markets

Is "Bull" Phase Over?

IF equities were firm in the last fortnight partly because of TTK's assurances that the Government had no intention to nationalise existing private industries, the Calcutta Stock Exchange developed an irregularly lower trend this week as Pandit Nehru praised the system of worker-management partnership in industry in Yugoslavia, giving his impressions of his tour of Russia and other European countries. Something like this, the stock markets were expecting. Markets were anticipating that Panditji might say something on his return to India

which might affect equities.

This is one of the ways of explaining recent market movements. There are other ways of explaining fluctuations in equities in the last few days. By the middle of last week, it became evident that Indian Iron's behaviour was contrary to that of equities in general. Indian Iron were moving up, but equities were either stagnant or slightly lower. It was, therefore, not surprising that equities developed a downward trend as Indian Iron experienced a setback. At the moment, both Indian

Wednesday, Evening

Iron and equities in general remain inactive.

Price Parities

Equities have been rising in the last few weeks. A temporary pause after the recent spurt is neither unnatural nor unexpected. It is clear that the market has paused in its upward journey so as, among other things, to consolidate the ground recently gained. If this is a correct interpretation of the present phase of the market, there is, then, nothing much to worry about. But prophets of gloom are predicting that

BOMBAY MARKET LEADERS DURING THE WEEK

	July 20, 1955	Week's High	Range Low	July 13, 1955
Steel Shares				
Tata Ordinary	244 12	249 0	243 8	249 4
Indian Iron	36 6	36 13	36 4	36 11½
Textile Shares				
Bombay Dyeing	493 2	503 12	486 4	505 0
Century	409 12	414 0	404 8	414 8
Kohinoor	338 8	348 4	337 0	349 0
Simplex	164 8	164 8	161 0	162 0xd
Swadeshi	210 0	217 0	207 0	210 8
Miscellaneous Shares				
Associated Cement	185 12	190 12	185 8	189 8
Belapur	316 0	321 8	316 0	319 8
Burma Old	547 8	553 12	543 12	548 12
National Rayon	213 12	216 0	211 0	211 8
Premier Construction	158 0	159 0	153 0	155 0
Scindia	14 15½	15 7	14 13	14 15
Tata Chemical	15 15½	15 13½	14 13	15 10½
Bank of India	147 8	147 8	146 8	146 8
New India Assc.	46 0	46 8	46 0	46 0

OILS AND OILSEEDS

	July 20, 1955	Week's High	Range Low	July 13, 1955
Seeds				
Castor Sept 1955	92 0	102 0	90 8	100 8
" May 1956	90 8	94 0	87 0	92 12
Groundnut Aug. Sept.	23 4	23 9	22 14	23 9
Linseed Aug. Sept.	25 10	25 10	25 6	25 10
Kardi Ready	14 10	15 6	14 8	15 6
Niger Seed	23 10	23 12	23 8	23 12
Oils				
Castor Oil Com.	10 4	10 13	10 2	10 13
Groundnut Oil R R	12 7	12 12	12 4	12 12
Linseed Oil	15 4	15 14	15 6	15 14

the "bull" phase of the market has come to an end. Such gloomy forecasts lack any dependable basis. But certain recent developments cannot be ignored.

There is more than one way of looking at the contradictory behaviour of agricultural and industrial prices. But it cannot be denied that the comparatively lower farm prices have helped industrial production and profits in the last eighteen months. Recent price indices suggest that farm prices are slowly rising. Wholesale prices are also rising. So, it is not quite arguable that rising farm prices will affect industrial costs and profits. If the disparity remains, though both agricultural and industrial prices may be rising, industry will continue to reap the benefit of lower production costs.

But there are other developing factors which may combine to have a depressing effect on equities on the Calcutta Stock Exchange. Tea shares have had a sustaining effect on the market in the last few months. This group has developed a hesitant trend. The season for payment of final dividend is almost over. Though export auction prices remain steady, these may develop easiness in the near future. Export auction prices are likely to be lower by the beginning of September, when the second flush of tea will become available to the market.

Market Factors

There were hopes that, even though Tea shares might not remain steady, Jute shares would develop strength. Though market analysts remain optimistic about Jute shares, the market does not seem to be enthusiastic about this group of shares. In recent weeks, there has been more than one attempt to push Jute shares up. But all these attempts have failed. But, on current indications, it does not seem that Jute shares can develop sufficient strength in the immediate future to act as a sustaining influence on the market.

If neither Tea nor Jute shares can be relied on to act as props to the Calcutta Stock Exchange, Miscellaneous and Engineering shares are not likely to sustain the market. One of the gloomy features of recent market movements has been the uncertain behaviour of Miscellaneous and Engineering shares. These groups are not appreciably lower. But buying support has been lacking for these groups in the last few weeks. Those who apprehend that the "bull" phase of the market may

be coming to an end emphasise these conjunctural market factors. There is something in this line of reasoning.

Steel Dividends

Strength in Iron and Steel shares has egged stock markets in both Bombay and Calcutta to higher levels in recent weeks. Improvement in Tata Steel, as in Indian Iron, was mainly due to expectations of higher dividend. Reasons for expecting higher dividend for Tata Steel are not the same as those for anticipating better dividend payments by Indian Iron. But some of the reasons are common. Both Tata Steel and Indian Iron have made higher profits last year. But, as explained in these columns in the last three weeks, that does not necessarily mean that both, or either, will pay higher dividends.

Tata steel have considerable expansion projects. This company will have to raise capital. Before it enters the new issue market, it is argued, it may be wise policy to pay a slightly higher dividend so as to induce investors to take up the expected capital issue. This is one of the most plausible arguments advanced by those who expect higher dividend payments by Tata Steel. Unlike Tata Steel, Indian Iron are not likely to enter the new issue market. But this company has also expan-

sion projects. It may raise capital by issuing bonus shares. That is how the argument runs.

As a variation, it is argued that both Tata Steel and Indian Iron may maintain the dividend, but may decide to pay bonus. Last year's higher production is not likely to be repeated this year. There is, on the contrary, a possibility that this year's iron and steel output may be lower because of incidental consequences of implementing expansion projects. Hence this bonus argument. Be that as it may, this week's behaviour of both Tata Steel and Indian Iron indicates that the market is not very hopeful about higher dividend payments by the existing iron and steel companies. Tata Steel began to drop first. Indian Iron followed suit.

Wider Issues

As the market revises its dividend expectations for Tata Steel and Indian Iron, both those shares are likely to develop a drooping tendency. And the prophets of gloom are now emphasising that such a possibility, coupled with stagnant conditions in Tea and Jute shares, may exert a definite "bearish" influence on the stock markets. These are formidable technical and conjunctural factors whose importance cannot be minimised or ignored. Even so, there are other wider issues which should not be forgotten.



July 23, 1955

THE ECONOMIC WEEKLY

BANKING RETURNS

	Rs Crores			
	Latest Week†	A Week ago	A Month ago	A Year ago
Reserve Bank				
1. Note circulation	1310.84	1321.64	1321.23	1166.76
2. Rupee Coin	106.07	105.08	104.58	99.83
3. Deposits				
a) Central Government's	81.74	84.07	57.15	120.18
b) Banks'	52.28	46.87	49.88	47.42
c) Other Governments'	20.65	17.67	11.79	19.78
d) Others'	14.80	14.9	22.15	36.76
4. Foreign Securities	652.04	652.04	652.04	638.15
5. Balances held abroad	64.36	63.32	64.60	105.03
6. Rupee Securities	543.64	543.65	543.64	421.22
7. Investments	61.21	61.24	39.04	93.19
8. Loans and advances to Governments	0.8	0.86	1.05	—
Scheduled Banks				
1. Demand liabilities (net)	583.94	593.03	582.24	534.45
2. Time Liabilities	399.58	397.91	393.06	336.96
3. Cash on hand	34.37	35.9	34.61	31.60
4. Borrowings from Reserve Bank	31.82	27.68	20.40	13.53
of which against Usance Bills	29.05	22.42	19.57	9.25
5. Advances and Bills discounted	576.08	578.23	578.07	527.81
of which State Bank's	115.86	116.97	119.47	118.23
6. Investments of which State Bank's	358.55	350.46	344.87	328.04
of which State Bank's	88.19	89.01	89.69	82.06
Cheque Clearance	123.72	135.41	131.14	106.04

†For Reserve Bank and Cheque Clearance week ended 15-7-55. Scheduled Banks week ended 8-7-55.

Bombay Money Rates	15-7-55	8-7-55	17-6-55	16-7-54
Inter-Bank Call Rate	2%	2%	2%	2½
3 months deposits	3	2%	3	2%
6 months deposits	2%	2%	2%	2%

Bombay Bullion	21-7-55	A Week ago	A Month ago	A Year ago
Gold (per fine tola)				
Spot	92-8	93-14	93-8	84-15
Forward	91-13	92-6	92-8	84-4
Silver (per 100 tolas)				
Spot	159-0	161-8	161-4	153-3
Forward	158-2	161-4	161-8	151-15

COTTON STATISTICS

Mill Consumption

(in '000 bales of 400 lbs each)

Description:	Apr '55	Mar '55	Feb '55	Jan '55	Dec '54	Sept '54 to April '55
Indian	345.9	350.1	322.6	348.6	363.5	2,718.9
Foreign	47.2	51.1	50.1	57.3	59.6	443.1
of which American*	12.6	13.2	13.4	14.9	14.8	125.6
Egyptian	14.7	15.6	15.1	17.9	19.2	138.2
E. African	15.3	16.7	18.4	20.5	22.3	146.7
Sudan†	4.03	3.9	3.2	2.7	3.1	23.5
Pakistan	0.12	0.99	0.09	0.87	0.15	4.8
TOTAL	393.1	401.2	372.7	405.9	423.1	3,162.0

Consumption in corresponding

periods a year ago:

Indian	322.6	314.9	311.4	348.1	357.3	2,587.2
Foreign	61.7	58.3	56.4	55.7	56.0	461.0
TOTAL	384.3	373.2	367.8	403.8	413.3	3,048.2

* Includes both United States and Peruvian cotton.

† Includes both Sudan Egyptian and Sudan American cotton.

MILL STOCKS OF COTTON

(in '000 bales of 400 lbs each)

	Apr '55	Mar '55	Feb '55	Jan '55	Dec '54
Indian:					
1954-55	1478.4	1346.4	1161.2	1043.9	942.3
1953-54	1252.0	1168.5	1032.1	907.3	778.8
Foreign:					
1954-55	138.9	145.8	135.4	135.7	152.3
1953-54	201.8	163.9	146.2	157.3	173.5

Source: East India Cotton Association

COTTON IMPORTS

(in '000 bales of 392 lbs each)

Source	Mar '55	Feb '55	Jan '55	Dec '54	Sept '54 to Mar '55
USA	19	19	19	6	84
East Africa*	16	12	9	11	100
Egypt & Sudan	8	34	12	19	105
Other countries	1	1	2	2	6
TOTAL	44	66	42	38	295

Total imports in corresponding months of the previous year

92 40 28 17 298

* Includes Kenya, Tanganyika and Uganda.

Source: Indian Trade Journal

COTTON EXPORTS

(in bales)

Exports from 1st Sept '54 to 7th July '55

Destination	1954-55	1953-54	1952-53
United Kingdom	32,073	14,266	16,250
Continent	52,452	25,091	101,518
China, Hongkong	9,658	293	318
Japan	88,867	62,893	153,607
USA	16,723	12,665	36,974
Other foreign countries	2,189	1,552	6,486
Total all foreign countries	201,962	116,760	315,153
Coast Ports	140,948	152,780	120,604
TOTAL	342,910	269,540	435,757

Source: East India Cotton Association.

THE ECONOMIC WEEKLY

July 23, 1955

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group & Sub-Group	Week ended 2-7-55	Week Ago	Month Ago	Year Ago
I. Food Articles	299.0	288.7	276.7	349.7
Cereals	349	336	309	377
Pulses	256	246	210	301
Others	236	229	242	317
II. Industrial Raw Materials	399.7	389.9	386.2	430.5
Fibres	407	403	404	411
Oilseeds	378	358	342	481
Minerals	422	406	415	417
Others	413	417	415	401
III. Semi-Manufactures	333.1	332.2	330.9	354.8
Leather	388	389	391	369
Mineral oils	218	218	221	221
Vegetable Oils	386	368	351	456
Cotton yarn	407	419	424	458
Metals	255	244	244	239
Oilcakes	321	338	309	420
Others	330	330	329	301
IV. Manufactures	369.5	369.5	371.0	377.5
Textiles	405	406	409	421
Jute	408	416	412	439
Cotton	402	403	406	418
Rayon & Silk	474	467	479	457
Woollen	282	285	285	310
Metal Products	349	343	343	340
Others	286	286	286	287
V. Miscellaneous	567.6	563.2	574.8	645.5
All Commodities	350.9	345.2	340.8	381.6

INDEX NUMBERS OF SECURITY PRICES

(Base: 1949-50 = 100)

	Week 2-7-55	Week Ago	Month Ago	Year Ago
Govt. & Semi-Govt.				
Govt. of India	90.7	90.7	90.6	90.5
State Govts.	96.4	96.4	96.3	95.8
Municipal, Port Trust, etc.	89.5	89.5	89.4	89.2
Financial	87.5	87.3	87.7	89.0
Banks	84.2	84.4	85.0	86.6
Insurance	109.6	108.0	105.0	106.6
Investment Trust	86.2	84.3	89.1	85.9
Public Utilities	112.6	112.1	112.5	115.2
Electricity	122.0	122.0	122.4	119.4
Shipping & other Transport	97.9	96.2	95.7	112.8
Railways	86.8	86.0	88.5	87.9
Manufacturing	119.7	117.9	116.0	114.6
Cotton, Woollen & Silk	106.9	106.1	103.8	107.4
Jute	95.8	95.3	95.2	90.0
Iron and Steel	145.7	140.9	137.8	137.9
Paper	226.4	222.2	221.6	206.0
Cement	150.3	147.3	144.6	134.3
General Engineering	174.1	170.0	166.8	149.7
Sugar and Breweries	97.4	96.9	95.9	94.6
Chemicals	133.6	130.3	129.2	127.3
Non-Manufacturing	161.4	159.9	155.4	148.1
Coal	78.5	77.8	77.7	83.9
Mining and Oil	206.1	202.6	180.5	178.9
Plantations	192.3	191.0	176.6	132.4
Miscellaneous	96.1	95.1	93.0	99.9
Total Industrials	115.6	114.3	111.9	110.2

Source: Reserve Bank.

INDUSTRIAL PRODUCTION

		1955				1954			Monthly Average		
	Units	Apr	Mar	Feb	Jan	Dec	Nov	Oct	1954	1953	1952
I Consumer goods											
1) Cotton Textiles	crore yds	41.80	42.9	40.2	43.7	45.26	42.1	37.9	41.65	40.65	38.3
2) Woollen Manufactures	lakh lbs	—	—	20.44	20.27	16.80	18.25	17.05	15.63	16.04	13.82
3) Matches	'000 cases	—	—	49.1	51.0	50.1	48.5	48.9	45.0	51.5	51.6
4) Sewing Machines	Nos	8,207	8,087	7,100	6,478	8,130	7,126	3,896	6,683	5,202	4,170
5) Vegetable oil products	'000 tons	—	—	18.52	18.23	16.91	19.62	17.95	19.23	15.97	15.90
II Raw Materials or Intermediate goods											
1) Cement	'000 tons	364.8	380.3	363.7	376.8	398.1	368.5	372.3	366.5	315.0	294.8
2) Chemicals:											
- a) Sulphuric Acid	tons	—	—	12,120	13,768	13,660	12,610	13,543	12,401	9,091	8,007
b) Caustic Soda	"	—	—	2,549	2,854	2,667	2,644	2,603	2,429	1,909	1,422
c) Soda Ash	"	—	—	5,907	5,948	5,258	3,497	4,338	4,024	4,739	3,694
3) Coal	lakh tons	32.33	33.04	32.49	31.53	35.03	33.23	29.21	30.64	29.87	30.19
4) Cotton Yarn	lakh lbs	1,300	1,350	1,250	1,350	1,421	1,349	1,225	1,301	1,255	1,208
5) Jute Manufactures	'000 tons	85.7	88.9	81.8	83.9	94.0	88.6	75.1	77.3	72.4	79.3
6) Non-ferrous Metals:											
a) Copper	tons	647.2	674.0	605.0	336.0	642.0	630.0	665.0	597.6	410.0	506.6
b) Aluminium	"	599.3	627.5	461.4	486.2	488.4	465.8	498.6	407.2	313.2	297.2
c) Lead	"	222.4	211.3	162.0	225.0	240.0	200.0	77.5	149.0	141.2	94.3
d) Antimony	"	80.0	80.0	30.0	5.0	46.0	51.5	80.0	44.9	10.9	15.1
7) Paints & Varnishes	"	—	—	2,616	3,413	3,412	2,860	2,998	2,956	2,671	2,681
8) Paper & Paper Boards	'000 tons	—	—	13.1	15.8	16.36	15.04	13.98	12.94	11.64	11.46
9) Iron & Steel:											
a) Pig iron	'000 tons	—	—	137.9	155.7	162.0	155.1	151.7	149.4	137.9	140.4
b) Steel ingots & castings	"	—	—	138.3	157.4	152.8	145.6	143.2	140.4	125.6	131.5
c) Semi-finished Steel	"	—	—	115.0	134.5	132.3	129.0	120.6	121.0	102.5	109.0
d) Finished Steel	"	—	—	96.3	108.5	115.3	108.5	102.5	103.6	85.3	91.9
III Capital goods											
1) Machine Tools	'000 Rs.	—	—	544.6	479.7	540.5	291.5	414.7	416.9	367.3	369.8
2) Diesel Engines	Nos	893	—	732	887	1,047	876	640	721	310	354
3) Electric Motors	'000 HP	—	—	17.9	17.7	20.1	16.2	13.8	15.6	13.5	13.1
4) Power Transformers	'000 KVA	40.0	—	41.1	40.3	42.8	35.5	28.6	33.2	25.7	17.9
IV Transport Equipment											
1) Bicycles	'000 Nos	39.11	—	30.55	29.01	49.94	42.11	26.97	31.03	22.01	16.41
2) Automobiles	Nos	1607	2272	1,500	1,585	1,953	1,372	1,276	1,205	1,160	1,274

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Eight annas

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Tea Toddles...

THE world changes and with it the Calcutta Burra Sahibs are prepared to change too, judging from their public statements. Some may interpret it as a sign of weakness, lack of guts, but that is a matter of opinion. The marketing of tea, however, stands where it was before and the Ministry of Commerce and Industries has to keep on running all the time just to keep Calcutta tea auctions from falling behind. This is the impression one gathers from a hurried reading of the Report of the Committee on Tea Auctions which has just been released and comparing it with the Report of the Ad Hoc Committee in 1950. The Tea Auction Committee Report is breezy and debonair; but it is a political document though among its signatories, who produced a unanimous report, are the big three of the world of tea, Sir Percival Griffiths, Mr. R. E. Culvarhouse and Mr. Mackay Talak, the present Chairman of the India Tea Association. The Auction Committee has fallen into the trap of phasing, into which the Government led itself in 1950, knowingly and willingly enough. Then the situation was different. Have not things changed in these five years?

The earlier Committee was much concerned about the limitations of the Calcutta market and its ability to handle a large volume of tea. There were physical limitations—crippling shortage of warehouse accommodation, inadequacy of the mechanical devices for handling tea. There were equally crippling shortages of the highly specialised services that go with the marketing of tea—broking houses, tea tasters and financial arrangements. The year was 1950. The tea trade was in the hands of highly specialised and experienced people, who happened to be Europeans and the Chairman of the then Central Tea Board was one who had to be acceptable to the Trade and the choice was deliberate and correct. The Ad Hoc Committee recommended a short-term programme for expanding warehouse facilities and removing, as fast as possible, the physical difficulties of handling a larger volume of tea. Though the expansion of Calcutta auctions and the marketing of a larger proportion of the crop in Calcutta was the long-term objective, the immediate and pressing problem how best Calcutta could face the change-over from bulk purchases by the British Food Ministry to normal marketing, when the bulk purchase contract due to expire in March 1951 came to an end. The long-term proposals were dependent on the question of expanding the facilities of the Port of Calcutta which the Government was understood to have had under consideration at the time.

While in principle this Ad Hoc Committee was in full agreement—so they said—with the Government's desire to see the increasing growth of the Calcutta market, the Committee thought that it would take anything from 5 to 10 years, perhaps longer to achieve the expansion of this market to the extent envisaged by Government. Hence the counsel of caution. The Committee paid equal attention to the development of the technical services associated with the marketing of tea, such as the training of tea tasters, inspection, sampling, and blending etc. and it recommended that the broking facilities available in Calcutta should be adequately enlarged, if the entire North Indian crop was ever to be marketed

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here. And it considered that "the immediate association of Indians in a larger measure with the technical side of the trade" was most "appropriate."

From a cursory reading of the Report of the Auctions Committee, it is not clear how far the difficulties pointed out earlier have been removed and what progress has been made in the matter of warehousing and other facilities. Perhaps the Committee was right in refusing to allow shortage of warehousing to affect its decision of expanding Calcutta auctions by putting a ceiling on consignments shipped for London auctions. It did try to estimate the shortage of ware-house space, but the figures arrived at are far from firm, for much would depend on the period for which the chests of tea would have to be stored in the warehouses and that, in turn, would depend on a number of factors and the manner in which the mechanism of re-distribution of exportable tea between auctions held in Calcutta and in London changed over a period of time, assuming that the Committee's recommendations have the intended effect. It will not be enough to expand warehousing; preservation of tea, if it is to be stocked for any length of time and in the wrong seasons of the year, will require effective protection from the humidity of the Calcutta climate. So long the trade has gone on on the assumption that there was nothing like six weeks of seasoning in a ship's hold for maturing Indian tea and giving it the right flavour. About the other expert services vital for the proper marketing of tea, the Auction Committee appears to be equally casual. Perhaps they are right in fixing their gaze firmly on the goal and taking a calculated risk, while not underestimating that risk.

But when the Committee mentions "larger considerations of a national as well as economic character" which in its opinion justify these steps, perhaps it could have been a little more explicit about what the economic considerations are. In fact, on all questions of facts and figures the Committee is more than a little casual. After complaining about the initial difficulty of studying the problems of tea, because of "the somewhat bewildering variety of statistics that are available"—this is rather a damaging confession from a Committee which has as its chairman the Chairman of

the Tea Board—it goes on to outline the general pattern of the tea trade in a series of four tables in which the years are not the same—in one case it is the financial, agricultural or the tea year and in another it is the calendar year and the figures do not tally—and in the table of arrivals, the quantities are sometimes shown in chests and sometimes in lbs. If the Committee finds it bewildering, why impose it on others?

These are not of the essence, however; one can with a little patience try to straighten out the statistics, but what about the categorical statement in the report that "By a natural process, the auctions in India have been increasing in size during the past few years and the trend would almost certainly continue even without any external acceleration"? From the figures of auctions given in the tables referred to above, this statement is not borne out. In the three years for which the statistics of tea sold through Calcutta auctions are given in the table, the volume of sales show a fall, not a rise. If the figures for Cochin auctions are added, the trend remains unchanged. It is not on the natural process, therefore, but on "external acceleration" that the Committee relies for the trend of auctions in India to go up.

The Ministry of Commerce and Industry in its wisdom has not been prepared to go as far; instead of fixing a ceiling on consignments for London auctions as a percentage of crops recommended by the Committee, it has accepted a modest reduction in the absolute quantity to be shipped this year. But neither the Committee nor the Ministry has worked out the economics of it. To point this out is not to suggest that Calcutta auctions should not expand. They should. It is desirable that more of India's tea be marketed through auctions held in India and that these auctions be so popular and attractive as to bring all the buyers from across the seas right to our doors. But what about all those delicate complexities in the marketing of tea which have so far stood in the way of this desirable consummation? Even the President of the Indian Tea Association appears to have written them off. But only five years ago his Association, pleading for the unrestricted freedom of the producer to market his tea wherever it would fetch the best price, was absolutely definite that blending could never be carried out

in Calcutta and that "in this sense Calcutta could never be the centre of the world tea trade" and hence any interference with the "natural supply of Indian tea to London" would be disastrous. The reasons were that no one wanted a straight Indian tea and since other teas such as from Java and Ceylon with which Indian tea is blended would not be marketed here, the result would be a considerable fall in the demand for Indian tea. Further that small and medium buyers would be excluded. The Auctions Committee has, however, gone into this question of small and medium purchasers being eliminated and the market being left in the hands of a few big buyers, but not into all those questions that had been raised earlier about the delicacies of blending and so on.

How is the ceiling to operate? The Committee recommended that this should be entrusted to producers' associations under the supervision of an official agency to be nominated by Government. The Ministry mentions no official agency and is prepared to leave enforcement, "by voluntary action if practicable", to the producers' associations of North India, who have offered to work it out and has accepted this arrangement for the current year.

As important as the ceiling, however, is the other recommendation, namely, that quality grades should not exceed half the ceiling fixed for the London auction consignment. This recommendation of the Committee, the Government has accepted in toto. The ceiling fixed for the current year is 140 million lbs. as against actual consignments of 209 million lbs. in 1953 and 167 million lbs. in 1954. This is only for North India; for the South no ceiling is considered necessary. It is an important step that the Government has decided to take but not a plunge in the dark. Ceylon took it long ago and has not regretted it. Why not we?

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After Geneva

FROM reactions to the Geneva Conference of Heads of States, it would seem that many commentators on international affairs and the Right-wing of the Republican Party in America have acquired a vested interest in the "cold war". Throughout the world, the people hunger for peace. President Eisenhower was right in his repeated emphasis at Geneva that the talks between the four Heads of Government were a reflection of the common man's desire for peace. At Geneva, all the four Heads of State have emphatically endorsed the common man's urgent wishes for world peace. Each has admitted the other's sincerity in expressions of peaceful intention. It is a permissible deduction that expressions of peaceful intention of the four Heads of State reflect their grim awareness of the horrors of an atomic war. It is, therefore, a legitimate inference that the military experts and advisers of the four Heads of State have made it palpably evident to their respective Governments that the alternative to co-existence is co-destruction.

Far more significant is the expert assessment of the relative military strength and potential of the rival power blocs. Some of the statements at Geneva of President Eisenhower, himself a distinguished soldier, can only be interpreted to mean that, in his considered opinion, the two rival sides have reached a delicate balance of strength. It was this conviction that impelled President Eisenhower, an expert strategist, to issue repeated warnings about the ominous possibility of a surprise attack. This explains his dramatic proposal for mutual inspection of war installations from the air. Many commentators on foreign affairs do not yet seem to have appreciated the significance of this proposal. There is evidence that the U. S. President's proposal has spread consternation among some of America's allies. There may be more than one motive in Sir Anthony Eden's disclosure at Geneva that Britain is now capable of manufacturing both atomic and hydrogen bombs. But it is not without significance that Russia, as much afraid of a surprise attack as America, has had the diplomatic wisdom to announce her willingness to consider the Eisenhower plan in all its relevant aspects.

Much is being talked about the tough hurdles that the Foreign

Ministers will have to cross when they meet at Geneva in October. Far more relevant are the possible intervening developments in America. There are abundant indications that the Right-wing of the Republican Party is suspicious of events and developments at Geneva. President Eisenhower has, on his return to Washington, taken care and pains to explain to his Party and the Congress that no secret agreements or pacts have been signed or concluded during the Geneva Conference. It is welcome news that this authoritative assurance has partly assured some of America's suspicious Republican Senators. But there is a lurking danger that President Eisenhower, who, alone among his colleagues at Geneva, is the combined head of the State, the Government and the Army, may be disavowed by the Party which he leads and which has made it possible for him to assume triune power and responsibility. This has happened before in history. It has had disastrous consequences on world affairs. At Geneva, Marshal Bulganin had the support and consent of his Party and Army Chief. What the world would like to know is whether the Right-wing of President Eisenhower's Republican Party accepts the principle of co-existence. This is far more relevant and significant than the obstacles which the four Foreign Ministers will have to surmount when they meet at Geneva in October to ensure lasting peace.

Only those who ignore the basic objective of the "summit" talks at Geneva will be disappointed with the Geneva Conference. It was not the purpose of the Geneva Conference to reach agreements on all the world issues in dispute. At Geneva, the four Heads of State met to offer and to receive assurances about their intentions to reconcile differences through conciliatory negotiation. In their statements at the end of the "summit" talks, each has expressed faith in the other's peaceful motives and designs. Without exception, all the three leaders of the Western Powers have assured the world that they are convinced of Russia's peaceful intentions and of her willingness to solve disputes through mediation. From the directives of the four Heads of Government to their Foreign Ministers, it is clear that both sides have made concessions to render the Geneva Conference successful. Despite the difference in

approach to the German problem, the directive makes it clear that the Western Powers have accepted Russia's stand that the problem of overall security for Europe should have precedence over the question of reunification of Germany. In return for this concession, Russia has willingly agreed to discuss the proposals relating to disarmament under the auspices of the United Nations, though she had earlier demanded that such discussions should be held at the meeting of the Foreign Ministers. It would be foolish to pretend that the four Foreign Ministers will experience no difficulty in reaching agreements on the issues they are to discuss in October. But Geneva has established the principle that international disputes are to be settled through negotiation, and not through forceful means. This is no mean achievement.

Of the Geneva Conference, the most valid criticism is that the Western Powers, though not Russia, would seem to ignore that peace is indivisible. Russia alone among the four Powers represented at the Geneva Conference has expressed dissatisfaction that the "summit" talks have excluded the problems of Formosa, Far East and China. Subsequent developments are hopeful. On Monday next, the Chinese and American Ambassadors will meet at Geneva to discuss the problems of detention of citizens and repatriation of nationals. Mr. Dulles's observations at a Press Conference after his return from Geneva indicate America's willingness to have talks with Communist China on issues directly affecting the two countries in order to reach a peaceful settlement. Mr. Dulles wants an assurance from Red China of her acceptance of the principle of non-recourse to force to solve disputes. It should not be difficult for Mr. Chou En-lai to offer Mr. Dulles the assurance he wants. Peking has more than once invited Washington to have talks on issues of common interest. There are indications that the talks between the Ambassadors at Geneva may be followed by discussions at a higher level. By enunciating the principle of solution of differences through mediation, the four Heads of State have created an atmosphere in which Far Eastern problems can be discussed calmly and dispassionately. This is another incidental achievement of the talks "at the summit" at Geneva.

Weekly Notes

State Government Loans

THE experiment tried out last year of pooling all borrowing by the Centre by the floatation of the National Plan Loan obviously did not prove so a great success. So the Government has reverted to the earlier system of allowing the States to try their luck. There may be something in local patriotism and in the initiative of the State Governments. Moreover, variety has its own attraction, why not let the States try? Ten of the State Governments are going to enter the market with a borrowing programme of Rs. 35.75 crores in all. Bombay has a programme for Rs. 6 crores, Madras Rs. 7 crores, Hyderabad Rs. 2 crores, Andhra Rs. 2.5 crores, West Bengal Rs. 5 crores and Uttar Pradesh Rs. 6 crores. All the loans will carry interest at 4 per cent and be redeemable at par in 1967.

There is nothing exceptional in the timing up of the loan either, the slack season has always been the one for borrowing. About the technique also, it is only a return to form but on the question of propriety, perhaps a word may not be out of place. Premature disclosure by a member of the Andhra Cabinet of the borrowing programme of his State would have created quite a stir, had money market conditions been somewhat different from what they are. It largely passed unnoticed but it should not. A feature of the present programme is the long notice given. This is however not to help the investor to make up his mind and to give him sufficient time to arrange his affairs accordingly, but to enable the States to do their best in the matter of whipping up enthusiasm and rigging up their respective markets.

Though the other terms and conditions of the loans are the same, issue prices differ according to the State. These differences are not really a measure of credit rating but the money market's assessment of the ready marketability of the different State Government loans. Bombay has always enjoyed the highest credit and its issue price has been fixed at par. West Bengal gets the same high rating, thanks to the energetic personality of its Chief Minister who can be relied upon to arrange for the proper placing of the loan. Other States are to issue their loans at varying rates of discount,

ranging from Rs. 0-4-0 to a rupee per 100 rupees.

Apart from the fact that pooled borrowing tried out last year did not prove a success, another consideration may have led the Centre to revert to the old practice viz. the difficulty of apportioning loans to the different State Governments and reconciling their competing claims. Now the States are at least free to try to get as much as they can.

Corruption in Railways

THE decision arrived at the meeting of the six Zonal Railway Commercial Superintendents and members of the Railway Board, to implement all important recommendations concerning Commercial Departments, would suggest that the Government is keen on paying immediate attention to the problem of corruption on the railways. The recommendations relating to the operating departments are likewise to be discussed at a meeting of the Operating Superintendents of Zonal Railways next month. Among the recommendations made by the Enquiry Committee, with which the Commercial Departments are directly concerned, are the following:

- Adequate publicity should be given to facilities available to the public on the one hand and to employees of railways on the other. There should also be constant propaganda for bringing home the evils of corruption;
- The jurisdiction of the inspectors, which is in many cases excessive, should be revised;
- Efficiency Bureau should analyse the quantum of work performed by gazetted officers and suggest measures for reducing desk work and increasing supervisory work;
- In making selection for key posts, utmost care should be exercised and due consideration given to the reputation for honesty or otherwise of the officers concerned;
- Greater degree of uniformity should be introduced by the different zonal Railways in the procedure for indent,

allotment and supply of wagons;

- A speedy drive should be launched for improving the wagon position, eliminating ambiguities in the classification of goods, advance planning and adequate arrangements for the clearance of traffic in perishables etc;
- A claims prevention officer should be appointed for each zone.

If the eradication of corruption is essentially a staff problem, it should be tackled by strong action. It is good to know that the Board has assured full support to the railways in this matter and that the Railway Administration is "determined to root out this evil". A psychological approach to the problem has been suggested, greater stress being laid on the 'corrective' rather than 'punitive' aspect of the matter. Emphasis has also been laid on improving the supervisory work of the inspecting staff and also on the need for greater attention to claims prevention and expeditious disposal of claims. It is encouraging to know that the Railway Board is convinced of the need for strong action; the member of the Board for Staff, for instance, has rightly suggested that in proved cases of corruption, the minimum punishment should be dismissal, for unless such deterrent action is taken, the evil cannot be eliminated.

In the absence of fuller details, it is difficult to say why the meeting has not considered some of the other important points raised by the Enquiry Committee such as the need to strengthen the gazetted staff, disparity in the emoluments of the lowest and the highest paid staff, problem of staff welfare, shortage of wagons, corruption in the police and anti-corruption establishments of the railways etc. Probably these will be taken up at a subsequent meeting. Meanwhile, it must be pointed out, that the main factors which encourage corruption in the railways are the inadequacy of emoluments to the low-paid staff, ineffective supervision, slow wagon movement and shortage of wagon capacity. If any lasting impact is to be made on the problem of corruption, the Railways will have to tackle these first.

All About Money and Prices

THE currency report for 1954-55 has slimmed a little, not so much from a reduction in the number of pages, though even these have dropped slightly from the peak of 1952-53, but from use of thinner paper. And it has become more cautious and circumspect. The currency authorities seem to pat themselves on the back for their splendid performance during the year. There was a record increase in industrial production, an unusually good crop for the third consecutive year and a substantial addition to the money supply under the impact of a larger budget deficit, and yet there was no sign of inflationary pressure. On this bright picture, falling prices cast a shadow. It was more than a little perplexing, particularly the widening disparity between agricultural and industrial prices. While the general index of wholesale prices fell over the year by 10.2 per cent, the index of food fell by 20 per cent, and that of industrial raw materials by 10.8 per cent, while the index of manufacturers did not fall at all; in fact, it rose by 0.6 per cent. The disparate movements of sectional price levels are brought out even more sharply when the average level of prices for the year is compared with that of the previous year. The average of the general price index for 1954-55 was 5.1 per cent below that of 1953-54; that of food articles and industrial raw materials was lower by 11.6 per cent and 6.7 per cent respectively, while the average index of manufacturers was 2.7 per cent higher.

The report does not offer any explanation for these disparate movements though it seems to suggest at places that in addition to bumper crops, de-control of food grains brought about heavy liquidation ("dishoarding of supplies was encouraged by the elimination of food control by July 1954") and was thus responsible, at least partially, for the sharp fall in agricultural prices. So one is almost led to believe that instead of countering hoarding, control actually leads to hoarding! Another factor responsible for the sharp decline in agricultural prices is the perverse elasticity of supply—lower the price, the farmer has to sell more of his grain in order to maintain his (money) income. "Once the fall in prices had started", says the report, "it was fed by the stream of supplies coming on to the market from small cultivators who had to reduce their stocks for personal consumption in order to maintain their income". No

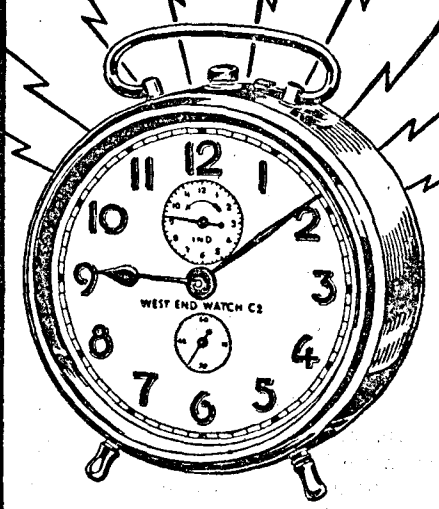
better case could be made out for price support, but if this convenient instrument of augmenting the marketable surplus is so readily thrown away, how is the fall in food prices going to provide "a base for rapid development" as expected in the report?

How Big is the Deficit?

AGAIN, how to reconcile the fall in prices with the large increase in money supply and bank credit which took place during the year? "Despite this increase", says the report, "prices have declined; it would thus appear that the increase in money supply took place primarily in response to the growth in econo-

mic activity." The connection between the two may not be as clear to the readers as it is to the authors of the report. The passage quoted may mean one of two things. It may mean that currency was expanded in response to the demands of trade and industry (to finance a larger volume of production and commodity transactions) but not adequately; the expansion failed to meet the demand—otherwise why should prices fall, except inversely to productivity? Or it may mean that currency was expanded to finance development, but the circulation of the new money created remained confined to certain focal points and the secondary movements were slow and subject to in-

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definite and indeterminate time-lags. In fact, this raises doubts about the operation of deficit financing as a price stabilizer which had been discussed earlier in this paper when the Finance Minister enunciated his magic assurance ('Deficit Financing—Price Stabilizer'—April 2, 1955.) There is evidence, however, that the secondary movements, referred to above, have commenced and therefore the general tenor of the report that a new phase of expansion under the impetus of development expenditure and deficit financing is now on, will be generally accepted.

Since budget deficit is now the most potent factor influencing currency supply and the tempo of economic activity, what about the exact size of the deficit? For information on this point, one usually looks forward to the publication of the currency report which, appearing some months after the budget, is in a position to present a complete picture of the state of public finances at the end of the year. According to the Finance Minister's budget speech in the Lok Sabha, the year should have closed with a deficit of Rs. 220 crores (revised estimates). What happens between February 28 and March 31 is always a matter of considerable speculation. In the section on public debt, it is stated that during 1954-55 outstanding treasury bills showed a rise of Rs. 137 crores. This, it is mentioned, is the "actual increase based on Reserve Bank data". The net deficit, however, works out at around Rs. 110 crores. This is quite a different figure from the one given out by the Finance Minister in his budget speech. Since the Reserve Bank takes all the trouble to rehash the budget figures, obviously for the benefit of the lay public, perhaps a little more light could be thrown on these statistical complexities, particularly when public attention has been made to focus so sharply on budget deficits.

Currency Part of the Report

IT is the currency part of the report which had to do all the reducing and in the course of the last few years, it has shrunk. Even so, what is left is interesting reading for a holiday afternoon. Since the more serious part of the report has been summarised and widely commented upon, only the humbler task of highlighting this 'backward' part of the report is undertaken here, on the belief that currency statistics can also throw some light on the econo-

mic trends and the spending habits of the people.

The first striking thing to note about currency is that despite its substantial increase, small coins continue to show a decline. Thus in 1954-55 while circulation of notes increased by Rs. 90 crores, that of small coins recorded a decline of over Rs. 1 crore, the total decline in the last five to six years being about Rs. 17 crores. This would mean either that the wartime hoarding of small coins was so large that the process of withdrawal is justified or that because of the general rise in prices, transactions are rounded off more and more to the nearest rupee. The surprising exception, however, is the quarter-anna. The circulation of single pice coins continues to increase. Is the humble pice serving other than monetary purposes as it did during the war years? The single pice pieces with a circular hole have had many uses and they have not, obviously, lost their popularity.

Another interesting feature brought out by the currency statistics is the remarkable stability of the proportion in which notes of different denominations circulate. Thus 10-rupee and 100-rupee notes account for more or less the same proportion, namely, 40 per cent, which is not very much different from the pre-war pattern. The reintroduction of high denomination notes from April 1954 seems to have made a good beginning; during 1954-55 nearly Rs. 40 crores of these notes went into circulation.

In view of the return of coinage from circulation, the mints appear to be working very much below capacity; the total value of coinage minted in India during 1954-55 was only Rs. 2.63 crores, although this is substantially higher than the figure of only Rs. 55 lakhs in 1953-54 and Rs. 39 lakhs in 1952-53. One wonders whether the proposal for the introduction of decimal coinage is partly with a view to keeping our mints fully occupied!

The year 1954-55 was conspicuous for a 50 per cent increase in the number of note forgeries, the bulk of the increase occurring in regard to 100-rupee notes, from 46 in 1953-54 to 2,177 in 1954-55. Like the planners, forgers also are stepping up their targets, though in their own humble way, for the total amount involved is small, being only Rs. 2.5 lakhs.

Mayors Confer

THE Mayors of Ahmedabad, Bangalore, Bombay, Calcutta, Madras and Poona who met to confer, highlighted two important problems. Panditji has made the problem of slum clearance pretty acute for them and overcrowding in the cities just as (or even more?) acute. But while the responsibilities of local bodies, especially those of the bigger city Corporations are growing, owing both to increase in population and in urbanisation, their resources are deplorably inadequate, so that only a few of them are able to provide even the minimum amenities to the rate-payers.

The Taxation Commission thought that the answer to the financial problems of the bigger municipalities and corporations lay in a transfer of additional tax powers to these bodies. But there is a limit up to which taxation can go and anything beyond it, will have to be met by other methods such as borrowing and subsidies from the Government. There is a vicious circle here. The City Fathers can increase the taxable capacity of rate-payers by clearing slums, developing new residential areas and carrying out city improvement in other ways by laying out parks, widening roads etc. All these mean capital investment which even the biggest municipalities are unable to undertake. The City Corporations find it difficult to raise loan capital. The Taxation Commission recognised this and recommended that a part of the assistance for development would have to be in the form of graded subsidies, from the Government, of course, and assumed that funds for the purpose would be made available in the Second Plan.

Viewed against this background, the Memorandum presented by the Mayors to the Planning Commission for financial assistance under the Second Five-Year Plan, does not appear to be unreasonable. Assistance is asked for Rs 135 crores in all, Rs 57 crores in subsidy and the balance as loan. Experience has shown that the initiative for housing and slum clearance has to come from official agencies and local bodies. And of these two, while official schemes have achieved some limited success, the efforts of municipal bodies have been held up for want of finance. Thus, out of the total funds of Rs 13 crores sanctioned by the Government of India

under its housing schemes, at least about Rs 5 crores had been utilised by the State Governments, employers and co-operatives till January 20, 1955. But municipalities have been hardly able to undertake any scheme of slum clearance, housing or even water supply and drainage in the last fifteen years, during which the population of cities has grown enormously, and out of all proportion to the expansion of civic amenities. All this is in the Mayors' Memorandum, but facts are hard to come by, for none of the corporations publish data of new houses built or of licences given for construction.

Export-Import Loan to India

IT had been presumed so long that if the Tata deal went through, it would be the first time that the Export-Import Bank would be extending credit to India. But National Rayons have stolen a march over the Tatas, and have come out first. Now every bank must make sure of the credit-worthiness of the borrower before it agrees to lend. It does not follow, however, that the Tata proposition that the Export-Import Bank has under consideration is vitally dependent on the rupee capital that the Tatas may or may plan to raise for financing their second steel unit. In any case, of the Rs 60 crores required to finance the expansion, fresh capital issue is not likely to exceed Rs 10 crores; even this may be spread over a period of years, the calls being timed accordingly. Some Rs 20 crores may come from retained profits from the Rs 50 per ton increase in price given to meet the cost of expansion and development. So the amount to be borrowed, if the above figures are not wide of the mark, is not likely to exceed Rs 40 crores or \$20 million.

Certain things can be taken for granted, in this particular case, the credit-worthiness of the Tatas. The relevant point for consideration, however, is quite different, viz., the dollar component of the Tata Scheme that is not yet definitely known, and it will not be known until the global tenders are issued and a final decision is taken about the choice of plant and equipment. If the purchase is to be effected from different currency areas, as may still be the case, the World Bank and not the Export-Import Bank will be the appropriate institution to provide the accommodation. For, while the World Bank

loans are available in different currencies, the Export-Import Bank normally confines itself to dollar loans and dollar loans that are specifically required for, if not tied up with, export sales of American equipments. The Export-Import Bank supplements and sometimes supplants the dollar credits that may be necessary to effect export sales of US manufacturers. Export credits necessary to effect sales are sometimes shared between the Export-Import Bank and American suppliers of equipment. The question of finalisation of the deal therefore will not arise until the results of the global tenders are known and selection of equipment has been completed. When that is done, the Tata Mission may have to be back in New York to finalise the deal but it will be some months before it in a position to do so.

Going, Going, Gone

GOA is an integral part of India. Culturally and socially, Goans are no different from the people of India. Of the total population of 6,38,000 in the Portuguese enclave in 1951, all but 1438 persons were purely of Indian origin. They are hardly distinguishable in language, customs and manners from the people across the border. True a large proportion of them, but not the majority, are Catholics but there are many Catholics in India also and they are no less Indian because of their religion. The issue is not one of religion. Goans have not been taken in by the propaganda that integration with India will mean that they would be swallowed up by the neighbouring State where Morarjibhai will impose his morals on them. For Goans have been assured repeatedly by the Government of India that their religion, customs and language will be respected and protected. They do not doubt these assurances.

But who will bring about this integration, the Goans themselves, the people of India or the Government of India? Of course, all three. To pose the question in this form is to suggest deliberately a division into a water-tight compartment that is not only unreal and irrational but positively mischievous. The resolution passed by the Congress Working Committee last week which says that "while everyone in India is naturally and deeply interested in the freedom of Goa from foreign control, it is principally for the Goans themselves to carry on the struggle

through peaceful methods," is therefore to be interpreted only as a counsel for moderation. That the Working Committee had to pass such a resolution shows how strong is the feeling in India on this issue. It has not been possible for the Government of India to ignore this feeling altogether. Hence, as Pandit Nehru explained so lucidly in the Lok Sabha, Government was forced to relent.

The movement inside Goa has been helped and the hold of the Portuguese authorities steadily undermined, by the repercussions of the folly of the Portuguese rulers. Readers may be referred to the article "Goa's Changed Economy" which appeared in this paper in the issue of July 9, in which the changed economic situation was described in some detail. Entirely dependent on India for its essential imports, Goa is now trying to get these imports, after the stoppage of trade with India by re-export from Ceylon and Pakistan and such ports as Aden and Singapore. This is a costly process. Goans themselves, however, are determined that India's neighbours should not be parties to the perpetuation of colonialism on Asian soil and the National Congress (Goa) has planned to send delegations to Ceylon and Pakistan shortly to seek the co-operation of the Governments of these countries and make them withdraw their indirect support to continued Portuguese occupation of Goa. The contraband trade with India which had once been a major source of income, shrank drastically after the tightening up of the customs barrier, though Goans still complain that the check on the Indian side is not as effective as it could be.

Since Portugal refuses even to discuss the Goa situation, the Government of India has decided that the continued existence of the Portuguese Legation in Delhi no longer serves any useful purpose and has finally intimated that the Legation should be closed by the 8th of August. The railway link with Goa has also been stopped, because the Portuguese authorities did not respond to the request made by the Government of India either to remove interference to the track or give an assurance that there was no danger to traffic between India and Mormugao. Meanwhile, reports of Portuguese atrocities keep pouring in and attempts by the Government of India to make the people listen to its counsel of moderation become increasingly difficult.

Atomic Energy Now Open To All

THE International Conference on Peaceful Uses of Atomic Energy which is to be held in August under the auspices of the United Nations will be a unique gathering in many ways. It will be for the first time that atomic scientists from USA and USSR will discuss common problems and inter-change opinion and technical data on so vital a subject as the utilisation of atomic energy. The principal countries represented at this Conference will be besides USA and USSR, Britain, France, Norway, Sweden, Denmark, Czechoslovakia, Canada, Brazil, Israel and India. A large number of papers will be presented, and the maximum number will come of course from USA and USSR. India is also sending a big delegation to this Conference. Her contribution has been mainly in the field of chemical research on the utilisation and enrichment of low grade fissionable material as also in improvement on standard methods in these spheres, but not in the applied field.

The preliminary arrangements for the Conference were worked out at a preparatory meeting of representatives of US, Canada, UK, France, India, Russia and Brazil which was held in New York on January 17 early this year. The activities of the Conference will fall into three principal sections. The first section will deal with the general problems on Reactor Technology, which is of crucial importance for the development of nuclear power. The second section will cover the vast field of application of atomic energy in medicine, biology, agriculture and industry. The third will deal with the fundamental problems in atomic energy research. In short, this conference will embrace every aspect of application of atomic energy for peaceful purposes.

Exchange of Information

An outcome of the conference will be sharing of valuable information regarding the technological difficulties involved in utilizing power from a power reactor. Though fifty or more atomic reactors have been set up in different countries, until now no hopeful results have been obtained in extracting power from them. The most difficult technological problem to be overcome for proper utilization of power from a reactor is the effective rate of heat removal by the cooling system i.e.

the efficiency of the reactor. For power production to be economic, higher the temperature at which heat can be generated the better. But in case of nuclear power, the temperature one encounters is of the order of a million degrees: this is far above the melting point for any cooling system we can use in the heat-exchanger!

The Calder Hall atomic power station in Cumberland, England, now nearing completion, is probably the first successful attempt to utilize atomic energy on a large scale for the production of electrical power. At present most of the information regarding high-powered reactors is "classified" i.e., top secret; it is only in the case of low-power research reactors that publication of data is somewhat free. Although the majority of the scientists attending this conference will be interested in the various fields in which atomic energy is successfully utilized, there is little doubt that the main interest will be in the power reactor.

Wide Field of Application

Though the maximum use of nuclear energy will be as a source of energy, it is worthwhile mentioning the various fields in which atomic energy has been found to have tremendous potentialities:

- Biology: the influence of ionizing radiations on animal organism.
- The new field of Radiation Ecology.
- Application of radio-active isotopes in technology and industries.
- Use of radio-isotopes as tracers to the study of the mechanism of chemical reactions.
- Localization of tumors by radio-active isotopes.
- Utilization of radio-isotopes for therapy of hyper-thyroidism.
- Neutron capture therapy of cancer.
- Studies of the metabolism of different bacilli of communicable diseases.
- Utilization of radio-isotope in metallurgy; study of steel production process.

Nuclear Exhibition

A full-fledged Nuclear Exhibition covering almost the entire field will

be sponsored at the library wing of the Palais de Nations where the conference will be held. An operating research reactor will be demonstrated by the US. Over 60 US firms have indicated that they will have exhibits of equipment and services at the conference. The main idea of building this reactor by the US is to show what other countries can accomplish, if the fuel is supplied from the general international pool of atomic resources. The highly technical exhibits will not be limited only to small-scale models. About two-thirds of the Palais de Nations exhibition will be devoted to reactor technology: the rest will be divided up into instrumentations and isotope applications. In each case, it is expected, the actual operation will be demonstrated, and not just depicted.

Progress in Britain

The holding of the conference provides an occasion for a survey of atomic development in different countries. The Economist has done just that, in a supplement from which some of the important findings are given below.

Britain has made substantial progress in both directions of production of atomic fuels with an eye to future exports and the utilization of atomic energy for industrial and other purposes. Prospects of Britain emerging as a substantial exporter of atomic fuels, however, are remote, if United States seriously wants to enter the field, since American investment in atom piles has been enormous and if it comes to that, she can export at give-away prices. In the development of commercial atomic power, Britain is now entering the first stage of providing atomic power stations of comparative low thermal efficiency. These low power plants will be able to sell electricity at a price comparable with that of power from coal fired stations. There is, however, an arbitrary element in their costs, for the reactors from which these stations will draw their heat will also produce plutonium as a by-product and much will depend on the price that this by-product will fetch. Atomic power stations of high thermal efficiency which would be producing electricity at a cost that is expected to be truly competitive with the cost of power from coal-fired stations is still far away, though recent research has brought this second stage

several years closer to realisation. For the present, only low power stations being within the realm of possibility, the economic criterion is one of the comparative cost of getting additional marginal supplies of conventional fuels to meet the rising demand for energy and that of producing power in atomic plants. Because the marginal cost of coal is rising in Britain as well as other countries of Western Europe, cost considerations also favour atomic development.

That is why the power station at Calder Hall, now nearing completion, has been attracting so much attention. Its efficiency will be low, because of the unsolved problem of heat utilisation. The station consists of two reactors fuelled by chain-reaction process. The reactors will be cooled by gases which will raise steam in boilers of conventional designs and the steam will drive turbines of 60,000 kw. capacity. Commercial versions of this type of atomic power stations will be of 100,000 to 200,000 kw. capacity; eventually it will be possible to build plants of 500,000 kw. capacity, equivalent to that of modern coal-fired stations.

In the initial stage capital cost of atom generated electrically is likely to approach £200 per kw but the operating cost has been estimated at 0.6d. a unit, the same as in the case of coal-fired stations, after crediting the station with the value of plutonium produced in it as a by-product. For the present, the Central Electric Authority will get from the Atomic Energy Authority in Britain a fantastic price for this by-product in the power stations that the CEA intends to build. The cost of generation will fall as efficiency improves. Disposal of plutonium, therefore, and the price it is likely to fetch, are of crucial importance to the economics of atomic development in UK.

The growing difficulty and the increasing cost of getting more coal have influenced the Government to sanction a 10 year investment programme for atomic power in Britain which was announced early this year. A sum of £300 million is to be spent on 12 atomic power stations which will provide between 1½ and 2 million kw of capacity; installed electricity capacity, to put this figure in perspective, is 21 million kw. Construction of the first two stations is to start in 1957, and of the second pair in 1958-59. These four stations will be of the early

"thermal" type with a combined capacity of 400,000 to 800,000 kw. Later reactors will be built to later designs, although none of them is likely to be a "breeder." When they are built, the atomic stations should be producing electricity equivalent to the output of power stations using 5 to 6 million tons of coal. In the following ten years it is hoped to instal between 10 million and 15 million kw of atomic power capacity out of a probable total installed capacity of 55 to 60 million kw, bringing atomic power output to an annual equivalent of 40 million tons of coal.

France Foremost in West Europe

Among the countries of Western Europe, France has gone further in atomic research than any other. A research reactor was built at Chatillon in 1948, and a second pile followed at Saclay. During the same period France set up a chemical factory for the production of uranium metal and for the specially pure graphite needed for the construction of reactors. France, incidentally, has extended the closest co-operation to India in the matter of atomic studies. A Five Year Plan was launched in 1952, but this was found too modest and has been replaced by a new plan that will run to the end of 1957. Large sums had been set aside to finance this plan; a third is to be used for the extraction and preparation of uranium and thorium metals and heavy water; one-fifth for a prototype for submarine propulsion; and another third for a new atomic centre at Marcoule, near Avignon. The construction of Marcoule marks a turning point. It will be France's first full-sized atom plant, and will have two reactors producing between them about 100 kilos of plutonium, and generating about 55,000 kw of electricity. The first reactor should be completed by mid-1956. Its capacity will be only 5,000 kw, but when the second pile is finished in 1957, two 25,000 kw generators will be installed.

The plutonium from Marcoule is of greater immediate importance to France than the marginal amounts of electricity. France is a heavy importer of coal, and is therefore anxious to develop atomic energy as a supplementary source of fuel, especially in districts that are heavily populated and under industrialised. Thus without regard to any eventual decision to produce atomic weapons, France must have a concentrated

fuel like plutonium to develop improved types of reactors.

Economic Incentives for Soviet Atomic Development

Apart from any strategic considerations, Soviet Russia has also an economic incentive to develop atomic power. Distances are vast and costs high; this has prevented industrial development in areas without local fuel resources. The demands of South Eastern Europe and of China must also be an important consideration. Figures of investment in atomic development, however, are not obtainable though lately the secrecy so far observed in regard to the technical problems of development is being slowly lifted and it will not be surprising if Soviet scientists present a very large number of papers at the Geneva Conference. For the first time at a recent session of the Soviet Academy of Sciences several papers were read on reactor design, as well as on the use of radium isotopes and the progress of pure research.

The Soviet authorities announced last year that the first atomic power station with a net capacity of 5,000 kW had been commissioned. This is of course on a laboratory scale, but stations with a capacity of 50,000 to 100,000 kW are now reported to be under construction. Earlier this year, Soviet Russia signed technical aid agreements with the East European countries and with China by which it is to supply these countries with experimental atomic piles and research equipments, to provide free technical information and to supply the necessary fissile material for reactors and radio-active isotopes. At Geneva last week, Marshall Bulganin promised to contribute atomic fuel to the international pool proposed by President Eisenhower. It was also officially announced in China that an atomic power station would be built there with Soviet help.

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West Bengal's Second Plan

Dr B C Roy, West Bengal's Chief Minister, has produced his Plan-frame for his State. It is, Dr B C Roy emphasises, different from the Mahalanobis Plan-frame. He has not said so, but he implies that the only thing common to the two Plan-frames is the magnitude involved. Figures show that his Plan-frame is as ambitious as the Mahalanobis Plan-frame. But this is an aspect which Dr B C Roy is not interested in emphasising. He is more interested in stressing the differences between West Bengal's second Five-Year Plan and the Mahalanobis Plan-frame.

At a Press Conference, Dr B C Roy discussed his Plan-frame. He was provocative in his marginal comments on his Plan-frame. He is not in disagreement with the fundamental assumption of the Mahalanobis Plan-frame that employment should be the main objective of the Second Five-Year Plan. His main argument is that the Mahalanobis Plan-frame, with its exaggerated emphasis on small-scale village industries, cannot attain the objective, but his Plan-frame can. This is the major issue in dispute between Dr B C Roy and Prof. Mahalanobis.

Medium-sized Industries

Dr B C Roy argues that small-scale and household industries may give additional employment to the under-employed, but cannot create new jobs. This is an over-simplification of the Mahalanobis Plan-frame. But there is something in this argument. Dr B C Roy is a realist. So, to ensure employment, he envisages development of new medium-sized industries. West Bengal's expenditure in the public sector in the next five years is estimated to provide employment to 450,000 persons. Dr B C Roy's Plan-frame does not ignore small-scale industries. But it lays emphasis on the expansion and creation of new medium-sized industries to provide employment.

Employment is the main, but not the only, consideration for stressing the importance of medium-sized industries. Dr B C Roy is in favour of encouraging these industries to maintain as well as to improve the level of consumption. This raises another issue in dispute be-

tween Dr B C Roy and Prof Mahalanobis. Both the Mahalanobis Plan-frame and the tentative frame-work for the second Plan rely on small-scale industries to provide supplies of consumer goods. Dr B C Roy's criticism that the Mahalanobis Plan-frame ignores consumption is not correct. But he is on firmer ground in his criticism that small-scale industries are not capable of supplying the various kinds of consumer goods which the people, under conditions of full employment, as envisaged in the Plan-frame, are likely to demand.

There is another point on which Dr Roy differs from Prof Mahalanobis. In common with the Mathai Commission, Prof Mahalanobis assumes that resources can be mobilised further through taxation. Both are agreed that there is scope for further taxation of many essential goods and commodities. Even those who favour a substantial increase in indirect taxation of luxury goods will endorse Dr B C Roy's objections to any increase in taxation of essential commodities and consumer goods.

This is a dilemma which the Planning Commission will have to solve somehow. One need not have to endorse Dr B C Roy's uncharitable comment on the "statistical-mechanical" approach to the problem of resources to accept the West Bengal Chief Minister's stand against any undue reliance on indirect taxation of essential goods. It was Shri Chintaman Deshmukh who popularised the idea of indirect taxation in an under-developed economy like India. But it is a concept which has certain obvious limitations. If, for instance, it is a question of reimposing the salt tax or abolishing prohibition, one would unhesitatingly vote for the latter, with substantial increases in both import and excise duties on spirits, as a better alternative to taxing the poor man's salt in a tropical country like India.

Voluntary Contribution

One of the criticisms of Dr B C Roy against the Mahalanobis Plan-frame is that it does not indicate the sources from which money will flow to finance the targets. There are gaps in the resources budget in Dr B C Roy's Plan-frame, though it is not altogether silent on the

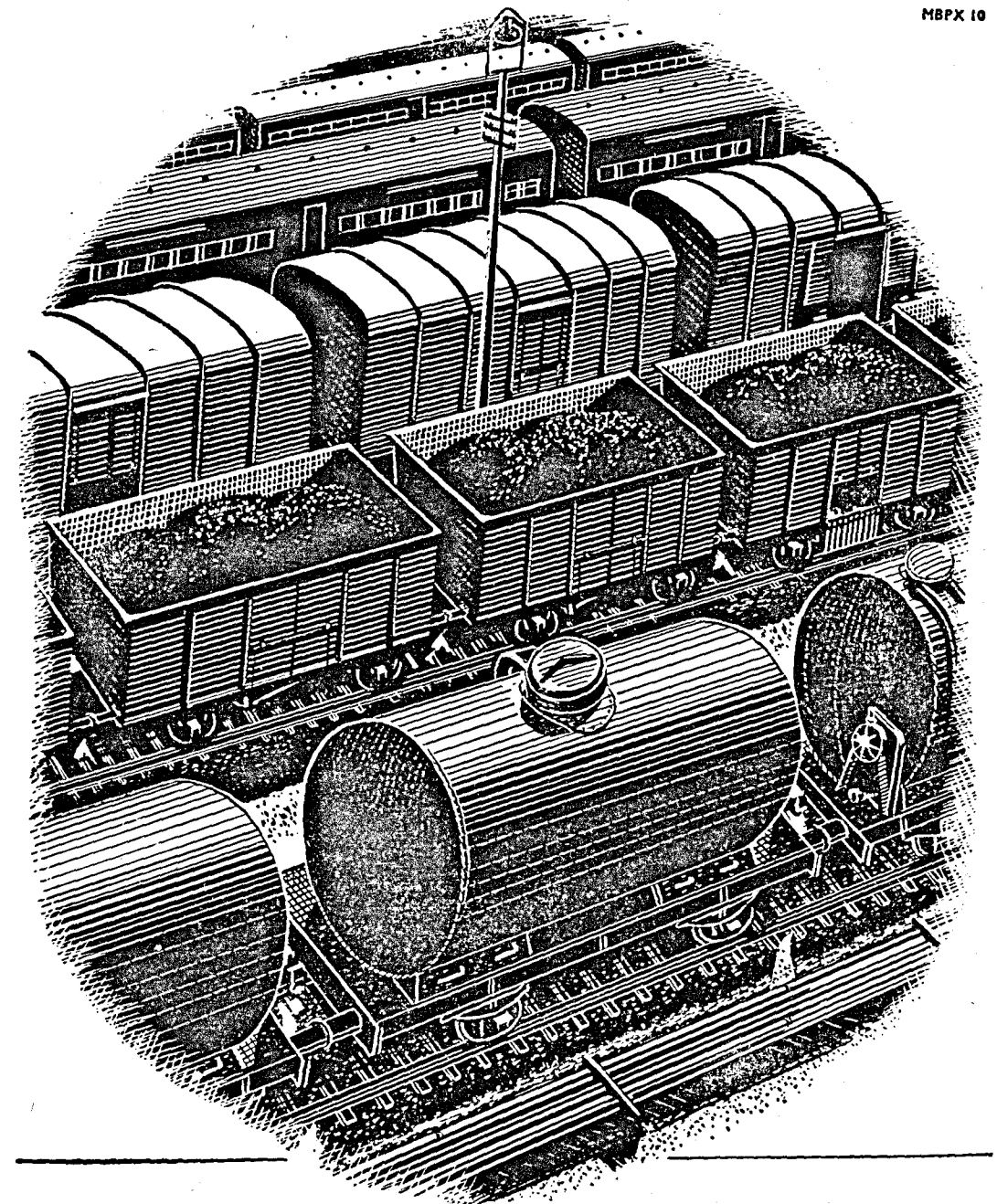
sources of finance. An interesting item on the receipts side is that of voluntary contribution in cash or kind. Such contributions are estimated at Rs 30 crores. Dr B C Roy explains that the experience during the First Five-Year Plan justifies his estimate of voluntary contributions for the second Plan. He admits that voluntary contribution means and involves self-inflicted taxation.

Some of the new features of the second Plan for this State explain partly the Chief Minister's estimated target for voluntary contribution. Housing and township, community development projects and national extension service will receive priorities under the second Plan. These projects will be executed mostly in rural areas. For such local works and projects, Dr B C Roy expects that voluntary contribution in cash or kind will be forthcoming. Informed opinion is inclined to the view that he may not be far wrong in his estimate of voluntary contributions for the second Plan.

Dr B C Roy is critical of the Mahalanobis Plan-frame. But West Bengal's Chief Minister emphasised more than once that his Plan-frame has a pronounced rural bias. This is what he calls planning from below. In his detailed explanation of his estimate for voluntary contributions, he adds that, under the State's second Plan, the amount to be spent on works in rural areas would be as much as Rs 124 crores. This State's second Plan is estimated to cost Rs 265 crores. Aid from the Centre is estimated at Rs 115 crores. Internal resources of the State are estimated at Rs. 148 crores. Excluding the budget deficits during the second Plan, the net internal resources come up to Rs 90 crores. Thus, the Plan-frame assumes a gap of Rs. 60 crores.

In order to implement the second Plan, West Bengal will need 780,000 tons of cement, 44,000 tons of steel, 353,000 tons of coal, Rs 2.48 crores' worth of tools and plant and 128,000 wagons. Dr B C Roy's Plan-frame, estimated to cost Rs 265 crores, does not include expenditure on relief and rehabilitation estimated at Rs 113 crores. It also excludes

(Continued on page 916)



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Asian Trade Union College

I HAVE read with very great interest the review of the Report of the College in your issue of 2nd July. While I am grateful to you for the interest you have taken in the Report, I feel that one or two paragraphs of the review are likely to create wrong impressions in the minds of your readers about the work of the ICFTU in Asia.

The review starts with the words "the increasing interest of the ICFTU in Asian affairs is in conformity with the growing influence of international communism in Asia". The reviewer goes further and suggests that the main reason for the interest of the ICFTU and Western Trade Unions in Asia is to check trade unions in this region from falling a prey to communism. It is, of course, true that ICFTU rejects all forms of totalitarianism—whether of the right or of the left. But its aims are really positive viz. to help the workers to develop and strengthen their own organisations and to secure decent standards of living and better conditions of work. The ICFTU as a free international trade union movement has always emphasised the imperative need for co-ordinated international action designed to assist economically underdeveloped countries in their economic and social development. And, therefore, while presenting the point of view of the free trade union movement in its statements before the specialised agencies of the UN e.g. ECOSOC, UNESCO, ILO, ECAFE etc., it has repeatedly stressed the above stand-point. The ICFTU has also been urging the creation of a Special United Nations Fund for Economic Development.

Mere economic development, however, is not enough. The economic development of a totalitarian variety may not raise with it the living standards of the people to the desirable extent. To ensure that the fruits of economic development would be shared by the mass of the people and reflected in their living standards, it is essential that strong and democratic organisations like trade unions should exist. You would, therefore, appreciate that when the ICFTU starts a programme of trade union education to help develop and strengthen the democratic trade unions in Asia it is not thinking of any "short cuts". It is trying to

create conditions under which alone a healthy economic development is possible.

The ICFTU Mission to Asia which visited fourteen countries in this region in 1950 was pressed by the trade union movement of nearly every Asian country it visited, to make provision of adequate facilities for trade union education and the College was founded in response to the need expressed by these movements. As your reviewer himself says the aim of the College is "to equip the workers to carry on the organisational work in their own countries with a greater consciousness and efficiency and also to train cadres of workers to organise local educational programmes in their respective countries". Hardly anyone would say that this is a "short cut". In fact the criticism is that this would take a very long time. However, that need not be discussed here.

Your reviewer has also mentioned towards the end of his note that no statement of income and expenditure has been given in the Report. However, the source of funds has been clearly stated on page 4 of the Re-

port. The statements of income and expenditure of the College are incorporated in the accounts of the ICFTU which are published and supplied to its affiliates at the time of its world congress. The College is being financed out of the contributions of the trade unions of the world to the special fund raised by the ICFTU for regional activities. To this fund every member of the affiliated organisations of the ICFTU has contributed an equivalent of Annas -[2]-. The Asian Trade Union College is thus a truly democratic project of the workers, for the workers and by the workers. At the same time it is symbolic of the international solidarity of the free trade union movement, since through it the workers of the West register their solidarity in a common struggle with the workers of the East.

I would be grateful if you could publish this letter in your esteemed weekly.

V S Mathur

ICFTU Director of Education for Asia

Asian Trade Union College,
New Alipore, Calcutta 33
July 25, 1955.



Commercialization of African Tribals

East Africa Royal Commission 1953-55 Report: Her Majesty's Stationery Office, London. Pages 482—Price 17/6.

Reviewed by G Raghava Rao

THE Report of the Royal Commission on East Africa is of great interest not only to the people of East Africa but also to others in other underdeveloped countries and tribal regions. It is of special interest to India because of the large number of Indians who have settled in East Africa. The Commission criticises reservation of land on racial basis, recommends planning of economic development in pastoral regions, advocates individual as against communal ownership and stresses the necessity of non-Africans in developing Africa. With an ex-Governor from India, Sir Hugh Dow as its Chairman, the Commission had on it a number of economists. Prof. S. H. Frankel, Prof. D. T. Jack, Mr. A. Gaitskell, Mr. R. S. Hudson, Chief Kidaha Makwaia and Mr. F. Sykes were the members of the Commission.

The Commission was asked to "examine the measures necessary to be taken to achieve an improved standard of living, including the introduction of capital to enable peasant farming to develop and expand production, and frame recommendations thereon with particular reference to:

"(1) the economic development of the land already in occupation by the introduction of better farming methods;

"(2) the adaptation of modifications in traditional tribal systems of tenure necessary for the full development of the land;

"(3) the opening for cultivation and settlement of land at present not fully used;

"(4) the development and siting of industrial activities;

"(5) Conditions of employment in industry, commerce, mining and plantation agriculture with special reference to social conditions and the growth of large urban populations; and

"(6) the social problems which arise from the growth of permanent urban and industrial populations".

Before examining the report, it is necessary to explain the background. East Africa has an area of 646,476 sq. miles and is made up of Kenya Colony and Protectorate, Uganda Protectorate and Tanganyika Trust Territory. According to the latest census, its population was 117.6 million Africans, 222,215 Asians and 43,756 Europeans. The net geographical product of East Africa was £313.8 millions in 1951 (Kenya £104.6 millions, Uganda £107.2 millions and Tanganyika £102 millions). The per capita income of the Africans is much less than is suggested by these figures. Their capacity to save and invest in productive enterprises is practically nil as Africans have only a sort of subsistence economy. Some are in a pastoral stage, while some are in an agricultural stage. For their religious and social functions, a large number of cattle is essential. Till recently, Africans counted their wealth in terms of cattle.

Most of them own land not as individuals but as tribes. Every member of the tribe is assured a piece of land and therefore no one is a landless agricultural labourer. There was also no such thing as agricultural indebtedness. But African agriculture is primitive. Certain areas are reserved for the Africans and land cannot be cultivated extensively in such reserves for many years. Africans have begun to feel keenly that some more land should be made available to them. Europeans also are engaged in agriculture. Their technique of agricultural production is up to date. Their farming is commercialised as far as possible. Areas reserved for them are too extensive to cultivate. The conditions of the Asians, most of whom are of Indian origin, are quite different. Many of them are engaged in trade and professions, but few carry on agriculture. Those who do, have large farms and cultivate them efficiently. It can be said that most of the area under sugar cane is owned by Indians. There are also some

Indians who want to purchase agricultural land, but suitable land is not available to them. The most pressing problem of East Africa is effective use and distribution of land. The situation is aggravated by racial and political differences.

The report begins with an exposition of basic factors like natural resources, population, poverty and security. The popular notion that the African population has been increasing at 2% per annum, the Commission finds, cannot be established from statistical data. Land hunger of the Africans has, therefore, to be attributed chiefly to an awakening among them for improving their economic condition and to their old ideas of ownership of extensive lands. The Commission, however, did not go deep into the natural growth of the Indian population. Accepting Mr. C. J. Martin's estimates of the rate of natural increase, it presumes that the Indian population would double itself in 28 years. The presumption, however, is questionable since a large number of births among Indians is not registered even within one year of their occurrence and no sample survey of Indian fertility has been conducted. When the data are so inadequate, the Commission should have refrained from making any such statement. It is emphatic, however, in its belief that "a growing population will be an advantage, and may well be a prerequisite for the full use of its resources on modern lines" (p. 40) and yet, the Commission recommends that advise on birth control based on modern medical knowledge should be made available to Africans who desire it! To those who have some knowledge of the difficulties in popularising contraception even among educated persons in India will find it amusing that contraceptives should be recommended for people who are still in a tribal stage and in a subsistence economy.

The report then goes on to the conditions for economic and social development—marketing and distributive system, capital, investment

and financial policy, credit for Africans, manufacturing industries, mining, transport, water development, immigration, African Labour, health, education, statistics, and social and economic co-operation. The keynote is that "even now the African populations possess neither the resources nor the knowledge which could replace the capital and the knowledge which have been responsible for the economic development of recent years, and it is still true that the maintenance of that development and indeed the promotion of new development will depend upon the continued availability of external capital and enterprises". (p. 78) Europeans and Indians played a significant role in the economic development of East Africa. In spite of their political fears, suspicions and differences with non-Africans, Africans would do well to bear in mind that without foreign capital and technical advice, whether Asian, European, or American, they cannot progress rapidly. The real income of the Africans is barely sufficient for physical subsistence and a drive for compulsory savings will not yield any significant part of the capital required to develop the country. The Commission feels that the present policy of Government does not encourage immigration and, therefore, recommends a review of immigration ordinances and regulations. It suggests African enterprises engaging non-Africans either on a temporary contract or on a more permanent basis. Chastened by the experience of the East African Groundnut Scheme, the economists hasten back to Adam Smith. "We think it important that the resources which these Governments can command, should be concentrated on the provision of basic services and not dissipated in the promotion of speculative enterprises which would not otherwise be undertaken". (p. 110). The Commission is also against creating monopolies. The report, however, does not estimate the amount of capital required for industrialising the territories and to bring them to a certain stage of development.

A part of the report is devoted to the conditions for urban development—development of towns, housing, administration and finance.

Indians are not allotted adequate space in urban areas to construct houses with spacious enclosures. The Commission recommends that

all urban plots should be disposed of by public auction. If this recommendation is accepted, some Indians will be able to build houses with a spacious compound. Africans build some residential structures on the outskirts of towns on customary tenure. They have no security, and are evicted when the township is extended. Hence they are debarred from raising good buildings. They have little say in the administration of urban areas. The Commission recommends that Africans should be given clear and negotiable titles to their residential lands. In respect of the Africans who cannot afford to raise buildings according to the prescribed high standards and in respect of those who have no experience of urban life, the Commission recommends that "the urban areas should be divided into a number of zones and that building standards in the lowest zones should be virtually unregulated." (p. 249)

The most important part of the report, however, is the one which deals with the conditions for the development of land. Rainfall which is essential for agriculture has been studied in great detail. All areas with more than 30 inches rainfall have been separated from others with lower rainfall. After assessing the extent of land which can be irrigated, the interests of the pastoral communities are examined. Overstocking in places adjoining water holes leads to a loss of grazing cover and to springs drying up. The result is soil erosion. The Masai tribesmen cut and destroy vegetation. The situation is aggravated by excessive increase in livestock. Destocking, despite the hardships it may cause, is the obvious solution. Cattle ranching on commercial lines is possible in areas of adequate water supply. The advantages of individual grazing rights over communal grazing rights are discussed. A listed quota of cattle for each member of a tribe, the Commission thinks, will be preferable to a quota for the entire tribe. In areas where bush is cleared and tsetsefly eradicated, individual ranches may be profitable and it is suggested that African cattle ranching can be developed without much capital "out of income from animal reproduction and human work," if it is "ploughed back into the ranch gradually to increase the fencing and water and

improve the quality of stock" (p. 300). This was how European ranches were developed, without much capital. Surplus stock can be disposed of by encouraging consumption of meat and increasing marketing facilities. Pastoral tribes should be made to work upon an increase of their livestock as a bumper cash crop. In this connection the veterinary department can play a significant role by improving the health and breed of livestock.

The next topic of interest is that of cultivating communities. These communities, it is emphasised, should concentrate on "land use" instead of "land owning". For raising commercial crops with a long term programme, African peasants should have stability of ownership of land, which is absent under tribal tenure. In suitable areas adjoining those where Europeans grow tea, Africans should be encouraged to grow tea and to sell the leaf to European factories to start with and eventually to establish their own tea processing factories on co-operative basis.

Individualization is the panacea suggested by the Royal Commission for all the ills arising from the defects in the present agricultural system. The community has to be persuaded, says the report, that "the continuation of traditions designed to preserve a clan or tribal security are now leading to a dangerous dead-end and that the road to a higher standard of living for all lies in giving security to the individual stable unit". (p.323) Individualism develops a sense of responsibility. Indebtedness of an unproductive type, of course, arises out of individualism. Individualism is not free from defects. The tribe as a unit also can incur unproductive debts in cash or kind. The efficiency of the tribal organisation depends upon the intelligence and behaviour of the tribal chief and his descendants. But no bank lends money to tribes and there has been no such thing as indebtedness. The Commission suggests certain safeguards in respect of mortgaging land and recovery of debts from African peasants, but it has not explored the possibilities of developing a co-operative organisation out of the tribal organisation. The end of the tribal system is spelt thus: "There is, however, the great human difficulty that nobody may care for the common property, and a com-

munal system which permits the individual to run an unlimited number of stock on the common ground, and treats individual cultivation areas as common grazing ground when the crops have been removed, runs counter to these technical requirements and is agriculturally unproductive" (p. 324). Limitations of mechanization in crowded areas with small plots of individuals are discussed. Among tribes living in wider open spaces, mechanization is possible if individuals are persuaded to adjust the layouts of their farms.

The final part of the report deals with race relations. It is recommended that Africans should be admitted into non-African societies and that they should be taken up on the management of non-African industrial and commercial establishments. Multi-racial commercial concerns are advocated and Europeans are asked to take African tenants and pupil farmers. No thought, however, is given to the development of small scale and cottage industries, which can keep the African peasant busy in slack seasons. In no country peasants raising cereal crops are busy throughout the year and they need some additional employment. The most serious omission in the report, however, is that of the Mau Mau movement. True, it was outside the terms of reference of the Commission, but no progress in East Africa is conceivable as long as the Mau Mau movement continues.

To an Indian reader, the report is disappointing in that it gives no indication of the lines along which Indians in East Africa can better their economic conditions and contribute towards the development of the country of their adoption. The report, however, is silent about the Europeans also, in so far as these problems are concerned. The reason is that the Commission does not believe in a racial treatment of the problem of development. The Indians in East Africa do not want concessions, facilities and privileges which are not available to the Africans and the Europeans. What the Indians want is equal opportunities which they do not have to-day. The Commission did not assure the Indians unambiguously on this point, nor did it say what incentives there should be for the participation of Indians in the development of East Africa.

Hind Cycles Limited

Speech of the Chairman Shri R D Birla

THE following is the text of the speech delivered by Shri R D Birla, Chairman, at the Fifteenth Annual General Meeting of the company held on Monday, July 25, 1955:—Gentlemen,

The Directors' Report and the Statement of Accounts for the year ended December, 1954, has been with you.

The results of the last year's working are satisfactory. Production increased to 1,30,000 bicycles. As mentioned in the report, your Directors have decided to increase the production capacity of the factory. Machinery has been ordered and is in the course of shipment. Extension of the building necessary for increased production is nearly completed. The additional plant includes a Semi-Automatic Conveyor Plating Equipment and a very modern Polishing Plant. Both these plants are due to arrive here by October, 1955, and your Directors hope to complete the erection of all the new machinery and start production on increased basis early next year. When the new plants thus come into operation, the production capacity of the Factory will be raised to little more than two lakhs bicycles per year. Looking to the shipment position of various plants and machinery ordered, your Directors feel confident of achieving production of two lakhs bicycles by the end of the year 1956.

Production of Chains

Production of chains is well in hand, and we are now operating the plant fully. Our chains have been marketed. Your Directors will consider the question of expanding production of chains in future in light of the circumstances, such as, expansion of the consuming market, its reaction and the shape of the Government policy with regard to important questions, like imports, etc.

Progress in the Bicycle Industry

Our country is on the eve of entering the second five-year plan. Progress in the Cycle Industry during the first five-year plan is striking. As against the production of a little more than a lakh of bicycles in 1949-50, production in 1954 was 3,72,000 bicycles and is expected to

be around five lakhs in 1955. This increase in production was mainly due to increased production by your Factory by about 40% and establishment of factories in India by well-known British firms, like Hercules and Raleigh in our country. The other notable feature of the progress in the Bicycle Industry is that India now manufactures all the parts and components in the country, including chains, freewheels, rims, hubs, etc. and even steel tubes to a certain extent. Thus, except for some special raw material, India is self-sufficient so far as the type and number of components are concerned.

Plan Targets for Bicycles

In the Second Five-Year Plan, the target of production in 1961 for bicycles is understood to be in the neighbourhood of twelve lakhs bicycles. The consumption of bicycles till 1955 has been estimated by the Tariff Commission as five lakhs, and compared to this figure, the target for the next Five-Year period is increased by 2½ times. I feel that if the road construction programme of the Government of India is implemented, the programme for bicycle production and consumption may be fulfilled.

Labour Relations and Wage Level

Your Directors are glad to report that so far the relations of labour and management are happy. System of Works Committee composed of representatives of workers freely elected has worked successfully and most of the questions are settled amicably. Average earning of daily paid labour in your Factory is one of the highest in the country, and the Management is proud of it; but this high wage level combined with the fact that we have to manufacture almost all the parts under one roof, unlike any other Factory either in the West or in India, result in a comparatively high cost of production, and I hope that the labour would realise that this state of affairs can only continue till the time we can stand in competition with other Manufacturers, and that labour will also appreciate that our method of production on self-sufficiency puts us to a disadvantage compared to other units who have varying quantity of imported parts in their bicycle.

Pak Afghan Differences

S R Tikekar

IN spite of serious and sincere efforts by other Islamic powers, the Pak-Afghan differences have not yet been amicably settled. Without waiting for a final decision, the Pakistan Government has annexed the Tribal Territory and thus added more fuel to the already burning fire of mutual discontent.

Those familiar with the problems of the North-Western Frontier of India of old know full well the significance of the Tribal Territory and they alone can appreciate the risk involved in thus annexing this territory to Pakistan. For decades past, the hilly tract between the Durand Line and the Indian frontier on the Afghan side, was a sort of No Man's Land. The Pathan tribesmen who inhabited it were independent in more senses than one and neither the Afghan nor the Indian Government had any legal right over them. When by a stroke of pen, the Pakistan Governor-General annexes this territory, one can only admire his boldness and wish for the best.

Pakistan as Successor to British Government.

When Pakistan was ushered into existence and the British power withdrew from India in 1947, the relations of the newly-born state with Afghanistan had not been clearly defined. A change in government naturally allows room for redrawing the mutual boundaries or for affirming old relations. India's relations with Tibet, Nepal, Bhutan and Burma are instances in point. In every case, the matter had to be considered afresh and without harping on the old order, a realistic view was taken of the conditions prevailing. In the case of Pakistan and Afghanistan, nothing of the sort was done. As successor to the British Government in India, Pakistan insists that her relations with Afghanistan should continue to be what they had been under the old regime. Even for maintaining the status quo, mutual agreement is necessary. No relationship can be imposed against the wish of either party. What Pakistan wants to assert is, that she is the successor to all the rights and privileges enjoyed by the previous British Indian Government.

As a matter of fact, the British

had hardly any rights which could be passed on to the legal and rightful successor. Fresh negotiations had been made with every new ruler who came to the throne of Kabul and the mutual relations were affirmed, always in the personal capacity of the Amir on the one hand and the British Government on the other. What rights could the British then have when so much water has flowed down the Kabul river all these years?

Moreover, the Afghan War of Independence (= the third Anglo-Afghan War of 1919) freed Afghanistan from the British control. The resulting treaty could not satisfy King Amanullah, probably because the latter was not well versed in diplomatic parlance. Amanullah wrote to the British Plenipotentiary, who was negotiating, seeking clarification. Sir Hamilton Grant, being the perfect gentleman that he was, gave an assurance that the treaty left "Afghanistan officially free and independent in its internal and external affairs," adding that the third Afghan War had cancelled all previous treaties.

On the Afghan Side

This is not all. There were abdications and regicides on the Afghan side and a complete change of administration on the Indian-Pakistan side. Amanullah could not remain on the throne for long to enjoy the freedom he had won for his country and his people. He had to abdicate and the son of a water-carrier soon succeeded him. The wheel of the Afghan fortune was moving so swiftly that Bachha too had to pay the penalty with his life and Nadir Shah became the founder of a new ruling family. His son is now occupying the Afghan throne in Kabul. With so many revolutions in Afghanistan and a unique peaceful revolution in India, what remains of the transferable rights and privileges enjoyed by the British once upon a time?

Much is said of the Durand Line as an international frontier. It was agreed to by Amir Abdur Rahman not willingly but under duress, in 1893. Even to this day, it is undefined in places. For reaffirming it, mutual willingness is necessary. If after 60 years, the Afghan Government expresses a desire to reconsider it, it is fully within its

right. That it was accepted for 60 long years is in itself a sound reason why it should be reconsidered. The rapid progress of Afghanistan from a protectorate of the British to an independent kingdom and the full growth of its nationalism make it all the more necessary that the frontier should be redrawn.

No Man's Land

Afghan demand for reconsideration of the Pak-Afghan relations is expressed in a nutshell, by only one word—Pakhtoonistan. It means a Pushtu (= Pukhtu) speaking State. The tribes of the No Man's Land will thus be given an opportunity of joining a government after their own liking. There is, therefore, more than meets the eye in this tabloid demand for establishing a Pushtu speaking State. Like an iceberg, the major portion of that demand is unseen. Between Afghan boundary on the Pakistan side (i.e. the Durand Line) and the Pak frontier on Afghan side, there is a large Tribal Territory, which has been used as a buffer between the two neighbouring countries. The tribes are all independent and yet for purposes of administration, they are to be considered as within the sphere of influence of either of the two neighbours. As long as Afghanistan was not free, it was the British who were administering that No Man's Land as much or as little as they could. Now that was a mutual understanding imposed on an unwilling Amir and the diary of Sir M. Durand who negotiated with the Afghan ruler on behalf of the British Government makes the Amir's unwillingness, bordering on resistance, quite clear.

The problem of handling the tribes of this No Man's Land has a long and painful history. British attitude wavered between two extremes. One was the Close Border policy of wanting to confine attention to India's natural frontier i.e., the Indus and the other, Forward Policy, of ultimately reaching the outskirts of Kabul and Kandahar. Those were the days of Russophobia and many a blunder had been committed by British diplomats under that fear. A buffer between Russia and India was Afghanistan and between Afghanistan and India, the Tribal Territory was a similar though smaller buffer.

Various devices were used by the British administrators to keep the Tribes constantly disunited and that under the British thumb. Now the Afghans think that the tribes should naturally be handled by them and by no other power. The demand for Pakhtoonistan includes the right to deal with the tribes. Afghanistan therefore wants first an opportunity to redraw her boundaries and secondly to unite the tribes and

bring them under Afghan adminis-side of Afghanistan. There is no justification for a status quo as the

Boundaries between nations, likedifferences have persisted for quite all other boundaries, must be mu-a long time. In the interests of tually agreed upon. The Durandpeace, fair play and justice, it is Line was accepted by Afghanistannecessary that these points be re-under duress at a time when theconsidered and mutually settled. All Afghan nation had not been born.other attempts, howsoever sincere Tribal relations, too, were exploitedand well intentioned, will fail to by the British taking advantage oftouch the fringe of the main trouble. the weakness of the Arghan Amir. Afghanistan alone knows where the Time therefore seems to be on the Pakistan shoe is pinching her.

4% STATE GOVERNMENTS LOANS 1967

(1) Government of Andhra	Rs. 250 lakhs Issue price Rs. 99- 8-0 per cent
(2) Government of Bihar	Rs. 150 lakhs Issue price Rs. 99- 0-0 per cent
(3) Government of Bombay	Rs. 600 lakhs Issue price Rs. 100- 0-0 per cent
(4) Government of Hyderabad	Rs. 200 lakhs Issue price Rs. 99- 0-0 per cent
(5) Government of Madhya Pradesh	Rs. 100 lakhs Issue price Rs. 99- 8-0 per cent
(6) Government of Madras	Rs. 700 lakhs Issue price Rs. 99-12-0 per cent
(7) Government of Mysore	Rs. 275 lakhs Issue price Rs. 99- 0-0 per cent
(8) Government of Saurashtra	Rs. 200 lakhs Issue price Rs. 99- 0-0 per cent
(9) Government of Uttar Pradesh	Rs. 600 lakhs Issue price Rs. 99- 8-0 per cent
(10) Government of West Bengal	Rs. 500 lakhs Issue price Rs. 100- 0-0 per cent

THE LOANS WILL OPEN FOR SUBSCRIPTION ON 16TH AUGUST 1955 AND CLOSE ON 31ST AUGUST 1955 OR EARLIER WITHOUT NOTICE AS SOON AS SUBSCRIPTIONS APPROXIMATE TO THE AMOUNT OF EACH ISSUE.

Each loan will bear interest from 1st September, 1955. Interest from the date of application to the 31st August, 1955, inclusive, will be paid to the applicants at the time of issue of new securities at the rate of 4 per cent. per annum on the nominal value of the loan applied for and accepted.

Subscriptions will be in the form of cash/cheque in respect of all the loans.

3% Bombay Government Loan, 1955, 3% Madras Government Loan, 1955 and 3% Madhya Pradesh Loan, 1955 will be accepted at par and 5% Mysore Government Loan, 1955 at Rs. 100-8-0% for conversion into the new loan of the Government concerned; interest on the securities of the respective loan tendered for conversion will be paid upto and including the 15th August, 1955.

Applications for all the loans will be received at the offices of the Reserve Bank of India, Bombay, Calcutta, Delhi, Madras and Bangalore.

Applications for any particular loan other than Hyderabad and Mysore Government loans will also be received at branches of the State Bank of India and at Government Treasuries and Sub-treasuries within the State issuing the loan as indicated in the relevant loan notifications. Applications for West Bengal Government loan will not be received at Government Treasuries and Sub-treasuries.

In the case of Hyderabad Government loan applications will be received at branches of the Hyderabad State Bank and at Government Treasuries and Sub-treasuries in the Hyderabad State. For Mysore Government loan applications will be received at branches of the Bank of Mysore Ltd., and at Government Treasuries and Sub-treasuries in the Mysore State.

N.B.—Copies of Notifications and Application Forms may be obtained at any Receiving Office.

Extension—Out-Of-School Education

Evelyn Wood

THE term Extension is a convenient one. Though it has only been in general use three years in India, it has already acquired wider connotations here, which make it a more useful term, and a more powerful instrument of rural development.

Oddly enough, the one form of Adult Education which in India has so far refused to be blanketed under the term "Extension" is the primal ancestor of Extension as it is known to Western countries. We call this "Social Education" in India. What is to-day known as "Extension" began in the West when politics and social principles had to be taught to the new possessors of power, mainly peasants, after the French Revolution.

Of course there isn't anything new about educating adults—or children, for that matter—out-of-school. Family education, which gives German that useful word *wohlerzogen* meaning "well taught in social practices within the family", is the primitive ancestor of all education, in all countries. India has a very great tradition of family education, and not only in this German sense. Shri C. Rajagopalachari tried, with some ill-advised precipitance, to revive technological education in rural families of the South. He was probably right in estimating the effectiveness of technical training within the families of farmers, weavers, potters and the like. He was certainly right in valuing the family's training as superior to anything that 'basic' education can yet provide. But he wanted to go too far and too fast for the general atmosphere of his State.

Adult Education

Now Extension, in the breadth with which it is understood in India, must always aim to use and improve just that family education of which Rajaji was thinking. In fact, Extension had already shown remarkable results in this direction, long before the last war, at Martandam in Kerala.

Adult Education, as the term is used, for example, in Mysore, is definitely not Extension. That particular Vidyapith system takes an adolescent from his village, and returns him, after some months, much as if he were a speck of yeast to leaven the whole life of his village.

This leavening process has its limits. If one pursues the analogy in the world of enzyme action, it will be realized that yeast itself gets smothered unless there is enough of it in the lump of dough. Further, the capacity of the yeast to regenerate itself is not indefinite. Every baker of bread knows that he has to renew his yeast with fresh strains from time to time. Herein lies the probable superiority and the unquestionable extra cost of the Extension system.

Fundamental Education, the UNESCO term for education which may be either after-school, like our example of the Mysore Vidyapith, or out-of-school, like Extension, is too new to India to have established any particular value here yet.

Literacy not Essential

Adult Literacy figures chiefly within Social Education programmes in India; but it is sometimes found where there is only an Extension programme for teaching adults, and no Social Education. The whole subject of Adult Literacy teaching remains controversial; but one channel of certainty flows from considering its practice by any method. In order to pursue a highly active and effective extension programme of teaching and research, it is not necessary to have literate adults in the villages.

Extension is half-baked without research; unless the learners in the villages are able to communicate their problems right the way back to the scientific institutions and the administrators who are equipped to find solutions, Extension must lack essential momentum. General Adult Literacy is, however, not at all necessary either to the outgoing stream of Extension teaching, or to the incoming stream of villagers' desires, needs and unsolved problems.

Cost Higher

The cost of Extension service will, however, be much higher when, as now, it is mainly directed to illiterates. This added cost does not rise solely from the newer media of communication which are used for Extension teaching. These media of course include the full range of audio-visual aids. One is tempted to say that the new media are a necessary adjunct of Extension teaching; but this is not yet scientifically proven.

It is, however, certain that the new media do speed up the process of learning enormously; and there is good evidence that the lessons are better retained when teaching is supported by the new media. Just how much faster learning is possible and how much better the lesson is retained are factors which remain to be measured.

The additional cost of Extension teaching to illiterate adults does not rise even mainly from the more elaborate media of communication. The chief cost-component lies in personnel. The target of two and one third lakhs of Extension workers, to cover the villages of the whole country by 1961 is, it seems fairly obvious, an underestimation of village-folk's necessities. This scant provision of Extension workers is perhaps obvious only to one, who like the writer, has lived for many months as a village resident in India. The official estimate allows between two and three Extension workers per village: or one for every 1300 to 1500 villagers of all ages.

Technological Gaps

Yet the number of Extension workers could not have been set higher, in view of the known difficulties of training them to teach, and perform their other functions of organization in such a huge, widespread service. One may question whether the plan for training Extension workers is really adequate. It could very well be that many more suitable workers would be found tested for vocation, and better trained, if a more realistic, less hurried development were chosen for this new arm of Education.

As a particular criticism, there are some bad technological gaps showing among the Extension workers proposed to be provided for this new education service.

One of these gaps is, as one would expect, in Health. Nearly 5000 Extension workers in the field of Health were scheduled for assignment by March 1956, the end of the First Five Year Plan. By 31st. July 1954, less than 150 were in sight.

Shortage of Engineering Staff

Even more serious is the shortage of Engineering staff in the Extension field. This lacuna is now heavily underscored by the further plans of the Union Government, and the

doubtful implementation of these plans by the State Governments, to establish Small Scale Industries, mainly in rural areas. A 'Statesman' leader of 12th May commented on such economic aspects of these schemes. But in fact it is far more urgent to tackle the problems of technical personnel than the problems of profitability, and the consequent desired devolution of the small scale industries from official hands to those of commercial entrepreneurs.

These urgent problems of small scale industries are basically the same as the parallel problems of Extension teaching. The teachers of simple engineering techniques in the villages, and the similar, educated personnel required to operate the factories must be drawn from the same sources, and should be trained at the same schools. Where are these schools? The question is properly rhetorical!

Here again, doubtless because of these training-schools which exist only so far in a rhetorical sense, the assignments of Engineering personnel (including 'overseers') to Extension service, are pitifully small. The First Five Year Plan provides for

less than 2000 persons to cover 1200 blocks, each of roughly 100 villages. It is believed that less than ten per cent of these Engineers and Overseers together have been assigned to the Extension field. The Second Five Year Plan allows for a total of less than 6500 Engineering personnel to handle all aspects of Extension service for every village in India.

Teaching Small Scale Industry

Now small scale industry will not be planted in every village; but where it is to be planted, there is an obvious need for engineers of higher calibre than are required for the rough-and-ready sort of technical improvements that are to be carried by the Extension services.

For Extension teaching, it will suffice firstly if village masons, potters, carpenters and blacksmiths are enabled to work more efficiently, and thus to earn more while serving their fellow-villagers more thoroughly. Secondly, the new techniques which must be taught to villagers by Extension are also fairly simple: such as road-making, well-sinking, use of untraditional materials as well as skills in building, irrigation and drai-

nage (including that for sanitation as well as for agriculture).

Production of Personnel

The engineers for small scale industries will need all these skills, both at their own command, and as subject-matter for teaching. They will also need further knowledge and skills to maintain and operate the factories. Mercifully, not all of these additional skills and knowledge will have to be taught to villagers for a generation or so.

The writer sees no insuperable difficulty in finding and training the total number of engineers required to work in the rural areas, both in the Extension services and for the Small Scale Industries. Equally, he sees no prospect of the job being tackled—or not as an engineer would tackle it. Yet it is simple enough, to an engineer with a good working knowledge of Extension methods.

Even if the total number be put at 20,000, the job of producing the engineers can be done. It is the time-scale of such operations in the production of personnel which needs revision, in terms of realism.

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Nepal's First Census

Y P Pant

NEPAL had no official census until 1952 and in the absence of reliable data of population over a period of years, it is not possible to study the dynamics of the country's population growth. On the basis of the data in the "Interim Census Report"* just published, an attempt has been made below to give a factual account of Nepal's population. For purposes of comparison, data from earlier censuses are mentioned, but the latter have to be treated with great caution.

Earlier Census Efforts

Though the earliest attempt to take a census is believed to have been made by Shri Jung Bahadur, the first Rana Prime Minister, a century ago, it was not until 1910, that even a rough estimate of the population could be attempted. The so-called Census of 1920 which estimated the population at about 5.5 millions was not much better. In 1941, the Nepal Durbar set up a Census Department which estimated the population of Nepal at 6 millions. Subsequently in 1950, when the Department of Statistics was established it was expected to take an official census on a scientific basis; but political troubles in the country led to the suspension of its work temporarily. It was only after the formation of the Matrika Cabinet, that the Government decided to take a census. For administrative convenience, the country was divided into two parts—East and West Nepal. The census of East Nepal was taken in 1952 and that of West Nepal in 1954. The results obtained may be said to be more reliable than in any of the previous attempts inasmuch as it was more systematically organised under Government direction. As in the case of the 1951 Census of India, enumeration was spread over 20 days to obtain accurate results. East Nepal was divided into four census zones, while West Nepal was divided into five, and one of the latter was the Kathmandu Valley. The Census was confined merely to an enumeration of the people and no attempt was made to classify the

* Interim Census Report, Government of Nepal (Department of Statistics) 1955.

population on the basis of age, occupation, literacy, religion and so on and vital statistics have also not been given. The Second Census Report, to be released two years later, is, however, expected to throw light on all these aspects.

Census Estimates

Previous estimates have placed Nepal's population at about 5 millions; it is, however, difficult to say how reliable the estimates are. The Census puts it at 8.43 millions. While no dependable comparison can be made by relating the latest figures to the earlier ones, broadly speaking, even after allowing for increase due to improved coverage, the growth of population between 1941 and 1954, appears to have been rapid, as may be seen from Table I, given at the end of this article.

The total area of Nepal, according to the Census, is 54,045 square miles. The country may be broadly divided into two parts, viz., the mountainous region, containing intractable forests and glaciers, and the Tarai region consisting mainly of grass land and bare rock.

The Census discloses that East Nepal is more thickly populated than West Nepal. The former, with an area of 17,041 sq. miles, has a population of 3.76 millions, while the latter, with more than double this area (37,004 sq. miles), has a population of 4.67 millions.

People of diverse races and castes live in Nepal and migration from Afghanistan, Tibet and India would appear to have been unrestricted in the past. Any effort at improving the living standards of the people is rendered difficult owing to several reasons: in the first place, the population is heterogeneous and contains Tibetan Buddhists and some Lepchas who are animists; secondly, the immigrants have developed a certain aloofness among themselves; and lastly, though the majority of the population is Hindu, there are caste differences in the community.

Population Growth

The Census does not attempt a division of the population by livelihood classes; but the structure of Nepal's economy shows that over 90 per cent of the population must be depending on agriculture. Most of the land produces only one crop

in a year. In view of the absence of transport of any sort in most parts of Nepal, an unusually large part of the population is engaged in portering of staple commodities. There are also marked seasonal movements of population. The people have a tendency to move from the mountainous regions to the Tarai plains and northern India during the market season; throughout the Tarai, there are markets which are active from November to March during the period of crop movements but which have little activity during the rest of the year.

Table I gives the estimates of Nepal's population, over a period of years.

It shows that the rate of growth between 1941 and 1954 is much higher than that between 1920 and 1941. Population increased by 22 millions in the last 13 years ending 1954, indicating a 34.2 per cent growth over the 1941 level. The main reasons for the faster growth of population after 1941 could be three: first, after the thirties, a more liberal policy was adopted by the Government towards immigrants. Secondly, the deforestation policy, especially in the Tarai region, led to the immigration of Indians from the adjacent districts of Bihar, Bengal and U P. Thus, most of the tenants in the Western Tarai are generally migrants from Gorakhpur, Basti, Bharaich and Gonda districts of U P who do not sever their link with their homes and move out seasonally from Butawal, Berdia and Banke districts of Western Tarai. Lastly, the return of the Gorkhali soldiers from the British Army in India and other places after the end of the last War might have possibly added to the country's population.

Density of Population

In the Census year, the average density of population in Nepal was 155 persons per square mile. Since figures for earlier years are not available, only differences in inter-regional density can be noted and some of the factors which account for these differences may be examined. The following figures give an idea of the density of population in the different regions of Nepal:—

Table II—Density of Population (Selected Regions)

Region	Land Area (Sq. miles)	Density per Sq. mile
Kathmandu Valley	208	1993.77
Mahottari (Tarai)	819	512.77
West No. 4 (Bhojpur Mountains)	734	468.92
Rautahat (Tarai)	416	455.52
East No. 1 (Mountains)	1493	250.74
Udayapur (Mid-Tarai)	927	97.66
Nawapur	282	58.12
Kanchanpur (Tarai)	611	29.11

The fact that Kathmandu Valley has the highest density (1993) with only 208 sq. miles indicates the influence of locational factors on density. Not only is the capital situated in the valley, but also two other towns, Lalitpur and Bhaktapur—the only towns that Nepal has outside the Tarai plains. On the other hand extensive plains with fertile land and adequate rainfall are also conducive to high density as in the case of Mahottari (512) and Rautahat (455) in Eastern Tarai. Sometimes, although a particular region may have good rainfall and fertile soil, these advantages may be negated by unfavourable climatic factors. Nawalpur (58) Mid-Tarai in West

Nepal and Kanchanpur (29) are low density areas as they are malarial and have frequent epidemics. Sometimes, the disparity is also due to the stay-at-home habit of the people and difficulties in inter-regional migration. This is particularly true of the hilly parts. West No. 4 (468) and East No. 1 (250) illustrate this. These very factors are responsible for a higher density in some of the hilly parts of Tarai.

If agriculture, under favourable conditions, can maintain about 250 people per square mile, Nepal's average density, which is only 155 per square mile, need not cause any concern. On the contrary the present average suggests that the problem is not one of high density but of under-utilisation of existing resources.

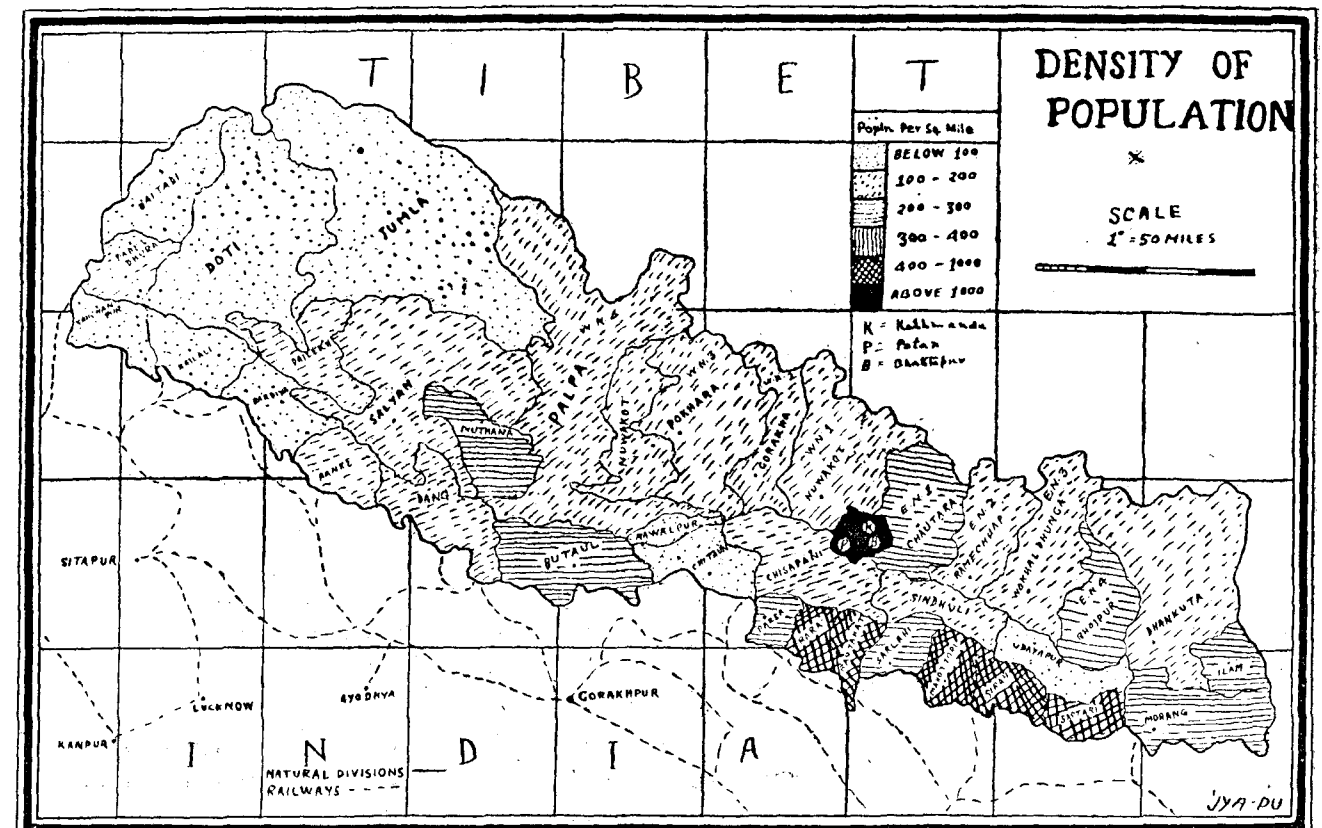
Sex Composition

The breakdown by sexes given in the Census, is 42,25,347 males and 42,03,190 females. In East Nepal the proportion of males to females is 23,58,804 to 23,07,976 while it is 18,70,543 to 18,94,214 in the western part. Thus in the eastern part, the number of males exceeds that of females by 50,828, while in the western part, the number of females exceeds that of males by 23,671. Taking Nepal as a whole, there is an excess of 23,157 males. On an average, there are 994 females per 1,000 males. The popular belief in Nepal

that there is an excess of females over males, therefore, lacks confirmation. Yet to this supposed excess has been attributed many of the social evils, e.g. polygamy, particularly in the hilly regions.

Food Resources and Population

The problem of population in relation to food, does not appear to be so serious in Nepal as in some of the heavily populated countries in Asia, though the standard of living may be very low. The extent of food shortage in terms of quantitative and qualitative dietetic deficiencies, the size of underfed population etc, cannot be estimated owing to lack of statistics. Some rough idea of the country's food resources can, however, be given with reference to land use and the general pattern of production. Sixty per cent of the total area is under forests, one fourth is cultivable and the balance is either Alpine meadows or under perpetual snows. Although cultivated area amounts to 10 per cent of the whole, it includes land which should appropriately be under grass or forests. On the other hand, vast tracts of land in the Tarai plains are left uncultivated for climatic reasons, though they are otherwise suitable for cultivation. Excepting in a few cases in the Tarai, the land is cultivated by small peasant families



and as two-thirds of the land belongs to big land-owners, most cultivators are tenants.* Subsistence farming is the rule, especially in the hilly regions. Ordinarily, the difficulties of transport do not allow the transport of food grains to different parts of Nepal. On the other hand, the Tarai exports to India quantities of jute, rice, peas and wood. From the hills also there are some exports, though much more limited, both to other parts of Nepal and to India, but these are only products which have large value in small bulk, e.g. ghee, wax, wool, etc.

From the substantial exports of food grains to India from the Tarai belt it is generally inferred that Nepal is surplus in food. Parts of Nepal, however, suffer from food shortage. For instance, Kathmandu and certain adjoining hilly regions suffer from acute food scarcity and prices are high, while Tarai region is able to export food grains to India, because of plentiful supplies. The problem is: how to match the surplus of the Tarai with the deficits of the hilly tracts? Lack of transport is a hindrance to the interregional movement of food grains. The problem is essentially one of maldistribution. This emphasises the need for improvement in transport and communications.

Economic Development and Population

Although the pressure of population on arable land is not so serious as compared to many other countries, the disturbing fact about Nepal is that of occupational imbalance, viz that so large a proportion of the population should depend for their living on agriculture, and that, too, single cropping while the yield per acre is among the lowest in the world.

As the cultivated area amounts only to 10 per cent of the total area, and as at present there is a single crop system, there is scope for increase in production both by extensive and intensive cultivation. There should be a strong drive both for improving the technique of cultivation and for bringing more land under cultivation. Agricultural reconstruction should be associated with land reform, which should include measures for preventing excessive subdivision and fragmentation.

* Though 80 per cent of the cultivated land is under tenancy, the problem of land reform has come to the fore recently.

Table I—Population: Zone-wise

Natural Divisions		East Nepal		
		1920	1941	1952
Mountains	..	12,09,086	12,70,659	17,63,184
Mid Tarai	..	48,913	39,483	1,92,640
East Tarai	..	14,75,112	15,18,028	18,08,933
Total of East Nepal	..	27,33,111	28,28,170	37,64,757
% change	..	—	3.49	33.1

Natural Divisions		West Nepal		
		1920	1941	1954
Mountains	..	18,90,198	25,49,342	34,48,870
Mid Tarai	..	86,592	75,898	2,05,097
East Tarai	..	8,27,884	8,30,305	10,12,813
Total of West Nepal	..	28,04,674	28,28,170	46,66,780
% change	..	—	0.83	39.4

Total for Nepal	..	55,37,785	62,83,715	84,31,537
% change	..	—	12.9	34.2

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Around Bombay Markets

ALTHOUGH the opening of the week witnessed an irregular movement of prices on the Stock Exchange, mainly occasioned by conflicting rumours about Tata Dividend, there was a perceptible improvement all round, especially after mid-week, with the highest levels in most cases being reached on the last day of the week.

While the bearish trend at the outset was partly brought about by unfavourable reports of Tata Dividends, the discussion at the National Development Council in respect of mobilisation of resources through additional taxation was yet another factor adversely affecting the sentiment in the market. Recovery was initiated after mid-week by reports of better working results of some companies tangibly evidenced by stepping up of their dividend. Among the companies which recently raised their dividend were Western India Spinning and Weaving Co., Indian Manufacturing Co. and the Hindustan Spinning and Weaving Co. On the top of this, there were also strong rumours in the market that Bombay Dyeing would raise their dividend in view of their expansion programme following the introduction of automatic looms, for which they were reported to have already got Government's permission. Century and Kohinoor also shared the general rise in view of their proposed expansion programme.

The maintenance of status quo in Tata dividend, which was announced on Thursday, did not cause any serious setback for operators were still attracted to Tata Steel on yield consideration. This apart, there were strong Calcutta advices which lent support to the bullish trend which saw its climax on the last day of the week when prices recorded the highest levels for the period under review.

Tata Steel Ordinary after experiencing an initial bearish trend resulting in the lowest level for the week at Rs 241-12 steadily improved towards the close to Rs. 250-10, the highest for the week. The actual closing quotation, however, was Rs. 248-8.

Indian Iron lost 10 as. during the early part of the week but rebound-

ed to Rs. 38-3-6 to close firm at Rs. 38.

In the textile section, all the leading scrips recorded good gains. Bombay Dyeing moved from the lowest level of the week to the highest, gaining in the process more than thirty points at Rs. 516-4. Century, Kohinoor, Simplex and Swadeshi shared in the bullish enthusiasm, the highest levels reached being Rs. 418, Rs. 347-8, Rs. 166 and Rs. 213-8, respectively.

In the miscellaneous section, excepting Bombay Burma, National Rayon and Tata Chemicals, all the others ruled distinctly firm. Associated Cement gained Rs. 5 from the lowest touched during the week to Rs. 189-8. Digvijay were well backed by influential buying and touched Rs. 208-8. The weakness

in Bombay Burma, National Rayon and Tata Chemicals was due to heavy bull position built up in these shares, necessitating eventual liquidation by speculators. In the case of Bombay Burma, the down trend was further accentuated by the heavy backwardisation charges that bulls were obliged to pay. Hence the steep fall in this scrip from Rs. 556-4 to Rs. 546-4.

Banks and insurance shares were more or less neglected. Investors were unwilling to extend support to bank shares though they are quoted cum-dividend. Fears of nationalisation would appear to be the main hurdle in these scrips. For the same reason, insurance shares also continued to decline steadily.

Electric and Public Utility shares were more or less quiet for want of genuine investment support.

BOMBAY MARKET LEADERS DURING THE WEEK

	July 27, 1955	Week's Range High Low		July 20, 1955
Steel Shares				
Tata Ordinary	248- 8	250-10	241-12	244-12
Indian Iron	38- 0	38- 3½	35-12½	36- 6
Textile Shares				
Bombay Dyeing	510-10	516- 4	485- 0	493- 2
Century	414- 0	418- 0	405- 0	409-12
Kohinoor	343- 8	347- 8	335- 0	338- 8
Simplex	164- 8	166- 0	162- 8	164- 8
Swadeshi	211- 8	213- 8	209- 8	210- 0
Miscellaneous Shares				
Associated Cement	188- 8	189- 8	184- 8	185-12
Belapur	318- 8	320- 0	315- 0	316- 0
Burma Old	546- 4	556- 4	541-14	547- 8
National Rayon	213- 4	216- 8	210- 8	213-12
Premier Const.	163- 0	165- 0	155- 0	158- 0
Scindia	15- 3½	15- 8	14-12	14-15½
Tata Chemical	15-13	16- 4	15-8½	15-15½
Bank of India	148- 4	148- 8	147-12	147- 8
New India	44- 8	46- 0	44- 8	46-0

OILS AND OILSEEDS

	July 27, 1955	Week's Range High Low		July 20, 1955
Seeds				
Castor Sept. 1955	88-12	95- 8	88-12	92- 0
" May 1956	86- 4	92- 0	85- 8	90- 8
Groundnut Aug. Sept.	23-10	24- 8	23- 6	23- 4
Linseed Aug. Sept.	26- 2	26- 2	25- 8	25-10
Kardi Ready	14- 6	15- 4	14- 6	14-10
Niger Ready	23- 6	24-0	23- 6	23-10
Oils				
Castor oil Com.	9-12	10-2	9-12	10- 4
Groundnut oil R.R.	12-10	13- 3	12-10	12- 7
Linseed oil	15-12	15-12	15- 4	15- 4

Cotton

February Contract Opens

THE notable events in the cotton futures market were the opening of the New February contract and the fixation of room rates for the old crop. Although on the eve of the commencement of trading in the February contract, there was a perceptible improvement in the August contract resulting from straddle business, trading in both the contracts at the close of the week, on balance, remained distinctly bearish. This is to be explained by the fact that traders expect heavy tenders in the August contract following the fixation of room rates which were generally considered to be favourable to sellers. There were also continued reports of favourable weather in the cotton belts, indicating better prospects for the new crop. It must be noted, however, that on the penultimate day of the week, there was once again a firm trend in the August contract which was attributable to strong rumours current in the market that leading cotton-cum-mill magnates were interested in buying cotton on docket. When these reports proved false, as they did on the last day of the week, it was but natural for prices to retrace their steps.

ICC August opened the week at Rs. 583 and after improving to Rs. 590-8, sagged to Rs. 581, closing at Rs. 582-12. New contract February started on Monday (July 21) at Rs. 615-4 and after being taken up to Rs. 618 declined towards the close to be placed at the lowest level of Rs. 606-12.

In the absence of any fresh development with regard to the US cotton export policy, shippers were chary of entering into fresh commitments and therefore activity in the spot market was confined to limited lots of shippers' and mills' immediate needs. Short staple varieties continued to be neglected.

Oilseeds

Smaller Crop Feared

ON apprehensions of a smaller crop due to lack of rains, there was a steady trend in the oilseeds market in the early part of the week. Sectionwise, groundnuts were well supported by Vanaspathi interests while linseed remained steady for two reasons. In the first place, floating stocks are small and secondly, the main importer of linseed oil,

namely USA, is facing the prospects of a smaller linseed crop in the coming season. When, in addition to these two factors, overseas enquiries continued to flow, there was naturally an upward trend in prices in this section, and linseeds maintained a distinctly steady trend throughout the week.

The only exception to this general upward trend in oilseeds was the castor section. With scarcely any overseas demand of note and with speculators inclined to sell short, prices of Castor September contract registered a sharp decline of over Rs. 6 from the highest level of the week to close at Rs. 88-12. May contract, which was quoted as high as at Rs. 92 at one time during the week, closed lower at Rs. 86-4.

Groundnut August-September showed a gain of 6 as, at the close at Rs. 23-10 while groundnut oil R/R was placed at Rs. 12-10 as against Rs. 12-7 at the opening.

Linseed August-September opening at Rs. 25-10 declined a little at the outset but steadily improved to close at Rs. 26-2. Linseed oil gained 8 as. and closed at Rs. 15-12.

Both Kardi and Niger showed declines over the week at Rs. 14-6 and Rs. 23-6 respectively.

Bullion

Gold Remains Firm

THE bullion impasse has officially ended but dealers continue to be jittery. Despite the fixation by the Board, of floor and ceiling prices for Shravan delivery, normalcy has not been restored in the market. The market has been officially open for the past four days but in view of the strong hold of the bulls, thanks to their commanding position in respect of stocks, fluctuation in prices has been severely restricted. Gold Shravan remained firm at around Rs. 92-2 while Shravan Silver moved narrowly within a range of 2 as. around Rs. 159-1, throughout the period under review.

Company Notes

Bird-Heilgers Jute Mills

JUTE shares remain stagnant. But the half-yearly reports of jute companies, published recently, are not discouraging. Dividends so far announced are, in most cases, higher for the half-year to March last. For instance, five of the Bird-Heilgers group of jute mills have raised their

THE ECONOMIC WEEKLY

dividend. With the exception of Union, all other mills in this group earned higher profits.

From a perusal of half-yearly reports published so far, it would seem that three problems confront the jute industry at the moment. In the latter half of the half-year to March last, many jute mills had to buy raw jute at higher prices. This affected their earnings and profits. This problem has been present during the major part of the current half-year. There is, however, hope that the problem may be less acute in the next half-year.

Directors emphasise in their reports for the half-year to March last that wide fluctuations in prices of jute goods due to the activities of speculators in "fatka" market created difficulties in trading conditions. This problem is under investigation by the Forward Markets Commission. Unofficial forward trading is having an unhealthy effect on the prices of jute goods. Many are inclined to the view that it is better to have regular, legalised futures trading than unofficial "fatka" business.

Continued from page 901

expenditure on projects like the Durgapur coke oven plant or the Ganga Barrage scheme. These projects are estimated to cost Rs. 62 crores. Expenditure on relief and rehabilitation to the extent of Rs. 113 crores will be met by the Union Government. For the projects not included in the main Plan, separate development corporations will be created.

West Bengal's Second Plan

(Rs Crores)

Expenditure

Target of Expenditure	265
Revised target of first Plan	77
Special projects, during second Plan, not included in the main Plan	62
Expenditure on refugee relief and rehabilitation not included in the main Plan	113

Resources

Internal Resources (including voluntary contribution at Rs. 36 crores)	148
Estimated Central Aid	115
Net amount available, deducting estimated revenue deficits of Rs. 58 crores in the next five years	205
Resources fall short of the main Plan's targets by Rs. 60 crores.	

THE ECONOMIC WEEKLY

Around Calcutta Markets

Uncertain Trend

Wednesday, Evening

FOR the third week in succession, fluctuations in Indian Iron have been contrary to movements in equities in general. This contradictory movement assumes significance as the strength in Indian Iron has been the only redeeming feature of market movements in recent weeks. Tea shares have developed a drooping trend. Jute shares remain stagnant. Even Miscellaneous and Engineering shares are not moving up. Experience in the last few days suggests that firmness in Indian Iron alone cannot push prices up. It would be unwise to ignore this market factor.

Announcement of new State loans has partly contributed to the uncertain trend in equities on the Calcutta Stock Exchange. State loans were not unexpected. Ten States will be entering the long-term loan market for Rs. 35.75 crores. Some of the State loans are cash-cum-conversion loans. Excluding the total amount of maturing loans, the net withdrawals by the States will amount to about Rs. 29½ crores. From the terms and conditions of the loans, it is clear that the Reserve Bank is aware of the varying status of the various States.

Loans and Equities

Money market conditions are not discouraging. There has been a substantial increase in bank deposits in the first half of the current year. Despite the simultaneous increase in advances, it is evident that the money market is not short of funds. Quotations for existing State loans indicate that the new loans are likely to be successful. Stock markets are more intrigued about the Government loans yet to be floated. There is a possibility of the Central Government re-entering the market at a later stage.

Even so, current indications are that the market will not experience difficulties in absorbing the loans. Massive withdrawals of funds through National Bonds had a depressing effect on stock markets last year. This year's net withdrawals through Government loans will be much smaller. At the same time, money market conditions are far more comfortable now. Apprehensions about the effects of loans on equities may, therefore, be regarded as unduly exaggerated.

Lower Tea Prices

It would be wrong to emphasise

this factor in explaining the irregularly lower trend in equities. Reasons for the set-back in Tea shares are not far to seek. That dividend stimulus is no longer present. So, bargain hunters are no longer interested in Tea shares. Nor are genuine investors willing to buy Tea shares as the belief is widespread that tea prices and profits will be lower this season. This is the main reason why Tea shares have been inactive in the last few days.

This week's tea auctions have had a further depressing effect on Tea shares. For both export and internal auctions, offerings were the heaviest to date. Increased offerings had the inevitable effect of a set-back in prices. As the volume on offer increased, buyers became hesitant. Whether decreased demand or increased offerings led to a fall in tea prices is not as important as the fall in prices. Informed circles are inclined to the view that this is the beginning of the trend towards falling tea prices. This explains why Tea shares have been so inactive in the last few days.

Jute Shares Steady

After remaining stagnant for weeks, Jute shares started moving up a few days ago. Though the upward trend in Jute shares has not yet been firmly established, it is evident that investors are moderately optimistic about the outlook for Jute shares. For one thing, recent dividend payments for the half-year to March last have been satisfactory. Indications are that this half-year's dividend payments will not be lower than those of the previous half-year.

Immediate behaviour of Jute shares will depend on the relative price movements of raw jute and jute goods. Data relating to stocks indicate the highly satisfactory demand for sackings. Demand for hessian will depend on the Argentine offtake. Trade circles are more worried about the future behaviour of raw jute. Contrary to expectations, raw jute prices not only remain steady, but are moving up slowly because of the temporary shortage of raw jute for immediate delivery.

Steel Dividend

For weeks, Tata Steel and Indian Iron were moving up in anticipation of higher dividend payments. There

is still time for the announcement of Indian Iron dividend. But Tata Steel dividend has been announced. Contrary to expectations, it is not higher. Yet, both Tata Steel and Indian Iron are moving up. There are reasons why these Iron and Steel shares are moving up. It is now argued that, like Tata Steel, Indian Iron may not raise dividend payments. But both Tata Steel and Indian Iron will issue right shares in the near future.

Bombay reports indicate that the possibility that the Company may issue right shares is one of the factors which has influenced the directors in their decision not to step-up dividend. This is a policy which is only to be expected of responsible management. For, in the event of issues of right shares, it would have been unwise to raise dividend now as it might not be possible for the Company to maintain the higher dividend on an enlarged capital structure.

Right Shares

There is a strong case for issuing right shares by Tata Steel. It is only to be expected that Tata Steel would be moving up on this expectation, even though the dividend has only been maintained. There are some who argue that, as there is not a strong case for issues of right shares by Indian Iron, this Company may decide to step-up dividend payments for the year to March last.

This is one of the reasons why Indian Iron are moving up. But informed circles believe that Indian Iron will also issue right shares. Gossip is that Tata Steel will issue right shares at Rs. 75 and Indian Iron will issue right shares at Rs. 10. If these expectations materialise, both Tata Steel and Indian Iron are likely to move up higher still.

Engineering Shares

There is no valid reason why the trend in Indian Iron should be reflected in fluctuations in Tea or Jute or Coal or Paper shares. But it is not difficult to appreciate how and why gyrations in Indian Iron have a sympathetic effect on Engineering and Miscellaneous shares. That is why the continued strength in Indian Iron and the absence of any sympathetic movement in Engineering shares are causing anxiety to speculative investors.

BANKING RETURNS

	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
Reserve Bank				
1. Note circulation	1297.99	1310.84	1310.79	1153.48
2. Rupee Coin	107.60	106.07	105.39	101.62
3. Deposits				
a) Central Government's	79.62	81.74	57.83	124.55
b) Banks'	53.34	52.28	54.52	50.22
c) Other Governments'	18.90	20.65	11.21	17.99
d) Others'	14.67	14.80	21.84	36.54
4. Foreign Securities	637.04	652.04	652.04	623.15
5. Balances held abroad	79.62	64.36	63.93	114.44
6. Rupee Securities	543.65	543.64	543.64	421.22
7. Investments	61.24	61.21	37.90	94.72
8. Loans and advances to Governments	0.13	0.8	0.8	—
Scheduled Banks				
1. Demand Liabilities (net)	591.09	583.94	581.21	540.04
2. Time Liabilities	402.05	399.58	393.97	340.47
3. Cash on hand	33.77	34.37	34.08	30.75
4. Borrowing from Reserve Bank	25.33	31.82	18.85	8.50
of which against Usance Bills	24.14	29.05	18.39	5.83
5. Advances and Bills discounted	570.11	576.08	572.22	520.33
of which State Bank's	111.62	115.86	116.58	116.11
6. Investments	367.18	358.55	345.95	328.97
of which State Bank's	94.32	88.19	89.60	81.94
Cheque Clearance	129.77	123.72	116.53	105.16

†For Reserve Bank and Cheque Clearance week ended 22-7-55. Scheduled Banks week ended 15-7-55.

Bombay Money Rates	22-7-55	15-7-55	24-6-55	23-7-55
Inter-Bank Call Rate	1½	2½	2½	2½
3 months deposits	3	3	3	2½
6 months deposits	2½	2½	2½	2½

Bombay Bullion

	28-7-55	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	94-12	92-8	91-14	85-12
Forward	92-4	91-13	90-12	85-11
Silver (per 100 tolas)				
Spot	161-4	159-0	158-6	152-10
Forward	159-4	158-2	157-14	152-6

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group & Sub-Group	Week ended 9-7-55	A Week Ago	A Month Ago	A Year Ago
I. Food Articles				
Cereals	304.0	299.0	277.3	348.1
Pulses	349	349	314	385
Others	272	256	224	293
II. Industrial Raw Materials				
Fibres	244	236	234	304
Oilseeds	412.8	398.7	392.2	423.9
Minerals	417	407	410	399
Others	400	375	350	474
III. Semi-Manufactures				
Leather	427	422	420	433
Mineral Oils	417	413	416	402
Vegetable Oils	331.6	320.7	329.1	354.8
Cotton Yarn	357	388	381	369
Metals	201	201	221	221
Oilcakes	408	386	348	454
Others	406	407	423	458
IV. Manufactures				
Textiles	256	255	244	239
Jute	345	321	309	423
Cotton	330	330	329	301
Rayon & Silk	370.6	369.9	370.3	377.6
Wollen	406	405	408	421
Metal Products	415	408	419	436
Others	402	402	403	418
V. Miscellaneous				
All Commodities	474	474	479	464
	282	282	285	310
	351	351	343	340
	286	286	286	287
	567.8	568.0	566.2	645.9
	354.7	350.1	341.0	380.0

INDEX NUMBERS OF SECURITY PRICES

(Base: 1949-50 = 100)

	9-7-55	A Week Ago	A Month Ago	A Year Ago
Industrial				
Debentures	100.7	100.7	100.5	100.4
Electricity	102.0	102.0	101.8	100.9
Jute	98.8	98.8	98.8	98.8
Plantations	99.1	99.1	99.1	99.6
Sugar	99.0	99.0	99.0	100.3
Coal	90.6	90.6	90.6	90.6
General Engineering	100.6	100.6	100.6	101.0
Shipping	100.9	100.9	100.5	102.3
Others	100.9	100.9	100.7	100.7
Preference Shares				
Electricity	87.7	87.6	87.5	88.9
Cotton	96.5	96.5	96.3	94.6
Jute	79.1	79.1	78.9	86.2
Coal	87.1	87.0	87.0	88.7
Iron and Steel	92.3	92.1	92.2	89.2
Sugar	90.5	90.1	90.0	93.8
Paper	84.3	84.3	83.3	76.7
Plantations	88.8	88.8	88.7	81.8
Miscellaneous	98.0	97.5	98.2	90.2
Govt. & Semi-Govt.				
Bombay	85.1	85.2	85.1	87.3
Calcutta	99.5	99.5	99.3	100.9
Madras	101.4	101.4	101.1	100.5
	100.3	100.3	100.2	100.0

Source: Reserve Bank

FINAL ESTIMATE OF TUR

	1954-55	1953-54	% Change
Area ('000 acres)	5,944	5,931	+ 0.2
Production ('000 tons)	1,661	1,827	- 9.1

Source: Directorate of Economics and Statistics

THIRD ESTIMATE OF TOBACCO

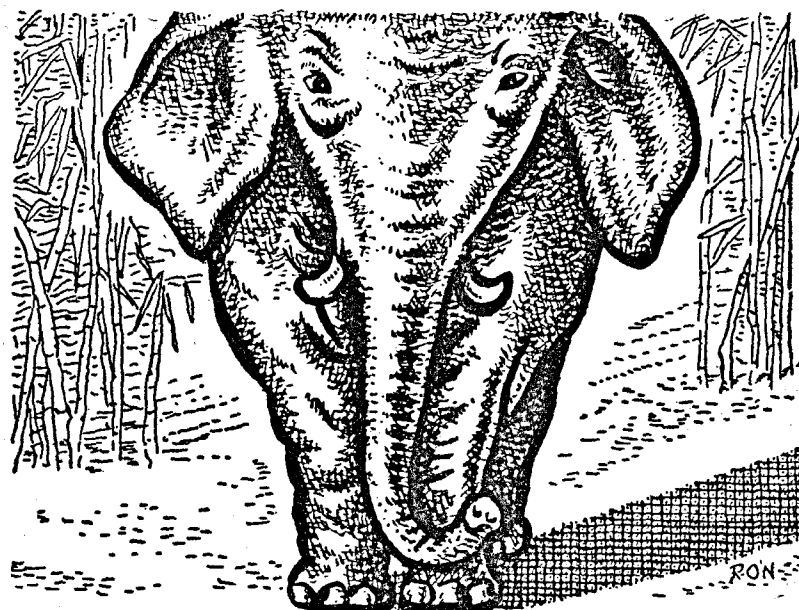
	1954-55	1953-54	% Change
Area ('000 acres)	837	871	- 4
Production ('000 tons)	238	243	- 2.1

Source: Directorate of Economics and Statistics

TARGETS FOR INDUSTRY PROPOSED BY THE MINISTRY OF COMMERCE AND INDUSTRY

Name of Industry	Capacity Target	Proposed Investment Rs lakhs	Investment-output ratio in new units	Investment per man employed in new units
(1)	(2)	(3)	(4)	(5)
1. Iron & Steel:				
i) Finished steel	2,761,000 tons	125.00	—	—
ii) Semis	420,000 "	—	—	—
2. Refractories				
	750,000 "	5.00	100 : 50	Rs 2,500
3. Steel fabrication (Structurals & Wagons)				
	600,000 "	30.00	Wagons 100 : 110 Structurals 100 : 140	" 9,000
4. Iron & Steel foundaries (Cast Iron Foundaries & Forges)				
	30,000 tons castings 12,000 " forges (addl. capacity in 1st stage)	5.00	100 : 80	" 50,000
5. Ferro-manganese				
	160,000 tons	9.34	100 : 80	" 43,000
6. Heavy Electrical goods:				
a) Transformers	887,000 K V A	1.00	100 : 260	" 10,000
b) Switchgear & Control gear	669,500 Nos.	30	—	—
c) Electric Motors	600,000 H P	1.49	100 : 90	" 7,500
7. Automobile & Ancillary industries:				
a) Automobiles				
Cars	12,000 Nos	30.00	—	—
Trucks	40,000 "	—	—	—
Jeeps & Station Wagons	5,000	—	—	—
b) Motor Cycles & Scooters	11,000 "	1.00	—	—
8. Bicycles				
	1,250,000 "	48	—	—
9. Diesel engines				
	205,000 H P	10	—	—
10. Light Engineering Industries:				
a) Dry Battery	229 mn. cells	25	—	—
b) Storage Battery				
i) For Motor Vehicles	420,000 Nos	25	—	—
ii) For Train Lighting	7,700 "	—	—	—
c) Electrical lamps:				
i) G L S & others	50 mn. Nos	—	—	—
ii) Fluorescent tubes	2 " "	1.20	100 : 340	" 5,000
iii) Miniature bulbs	30 " "	—	—	—
d) Hurricane lanterns	6 " "	—	—	—
e) House Service Meters	450,000 Nos	30	—	" 6,000
f) Sewing Machines	300,000 "	1.20	100 : 180	" 7,000
g) Power Driven Pumps	73,000 "	..	—	—
h) Ball Bearing	1,800,000 "	..	—	—
i) Grinding Wheels	1,720 tons	—	—	—
j) Radio Receivers	300,000 Nos	1.00	100 : 250	" 6,000
k) Cables & Wires:				
i) Bare Copper Conductors	10,000 tons	—	—	—
ii) A C S R & all aluminium conductors	15,000 "	—	—	—
iii) VIR & Plastic Insulated Cables	250 mn. yds	1.67	—	" 15,000
iv) Enamelled copper wire	1,300 "	—	—	—
v) Paper & cotton covered wire	1,800 "	—	—	—
vi) Paper Insulated lead covered cables	600 miles	—	—	—
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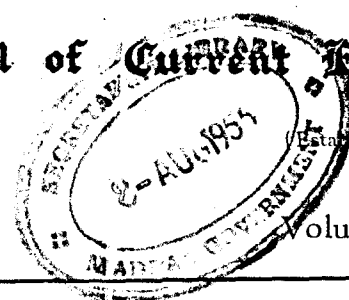
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Pakistan Devalues

RELATIVE prices and balance of payments, the two tests of the external valuation of a currency, have so manifestly testified to the over-valuation of the Pakistan rupee that it is needless to argue the point. No one knows it better than the wearer where exactly the shoe pinches and the Finance Minister of Pakistan has mentioned some of the losses from over-valuation though understandably his account of it is not as exhaustive as it could be. The decision to stay put when the sterling area devalued in September 1949 was unfortunate. The folly of it would have been brought home to Pakistan almost immediately but for the chance intervention of the Korean boom which kept things going for a time. But the boom soon passed and recession came in its wake. With it came Pakistan's woes which have continued uninterrupted ever since.

In a matter like the fixing of the right exchange value of a currency, it is not wise to be dogmatic. There is enough evidence to suggest, however, that Pakistan's decision to keep out, was not taken on economic grounds. The Indo-Pakistan Agreement provided for consultations in such an eventuality. The circumstances under which India had to decide and act were hardly propitious for consultation and the relation between the two at the time were such as to ensure agreement. Anyway, the die had been cast. It is not so much the wrong decision taken in a hurry but the refusal to retrace, the persistence in sticking to too high a rate of exchange over all these years, when the consequences were no longer open to doubt, that need to be explained. Economic considerations cannot explain it; that explanation has to be sought in the politics of Pakistan of those days.

The high value of the Pakistan rupee had been played up as a measure of Pakistan's strength, and not only vis-a-vis India, but in international reckoning. Whatever might have been the economic consequences, politically it was not possible, it was not decent, patriotic or proper even to discuss the question. The impact was felt soon after the Korean boom receded. Exchange earnings began to fall, the budget was adversely affected, imports had to be drastically cut, resulting in turn in falling money incomes and rising prices of essential consumer goods. It was a self-reinforcing and accelerated process. The greater the fall in export earnings, the sharper the cut in imports and higher the prices of essential consumers. To this was added the misfortune of food grains shortage in 1952-53. Though the latter was largely met by food gifts from US and Canada, and the additional pressure on balance of payments caused by food shortage passed, the situation did not improve.

Instead of trying to retrace her steps which would have meant turning the direction of trade towards rather than away from India, Pakistan sought American aid to support for tottering economy. The economic viability of Pakistan had been deliberately over-rated by her political advisers when Pakistan had been in the making. An economy depending on two main export products, jute and cotton, may be more viable than an economy which has to depend on only one, but a diversified economy alone can count on steady and stable export earnings, if at all. Hence Pakistan's understandable aspiration for diversification which was

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pursued by Pakistan, in complete disregard of the conditional certificate of viability given to her by her foreign advisers. Viability had been vouchsafed only if Pakistan pursued a free economy. Indeed, making a virtue of necessity, Pakistan set out to develop industries. The scope for it had been created by virtual stoppage of imports. Finance for industry was available because capital normally locked up in trade had been released by the imposition of controls. Capital goods needed by industry were made available by giving high priority to such goods in the licensing of imports.

Pakistan's Finance Minister would have us believe that the pattern of development outlined above had gone on so well that it has now made a change necessary so that Pakistan might compete successfully with other countries in the export of manufac-

tures and that devaluation of the Pakistan Rupee was necessary not to avert a crisis but to augment her gains. What spoils this pretty picture is the continuous fall in export earnings which may be still adequate to pay for a limited quantity of capital goods for her limited industrial development programmes but are wholly inadequate to ensure adequate imports of consumers' goods which Pakistan's industry is obviously unable to supply.

The major adjustment was US aid—which could do little to rectify the defects of the Pakistan economy, particularly when such aid was to come in the form of surplus agricultural products in which Pakistan is interested both as a producer and exporter.

It is not without significance, therefore, that the turn of the tide

was heralded by US aid in more than one way. After it had grasped the economic consequences of such aid, the Pakistan financial Press began to talk about devaluation, at first haltingly and with a great deal of hesitation and later more openly and frankly.

Better late than never, does this welcome decision on the part of Pakistan, which must have needed rare political courage on the part of her financial guardians, signify greater changes to come in her economic policies? Does it indicate a new direction in her economic aspirations, away from that which led her to look for succour in foreign aid rather than in her own inherent strength? It would be, in any case, too early to say, and prediction is made doubly difficult by the political developments that accompanied this important decision.

Formosa and Far East

AMERICA'S Secretary of State has acquired an undiplomatic habit of saying the wrong thing at the wrong moment. At the moment, Communist China and America are having talks at Geneva at the ambassadorial level. On the eve of these talks, Peking has made a gesture in releasing eleven American airmen. President Eisenhower has expressed "relief and joy" over Peking's action. Throughout the world, hopes are entertained that the present Geneva talks will be the prelude to further negotiations between China and America. In a major policy statement before the start of the Geneva talks, Mr. Chou En-lai, China's Premier and Foreign Minister, announced Peking's desire and intention to start negotiations for the "peaceful liberation" of Formosa. And yet, Mr. Dulles insists that he will not negotiate with China with a pistol pointed to his head. Despite Peking's repeated peaceful gestures, Mr. Dulles issues a threat that China must renounce the use of force, or else there will be a war, "the limits of which will not be defined in advance".

Even the most charitable interpretation of Mr. Dulles's undiplomatic behaviour is that his statements during Press conferences in Washington are meant for home consumption. His observations during his Press Conference last Tuesday may please the Republican Party in America, but the world outside will deplore his undiplomatic utterances. It is obvious that Mr. Dulles has not

the stature of President Eisenhower. Though Mr. Eisenhower has shown wisdom and statesmanship in ignoring national party politics in the wider interests of world peace, Mr. Dulles remains a prisoner of his Party. So far as Europe is concerned, President Eisenhower has shown that he has the courage to soar above national party politics. America's involvements in the Far East fall in a different category. There is a danger that even President Eisenhower may not have the courage to withstand the pressure of the "China Lobby". There are ominous indications of President Eisenhower falling a victim to the Republican party's policy to the Far East.

According to Washington, Formosa is the major issue in dispute between America and China. Peking does not accept this version of the source of tense relations between the two countries. Here, the Republican Party's policy to the Far East becomes significant. To begin from the beginning, it was with the aid of the American Navy that Chiang migrated to Formosa. Though the Korean war had the incidental effect of initiating the present American policy to Formosa, the Republican Party cannot escape responsibility for giving that policy an ominous shape. Some of the assumptions of Mr. Dulles's Party's policy to Formosa are that the Communist regime in the Chinese mainland will gradually disintegrate owing to mounting popular disaffection; that, in the circumstances, it is necessary to fortify

the Chiang regime in Formosa as an alternative Government. Washington's Formosa policy is based on this policy of "liberation". It has been pursued with vigour because of the assumed importance of Formosa as a strategic base in America's system of Pacific defences. This strategic assessment of Formosa is now conceded to be wrong as well as irrelevant in an atomic age. This explains the twist in America's policy. Washington is inclined to foster the conception of two Chinas with Formosa and the Chinese mainland as two separate, sovereign States.

Peking has repeatedly rejected this theory of two Chinas. In his major policy statement on the eve of the Sino-American talks at Geneva, Mr. Chou En-lai has reiterated Peking's stand that it will not tolerate the existence of the Chiang regime in Formosa as a separate, sovereign, political entity. Peking regards Formosa as an internal affair of Communist China. Peking is eager and willing to negotiate with America. But Communist China denies that Formosa is an issue in dispute between Peking and Washington. Mr. Dulles's recent statements indicate that Washington now concedes the logic of Peking's stand. But Washington insists that America, a member of the United Nations, has a responsibility to ensure peaceful settlement of disputes among parties or Powers in any part of the world. Once it is conceded that Formosa is an internal affair of Communist China, such an attitude may

lack logic. But even those who disagree with America's Far Eastern policy will hope that the Formosa issue will be settled through peaceful means.

Mr. Chou En-lai's latest statement to the National People's Congress marks a significant departure from Peking's attitude to Formosa so far. It underlines Communist China's desire to settle issues through peaceful means, and will be widely welcomed for its deeper implications relating to Formosa. Peking has so far refused to negotiate with the regime in Formosa to settle the Formosa issue. In his latest statement, Mr. Chou En-lai announces Peking's willingness "to enter into negotiations with responsible local authorities of Formosa to map out concrete steps for Formosa's peaceful liberation". It is not without significance that Mr. Dulles, speaking after Mr. Chou En-lai's statement, has maintained a diplomatic silence on the Chinese Premier's announcement relating to Formosa. Peking still insists that Formosa is a part of China. Mr. Chou En-lai is emphatic that the proposed talks will have to be between the Central (Peking) Government and "responsible local authorities" of Formosa. But Peking has made an important concession in declaring its readiness to negotiate with "responsible local authorities" of Formosa. Some of the interpretations of this announcement underline Peking's conciliatory attitude. Mr. Chou En-lai's announcement has been interpreted to mean that Peking is not unwilling to recognise a status for "the responsible local authorities" of Formosa similar to that of those in Tibet, Sikiang and Inner Mongolia. If this interpretation is correct, Mr. Chou En-lai's announcement means that Peking is willing, under certain circumstances, to grant Formosa the status of an "autonomous region".

Does Mr. Dulles's deliberate silence on this aspect of Mr. Chou En-lai's major policy statement indicate that America is not prepared to accept even such a reasonable solution of the Formosa issue? Mr. Dulles repeatedly insists that America will not negotiate with Communist China unless the latter renounces the use of force in settling disputes. In his policy statement after the "summit" talks at Geneva among the four Heads of State, Mr. Chou En-lai proposed such a "summit" conference for Asia and the Far East. He announced Peking's willingness to sign a pact of collective peace

with the countries of Asia and the Pacific, including America. He has declared Peking's readiness to negotiate with "responsible local authorities" of Formosa. How often will Peking have to assure Washington of Communist China's acceptance of the principle of settling disputes through peaceful negotiation? Tension in the Far East cannot be eased

without a settlement of the Formosa problem. Without America's consent and acceptance, there can be solution of the Formosa issue. Mr. Dulles is entitled to demand from China a declaration renouncing the use of force. What the world would like to know is whether Washington accepts Mr. Chou En-lai's proposed solution of the Formosa problem.

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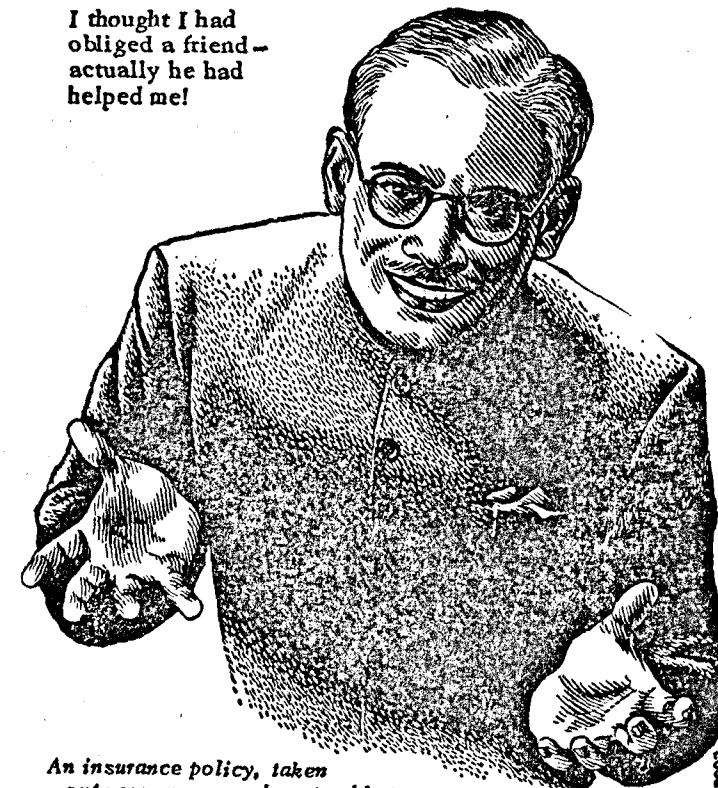
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Weekly Notes

Minimum Wages — No deadline

THE time-limit within which the Minimum Wages Act is to be enforced has been extended from time to time, and the due date expires by the end of this year. The Act, passed in 1948, was intended to apply to some of the sweated trades; but these were minor ones: its main aim was agricultural labour. The wages of agricultural labour, however, could not be tackled until the basic facts were known. Hence the Agricultural Labour Enquiry which was completed some time ago. Meanwhile the date of implementation of the Act was being pushed back, while land reforms as well as the pressure of the landless have been pushing the size of the model farm to the limit where it ceases to pay to employ any labour at all! And now the deadline is to be dropped altogether.

The idea of fixing a time-limit in the past was to ensure expeditious enforcement of the Act. The draft amendment Bill which is likely to be taken up during the current session of Parliament proposes to delete the time-limit altogether, and leave the State Governments free to enforce the Act as and when convenient. The representatives of the State Governments had made this demand at the last Labour Conference and the demand has been conceded.

Minimum wages in agriculture, however, have been fixed in some of the States but mostly in the smaller ones, e.g., Coorg, Delhi, Himachal-Pradesh, Kutch, PEPSU, Punjab and Rajasthan. In the States of Assam, Bihar, Bombay, West Bengal, Mysore, Uttar Pradesh and Vindhya Pradesh, minimum wages under the Act have been fixed in certain specified areas. Enquiries are in progress in Madras to ascertain the low wages pockets. By the end of 1953, the number of agricultural and plantation workers all over India covered by this Act was 1,08,87,000. But about how well minimum wages in agriculture have operated, little is known.

Many States have implemented the provisions of the Act with regard to the unorganised industrial workers of bidi factories, carpet weaving establishments, stone quarries, tanneries, building workers, etc.

Second Pay Commission

THE non-official resolution introduced in the Lok Sabha last week, urging the appointment of a Second Pay Commission to go into the question of the country's pay structure could not have been more timely. It is about a decade since the first Pay Commission was appointed and the country's economy has undergone many changes since then. A revision of pay scales has been overdue if only for straightening out anomalies and settling the uncertain position of dearness allowances. To all this, a fresh point and new urgency have been added by the adoption of a socialistic pattern of society as our goal.

The first Pay Commission was appointed in 1945 for revision of scales. It proceeded on the assumption that the cost of living index would be brought down and would settle around a certain level. This assumption, however, has proved unreal and many Government servants of the lower cadre, and those in the middle income groups, have had to put up with higher living costs. The industrial workers have been relatively well off inasmuch as their wages have been linked to the cost of living indices. They can also, in addition, bargain with their employers through their trade unions. Government servants, on the other hand, however justifiable their cause may be, are unable to make themselves vocal and perhaps the only way their lot can be improved is by official initiative, viz., by the appointment of an impartial commission.

Merely cutting down the higher salaries does not solve the problem of pay scales. The main question is one of fixing a basic minimum below. This is necessary not only from the standpoint of social justice but also from the point of view of efficiency. What the ceiling and the floor should be will have to be carefully examined by an impartial commission. Indiscriminate slashing down of higher scales of pay may create fresh problems. Thus, unattractive scales of pay may discourage really competent men from entering Government service. This is particularly to be avoided since, consequent on the extension of the public sector, the Government needs talented and capable administrative personnel.

Then, there is the question of regional disparities in the remuneration of identical services. Although the first Pay Commission emphasised the need of uniform scales of pay all over the country, the disparity between the Central and State pay scales, for instance, persists, and cannot be removed all at once without upsetting many things, including morale. All these add to the urgency for an inquiry.

A Crack in the Zonal System?

THE Ministry of Railways carried through the regrouping of Indian Railways into six huge zones of nearly 6,000 miles each in the face of stiff opposition from the knowledgeable quarters. It is no secret now that even the then Chief Commissioner of Railways, Shri K. C. Bakhle, and many other experts of the Railway Board opposed the zonal system. But the high-up advocates of the zonal system talked then of economy in the cost of administration, particularly on the side of management. They had probably closed their minds to the question of efficient working of the railways. But the hopes of economy in the cost of management seem to have been belied. True, the regrouping of railways into a smaller number of larger units, has resulted in the reduction of a few posts of heads of departments. But this has been practically offset by an increase many times in the number of posts of various deputy heads and officers on special duty.

Indian Railways had been divided into six zones on geographical and political considerations, with the arithmetical yard-stick of 6,000 miles for a zone. The question of traffic requirements and operational efficiency had been ignored. It had to be faced after all. The Railway Ministry has now announced the formation of a seventh zone, namely the South Eastern Zone, consisting of the old B.N.Rly from August 1, 1955. There is more of it in the offing. The Railway Minister said that "certain adjustments within the existing organisational set-up of some of these zones would be carried out gradually." Once the Railway grows out of its concept of geographical unit, the entire system may be re-organised on the more rational basis of operational efficiency and traffic requirements.

Emergency in Calcutta Port

DOCK labour in the Calcutta Port has gone out of control of both the Dock Labour Board and the dock labour unions. It had gone so slow and as a result, clearance of cargo had slowed down so much that the Port Authorities were compelled to declare an emergency under the Dock Workers' (Regulation of Employment) Act, from Monday last. The go-slow movement had been planned well ahead, and it has brought down the volume of work on the docks by fifty per cent. This would affect Indian shipping and Government is naturally perturbed, whether the threat of imposing a surcharge held out sometime ago by foreign shipping lines is justified or not. But authorities are still in favour of restraint and reluctant to use the special powers granted by the Act, such as suspension from work or dismissal from service, after a summary enquiry. They are seeking, instead, the good offices of the labour unions to restore normal working. And with this end in view, time has been given for labour leaders to explain the situation to workers, though the emergency came into effect forthwith along with the declaration.

Complaints of go-slow tactics, on the part of dock labour whether in Calcutta or Bombay are not new. The surprising feature this time is that labour unions are not supporting dock labour. On the contrary, according to the Chairman of the Calcutta Dock Labour Board, two of the unions have not only openly disapproved of the go-slow methods but have gone to the extent of recommending strong measures against the offenders. A third union has denied responsibility for sponsoring the movement and has disowned it. Go-slow by dock labour under these circumstances can mean one of two things; either the labour unions have lost control over their members, in which case they can no longer represent the labourers or the unions are secretly supporting the 'movement' while denying in public all complicity with it. In either event, it would be futile for the Port Authorities to seek the good offices of the labour leaders to persuade the workers to give up their go-slow methods. For, if the former is true, their influence will be limited; if the latter, there is no point in taking them into confidence. Therefore, as a short-term measure, declaration of an emergency may serve the immediate purpose in view; but it would be

necessary to uncover the real organisers and leaders of this 'movement' which threatens to paralyse shipping in the face not only of lack of support but positive opposition from the so-called representative labour unions.

Economic Frame-work of Social Security

AT a crucial stage of its growth, industrial labour shapes its links with land. Though Indian industry has now got a stable labour force and absenteeism or seasonal migration is no longer a seriously disturbing problem for management, industrial labour still retains its link with laws and its social ties—family organisation, relationships and caste affiliations—though subjected increasingly to varying pressures, have not changed basically. The economic aspects of these relationships are not known as clearly as one imagines or one would desire.

The surplus hand in the family not needed for cultivating the peasant holding leaves the village to earn wages in town. He sends remittances home to supplement the meagre family income and provides the much needed cash to meet the obligations that have to be discharged in cash—land revenue, cesses and debts incurred in money. Industrial wages, to this extent, 'subsidise' deficit peasant farming. But the story does not end here. The earning member of the rural family working in industry may fall sick, become disabled and is eventually dismissed or retired. Then he has nothing else to fall back upon, has to return to his village and has to be supported by his family. At this stage it is peasant farming that subsidises industrial labour. This is one type of relation, over-simplified. There are others. In the 'bustees' and 'chawls' are also families who are completely uprooted from land and have no longer any roots left in the village. To what extent industrial labour is drawn from landless agricultural labour families is yet an undetermined quantity.

For this real industrial proletariat to grow into a healthy, stable labour force, industry must not only have to pay a living wage but provide all those other minimum of requisites necessary—deceptively called benefits—for such labouring families to survive and develop. To the extent industrial labour is thrown on its own resources, social security becomes an unavoidable necessity. Labour that industry needs has to be supported

by it. In the last analysis, the problem is one of costs, of hard accountability. How much of this cost is paid in the form of wages and how much in benefits, how the costs of these benefits are shared between Government and employers—these are matters of detail. Benevolence, philanthropy and benefits beg the question, do not answer it. Slowly, under the pressure of hard facts, the concept of social security is taking shape in this country also and in that process, shedding the aura of benevolence which so long obscured it. Not Beveridge at one remove, but 'chawls' and 'bustees' are giving shape to it. Against this background has to be viewed the slow development of social security measures.

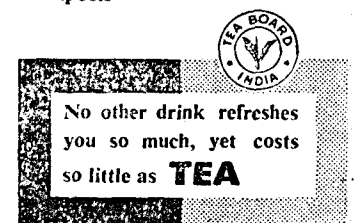
The First Step

THE development of anything like social security in the modern sense in India is very



REVENUE :

The Indian Tea Industry contributed to the National Exchequer Rs. 19 crores as export duty, and over Rs. 3 crores as central excise duty in 1954-55. Besides, it contributed large sums by way of State income tax, agricultural tax, road tax and certain imposts.



recent. It was only in 1927 that the Government of India first thought of the problem but it was not until 1943 that some kind of a scheme was actually taken up for consideration. Prof B P Adarkar submitted a scheme of sickness insurance to the Government in 1944. On the basis of this scheme, a Bill was drafted in 1946, and this emerged in 1948 in the form of the Employees State Insurance Act. Although it was intended to introduce the scheme in 1950 according to a phased programme, beginning with Kanpur, opposition from Kanpur employers put off its implementation until 1952; in that year, the scheme was inaugurated at Kanpur by the Prime Minister. This was the first step towards social security not only in India, but in the whole of South-East Asia.

The Act provides five types of benefits viz., medical, disablement, dependents, sickness and maternity. It is applicable to all perennial factories employing 20 or more persons and using power, and covers all workers, including clerical staff, (the legality of this provision is now in dispute) whose total emoluments do not exceed Rs 400 per month. To the contributions by employees and employers, the Central Government adds as its share two-thirds of the cost of administration of the scheme, while the State Governments meet a part of the cost of medical benefits provided in their jurisdiction. The Scheme now covers about 7 lakhs persons and is in operation in industrial centres in Punjab, Bombay, Madhya Bharat, Madras, Madhya Pradesh, Uttar Pradesh and Hyderabad States. It is expected to be brought into force in all industrial centres in the country having two thousand or more factory workers, by the end of 1955-56.

The Employees Provident Fund Scheme, which came into force in November 1952, concerns the employees of factories which employ 50 or more persons in six principal industries viz. cement; cigarettes; electrical, mechanical or engineering products; iron and steel; paper and textiles. Government factories or factories belonging to local bodies and factories that have not completed three years, are excluded from its operation. This scheme is also run on contributions from employers and employees and a part of the cost of administration, here too, is borne by the Government. It has so far covered some 15 lakhs of employees in 1900 factories.

Unemployment Insurance

THE Government of India has now under contemplation an unemployment insurance scheme which will complete the frame-work of social insurance in India. The Working Group on Unemployment Insurance, which has prepared this scheme, has suggested that it should be integrated with the existing State Insurance and Provident Fund Schemes and that all the three should be under one unified Central Administration. This Scheme is modelled more or less on the two existing schemes, and is to run on contributions from employers and employees; the contribution of the Government being restricted to the cost of the administration of cash benefits. Being a contributory scheme, only those who are employed come under its purview, and not those who seek employment. It is to apply, in the first instance, to those drawing monthly salary not exceeding Rs 400, and employed in factories using power and employing 20 or more persons, mines and shops and commercial establishments covered by the Shops and Commercial Establishments Acts. It is to



be subsequently extended to plantations and other categories of workers, but will exclude those in seasonal factories, apprentices, domestic servants, casual workers and agricultural labourers.

The cash benefits to be given under the scheme would be about 50 per cent of the wages (including dearness and overtime allowances) for a period of 13 weeks in a year, subject to certain conditions.

The cost of the scheme is estimated at about 3 per cent of the wage bill. Taking the total wage bill in 1953 of factories under the Factories Act, viz., about Rs 266 crores, it would amount to Rs. 7.9 crores. Of this, employers have to meet 2/3 i.e. about Rs. 5.3 crores and employees the balance of Rs. 2.6 crores. The contribution per worker will amount to about Rs 11 per annum.

To complete the picture, one should also bring in housing but provision of housing for factory hands has not made sufficient progress to fill up an appreciable part of the gap.

Company Law Administration

THE Joint Select Committee on the Companies Bill has recommended in its report to Parliament, that Government should set up a separate Secretariat Department, functioning within the Ministry of Finance, to administer Joint Stock Companies and other related subjects.

The volume and importance of the work relating to the administration of companies consequent upon the passage of the Companies Bill, will be such as to require the setting up of a fairly large organisation. The Government of India has decided to accept the recommendation of the Joint Select Committee to create a new Department within the Ministry of Finance, which will be known as the Department of Company Law Administration.

The responsibilities of the new Department will be as follows:—

- (i) Joint Stock Companies including
 - (a) Company Law and Investment Administration;
 - (b) Capital Issues Control; and
 - (c) Chartered Accountants.
- (ii) Stock Exchanges
- (iii) Finance Corporations including
 - (a) the Industrial Finance Corporation;
 - (b) the Industrial Credit and Investment Corporation; and
 - (c) the Rehabilitation Finance Administration.

Suburban Electric Supply

IT is interesting to find at least one Chairman of a company not complaining either about the amendment to the Constitution or the proposed amendments to the Companies Act. We have it on the assurance of K G Milne, Chairman of the Bombay Suburban Electric Supply Ltd., that at least so far as distribution of electricity is concerned, neither of the two hold any threat to the operation of such companies.

Mr Milne's main points are upgrading of the "standard" rate of return and the eminently reasonable one that companies such as his should be allowed to create a deferred taxation reserve, in the absence of which the tax benefit intended to be given in the form of developmental rebate to all companies, irrespective of the nature of their undertakings, is largely frustrated in the case of electricity undertakings. From what Mr Milne says, it appears that both these claims of electricity undertakings (or is it only the latter, the one about the deferred taxation reserve?) have been accepted by the Government in principle and it is now only a matter of drafting the Bill and putting it before Parliament.

Apart from the light it throws on the financial side of electricity operations, the experience of the Bombay Suburban Electric Supply provides as good a measure as one could expect—and as bad a condemnation of the policy decisions responsible for it as one could think of—of the shortage of electricity that has withheld development. Sales of energy by the Suburban Company went up by nearly 24% last year and the sales the year before were 23% higher than in the last year. This substantial increase was made possible by a limited relaxation of certain restrictions, even though stringent controls are still applicable to demands for new connections. These figures also suggest the magnitude of the pent-up and as yet unsatisfied demand for electricity in Greater Bombay and the arresting effect of power shortage during all these years on the industrial growth of the city and suburbs.

While welcoming the relief expected from the decision to permit Tatas to instal a second plant at their Trombay station, Mr. Milne, however, is doubtful about supplies to be expected from the commissioning of all the three sets at the Government Power Station at Chola. More power, it had been expected, would

be available to industries, both new and old, from this source, but it does not appear likely that the supply can be drawn from this and made available to consumers except during special hours, at least for the time being, that is, until the Chola power station begins to work to full capacity and satisfactorily.

Low Morale of General Insurance

CAN men be made good by laws, or only by inner regeneration? Opinions have sharply differed through the ages and men have trudged along somehow driven by the twin goads of love of God or moral precepts on the one hand and law-courts and prisons on the other. So there is nothing surprising that even from the Chair should come weighty pronouncements on the folly of trying to improve the morale of general insurance business by enforcing a Code of Conduct. Speaking at the last Annual General Meeting of the Universal Fire and General Insurance Co. Ltd., Shri P. U. Patel said:

"Mere framing of rules cannot help any one. In fact, the remedy appears to have proved worse than the disease itself and it is time that the Code should be scrapped altogether. Tightening the machinery still further or promulgating more restrictive measures, can never lead us nearer to our goal. While I am readily prepared to concede that 'rebating' is one of those great evils which should be eradicated, I am afraid that no satisfactory results can be achieved unless the morale of the trade as a whole improves to the desired extent. And since you cannot possibly improve people's morals by merely passing laws or enacting pseudo-legislative measures, it is best to think of other ways and means of achieving the objective everyone has in view".

Now what are the other ways and means, in the particular case of rebating for which the big bad wolf is to be blamed? Competition for general business is keen but it is a competition between unequals, the big insurers and the small insurers. It is the big ones who break the rules of the game and the smaller ones, fighting with their back to the wall for their very existence, have to yield in sheer self-defence. So the moral of it is the need for restraint, to be voluntarily exercised, on the part of the big insurers who have huge reserves and powerful connec-

tions. But Shri Patel tempers his philosophy with common sense and does not spurn experience. The solution he has to offer is not an appeal to the moral sense of the strong alone; he would buttress it by reducing the prescribed "slabs" as to cost (in the General Department) in a downward direction. He feels that if the slabs are reduced by anything up to 10 per cent, companies will show a marked improvement before long and the financial position of Indian insurers will be considerably strengthened. "The reduction in the slabs will automatically lead to reduction in the cost of procurement of business. The evil of rebating will also receive a definite check and if it cannot be eliminated altogether, it will at least be less rampant than before". The suggestion appears to be sensible. It should provoke discussion even though it may not win immediate and universal acceptance.

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In the Brave New World

THE quick passage of the Indian Coinage (Amendment) Bill seeking to introduce the decimal system of coinage in the country by the Lok Sabha and the manner in which it was debated would suggest that the measure was brought to the Legislature merely as a formality to comply with the procedure of legislation. There was little opposition to the Bill, and the little that there was, melted away after the Prime Minister's spirited defence of the measure. If, as the Prime Minister said, there is no question of eliciting the views of the people with regard to scientific and technical matters, one wonders why the Ministry of Finance should take the trouble of framing a Bill and undertaking the laborious process of piloting it through both the Houses of Parliament. The Finance Department or the Reserve Bank could have just issued a circular announcing a changeover to the decimal system of coinage.

The Prime Minister very easily disposed of the question with the statement: "One does not consult the country about mathematical formulae or the theory of relativity". Is the issue so axiomatic or is it one whose

validity is unaffected, whether people like or not. A scientific theory is not a value judgment, the choice of the decimal system is. If people think that it is not to their advantage, they may reject it, by the power of votes, even if it is in fact advantageous. However, to point out these deficiencies about the manner in which the Bill was hustled through Parliament, is not to dispute the merits of the decimal system.

The need for a standard, scientific and internationally recognised system of coinage as well as weights and measures is accepted and widely recognised, and the adoption of the decimal system as a first step in this direction is to be welcomed. Apart from the sentimental consideration that the decimal system was India's gift to the world, its adoption will be particularly timely in view of our development plans and it may speed up the country's progress. Accounting would be simplified by the adoption of the decimal system. An expert committee examined the issue and reported in favour of the system. It had also been proposed at an earlier stage to introduce the metric system of weights and measures first and then follow it up with

decimal coinage; but in accordance with the recommendations of the Indian Standards Institution, change in coinage was taken up first.

The rupee will continue to be the standard coin but how centimes are to be named, remains to be decided. The pice may retain its name and undergo a change in value from $1/64$ th to one-hundredth of a rupee. Half-rupee and quarter rupee would be respectively equivalent to fifty and twenty-five units of the rupee. There would be no change in the value of the half rupee and quarter rupee; the changes would be in respect of the coins of lower denominations.

During the period of transition, there will be many difficulties and a great deal of confusion created by the circulation side by side of both the old and new coins; the two systems of accounting also will not come to an end so soon. Except that the new accounting will be simpler, the heroic effort of being scientific and keeping pace with the times is bound to prove arduous. Habits are hard to change, particularly currency habits, and to unlearn the method of counting one learned at school is the hardest of all.

From the Calcutta End**Sex and Education**

SOME TIME, some day, somebody would do for India what experts have done for America, and are now doing for Britain. Only then, the behaviour pattern of the Indian male and the Indian female will be known. Findings of the elaborate census reports must necessarily be the primary raw material for such an investigation. Information based on these data will have to be supplemented by detailed personal investigation on the Kinsey model. Any such study will require the co-operation of sociologists, anthropologists, psychologists and psychiatrists.

Such investigations made so far in some countries have invariably stressed the sexual aspect of human behaviour. This raises a fundamental social problem. Is sex or hunger the most urgent human urge and instinct? Some of the findings of the Department of Anthropology of the Calcutta University on the Great Famine of 1943 would seem to deepen doubts as to whether hunger or sex is the most primordial human instinct.

Sex And Hunger

It is customary to bypass this basic sociological issue by drawing a close co-relation between these two instincts. Some of the Bengali short stories and novels on the Great Famine reflect this theory. Irresponsible, and mostly unconfirmable, gossip about the social behaviour of the refugee population emphasises this theory. Learned treatises have been written to establish a close co-relation between poverty and the world's oldest profession. But one may be excused in having one's doubts about this economic interpretation of the male's or the female's social or sexual behaviour.

It is neither the purpose nor the intention of the All-India Institute of Hygiene and Public Health, Calcutta, to prove or to disprove the existence of any relation between hunger and sex. Some of its findings may throw interesting side-lights on this problem. But in a recent study made by the Institute, it is mainly concerned with the relative responses and resistances to diseases of the Bengali male and the Bengali female. This study also reveals interesting details about some aspects of the sexual behaviour of the Bengali male and the Bengali female.

Though the Institute's investigation has a close bearing on West

Bengal's population problem, some of its findings reveal interesting differences in the behaviour pattern of rural and urban Bengal, and of Bengalis classified into caste, creed, religion and sex. Its inquiry into the productive pattern of the Bengali female shows that female fertility is higher in rural than in urban areas. But caste differences, which are reflected either in late marriages or in differences in age between the husband and the wife, "have little influence" on the reproductive pattern of the Bengali female.

Pattern of Reproduction

From the Institute's investigation, it appears that the average number of pregnancies a Bengali woman has by the time she reaches the end of her reproductive period is 7.9 in the rural group and it varies from 5.7 to 6.3 in the urban group. Findings of the Institute show intriguing differences in the pattern of reproduction between rural and urban groups, as also between Hindus and Muslims in West Bengal.

It is only to be expected that economic factors have an appreciable influence on female fertility. Nor is it surprising to know that education has a close inverse relation to fertility. But the Institute's study indicates that these influences do not affect the Muslim community as much as the Hindus.

For investigations on the pattern of reproduction, 8,510 women were selected for examination from three areas in Calcutta and a rural area near the city. For the Institute's public opinion survey on the attitude of men to planned parenthood, 4,075 men representing different social groups were examined. Detailed findings of the Institute's investigation will be discussed on a future occasion.

Education System

During British Raj, education in India was based on the British model. Every district had a Zillah School. Every Presidency had a Government College. Almost all important district towns had missionary schools. Almost all Presidency towns had missionary colleges which used to specialise in the teaching of science. Gradually, many private schools came into existence. Later, many private colleges were established.

Zillah Schools and Presidency Colleges were patronised and financed

by the Government. Private schools and colleges had to fend for themselves. Much later, a system of grants was introduced. Many private schools and colleges received financial aid by way of grants. Though the institutional pattern of education in independent India remains as it was during British Raj, there has been some improvement in the last few years.

Zillah Schools remain. But almost all private schools now receive more liberal Government aid. School teachers are now as militant as any other militant trade union. Last year, Calcutta's and Bengal's school teachers staged demonstrations which were as determined as those organised by trade unions. Most of their demands were conceded by the West Bengal Government. In theory, the State now accepts responsibility for primary, secondary and post-graduate education. In practice, it pleads lack of finance for not doing more than it does.

Private Colleges

At Naihati, during the last week-end, West Bengal College and University Teachers' Association held a Conference to formulate demands on the State. Its demand is that collegiate education (Intermediate and under-graduate) must be as much a State responsibility as primary, secondary and post-graduate education. At present, dearness allowances of teachers of private colleges are paid by the State. These institutions receive some Government aid for improving library and laboratory facilities. Private colleges depend mainly on students' fees. Their demand is that they should receive more financial aid from the State.

In 1949, the University Education Commission recommended that the "National Government has to ensure the maintenance of these institutions (private colleges), which are now wholly dependent on students' fees, on a proper financial basis". In demanding that the State should assume full financial responsibility for running private colleges, the West Bengal College and University Teachers' Association relies on this recommendation by the Commission. It accepts the responsibility of the colleges to re-organise themselves according to a plan agreed to by the Government and the University before the State assumes full financial obligation to run these institutions.

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From the London End

Mr Butler's Gentle Axe

ONE of the main features of the programme announced by the Chancellor of the Exchequer this week for combating the menace of inflation internally and for strengthening the sterling is monetary discipline on orthodox lines. The aim is to damp down the internal demand for goods and services by a tightening of monetary controls. One of the measures was the raising of the deposit required from purchasers in instalment payment transactions over a wide range of consumer goods, with the purpose of reducing the credit element in such deals. This part of the Government's programme, however, reflects in an important sense lack of confidence in that type of monetary control which the Conservative Government had first used in 1951. The new measures rely very much on direct compulsion instead of allowing great stringency to seep into the body economic, through change in interest rates.

The Government's programme has the aim of bringing down internal demand to within the limits set by the supply of resources. This is to be accomplished by curbing Government spending and the spending of local authorities, nationalized industries, private industry and commerce and of the general public. It is in the implementation of this curb that the difference between a pure monetary policy of the 1951 variety and the new departure can be seen. The cut in Government spending is to be brought about by a Treasury instruction to Government Departments to restrict expenditure on both capital and current account. Appeals are being issued to the local authorities "to hold back their schemes for capital expenditure as far as they can". Nationalized industries are being instructed to postpone expenditure on capital projects "as far as possible" and to finance some of their capital requirements from internal resources i.e. by raising the prices of their products and services. In order to restrain spending by industry, Bank of England is issuing an appeal to all commercial banks to curtail their credit facilities by a "positive and significant reduction in the total of loans outstanding."

These measures are to be compared with those adopted in the first half of this year. When symptoms of inflation began to appear at the turn

of the year, the Government's first reaction was to turn to its bank rate weapon and accordingly in two bold strokes the whole complex of interest rates was pushed up. The Government attempted to correct the economy by raising the cost of money through the adjustment of bank rate and through an official squeeze of the credit base to bring the banking system under pressure to restrict its lendings to the public. Now, however, Mr Butler has come to recognize that these monetary controls (through the bank rate) have been slow in restoring equilibrium in the economy and there can be little doubt that Whitehall has come to recognize that informal control through the banking system is no longer sufficient to stem the tide, either of inflation or deflation, in an environment increasingly insensitive to the cost of money.

Apart from this, there are other reasons why the authorities have come to realise the need for a change in their system of controls over the economy. The rapid economic recovery which followed the application of the new monetary policy in 1951 had certainly deceived the Government. They thought that the orthodox credit controls could always be counted on to cure economic problems at short notice. In fact, however, the new monetary policy was only partly responsible for the 1951 recovery. The improvement in the country's economic position, then, was helped by a marked turn for the better in the terms of trade and by the inauguration of a series of quantitative import restrictions by the overseas sterling countries. In the current year none of those features have been present to assist Mr. Butler's monetary policy.

It cannot be questioned that monetary policy could produce bigger results if the Government were prepared to carry it very much further than it has up to now, but it had to be very much further; maybe it would have required an increase of bank rate up to 7% coupled with a sustained credit squeeze at the very base of the British banking system. The costs of such a policy are, however, unlikely to be small and maybe the alternative now being tried out is a recognition by the Government that the cost of a 4½% bank rate is already too large for the country to bear.

Mr. Butler's denial that he is contemplating any widening of the exchange rate for sterling, however, appears in retrospect a bit hypocritical. The expert committee of the OEEC has reported on the new form which the European Payments Union should take when those countries possessing 15% of the quotas in the Union decide to restore the convertibility in their currencies. A plan for the European Monetary Agreement (which replaces EPU) clearly provides for what the British had explicitly demanded throughout the tortuous negotiations in Paris last month. Floating exchange rates up to about 3 or 4 per cent either way of the parity will be permitted, subject to the IMF's approval. If this does not suggest that the United Kingdom was thinking in terms of floating exchange rates, then it is difficult to see why British demands were so militantly fought for on the OEEC Council of Ministers. Every foreign exchange dealer on the continent was able to take a logical and justified cue from the OEEC discussions and not even Mr Butler can question their actions after reports of what he said and what he demanded from his European colleagues at the fateful June gathering of the OEEC Council of Ministers.

(Continued from opposite page)

dence of the people at the bottom in it that it may dissolve into a group of warring sectional interests with subsequent chaos.

Small Constituencies

To an Indian, the number of people voting in each constituency must seem absurdly small. The largest number of people voting in any constituency was only 30,000 and in some places there were only 8,000 voters who would have had to be approached by candidates. In a situation such as this, it should by no means be impossible for the Government to be really democratic with each member knowing every voter. Whether this will give rise to a genuine Greek polis or to opportunities for bribery and corruption remain to be seen. The final test of a democracy anywhere is, after all, the moral attitude of the individual elector towards certain practices. Even Greece at the time of Socrates, could not restrain the selfishness of its own citizens. Perhaps Malaya will be more successful.

Alliance Wins Malayan Elections

(From Our Singapore Correspondent)

THE UMNO in the Federation of Malaya has just won a resounding victory. It has gained all the elected seats in the Malayan Legislative Council except one. The Council consists of 99 members, of whom one is the speaker, 46 are nominated and 52 elected. This was more than was expected by any of the electoral prophets. The UMNO or Alliance, as it is called, consists of representatives from the Malay National Congress, the Malayan Chinese Association and the Malayan Indian Congress. The principal opponents of the Alliance were the National Party (Negara) whose president Datok Onn bin Ja'afar was soundly defeated in the Johore Bahru constituency. In fact, not a single candidate of Negara party was elected anywhere in the Federation. The only successful candidate not belonging to the Alliance was a member of the Pan-Malayan Islamic Party. His success may almost certainly be ascribed to his high prestige among his constituents and his long residence in Krian as a teacher.

Of the successful candidates 15 were Chinese and one Indian. The remainder were Malays. This is a higher proportion than the proportion of voters would lead one to expect—88% of the voters are Malays and 12% other races. When one considers that there are about an equal number of Chinese and Malays in the Federation, those entitled to vote under the present constitution cannot be more than half of those who would be entitled to vote under a residence qualification alone. It thus shows the good sense of the Malay leaders of the Alliance that they recognise that this discrimination against half the population cannot last indefinitely. The acknowledgement that there are Chinese and Indian Malayan citizens is thus recognised in the number of elected candidates chosen from other races.

Party Programmes Not Communal

Shortly before the elections, the "Economist" had remarked that the programmes of the various parties in the elections was one entirely of a communal character. In my opinion this was not by any means the case. The British Government laid down as one of the conditions for independence of Malaya that all races should work together in harmony. Consequently if the Malays really

wanted independence they had no alternative but to work together with the Chinese and Indians. Since the smaller parties did not adopt this plank in their platform, the Malays could not vote for them if they wanted independence, no matter how much their sympathies might lie with such a cry as the defence of Islam. The overwhelming victory for the Alliance is thus partly a result of the systematic plugging of racial amity as a theme by the British Government. But there is also a real sense in which the Malays are just sick of the colonial government. They are perfectly willing to admit that the British are good engineers and road builders and that they have done a lot for the country. But the enormous bureaucratic machine with the rapid turnover of expatriates and continual pressure on the Malays to do this and do that without anything ever being completed properly, make them feel that they want to do things in their own way for a while. Also one cannot overestimate the enormous influence Indonesia has on the Malays of this country. They are not especially interested in the alleged inefficiency and economic disorder in Indonesia but they do admire the general progressive and go-ahead attitude of the Indonesians who come over to this country and settle down. They wish to model their country partly on this Indonesian model. This admiration for Indonesia and the lack of desire to become little Englishmen explain the UMNO victory.

Strong Discipline

Yet to attain this aim, each party allying itself to UMNO has had to tighten up its discipline. A few weeks before the election, the leader of UMNO, Tunjku Abdul Rahman, had to reprimand his supporters for asking for Indian and Chinese candidates in the same proportion as the number of voters. One party organiser in Kuala Lumpur was expelled for calling on electors to vote only for Malay Alliance candidates instead of for Alliance candidates. A member of the Malayan Indian Congress had to be expelled. He claimed that the whole of the Federation had learnt democracy from India and that it was unreasonable that the inventors of the system should have only one candidate standing. As the real inventors of Asian democracy, they should have

many more. These stirrings have been quashed by expulsion or internal discipline. Adul Rahman stated before the elections that he intended to abolish the various racial associations after the elections and to unite all together into one political organisation. This may be more difficult than he thinks.

Demand for Complete Independence

The new constitution for Malaya was designed in such a way that if there were two parties in the Council, whichever one was the opposition could combine together with appointed members to defeat the Government. The overwhelming success of the UMNO means that this "safeguard" will not work. If UMNO so wished they could now push forward their view against all opposition. But to date they have been noticeably silent about their future policy. It seems certain however that, at the beginning, they will go slowly. They have given as their aim complete independence within four years but, even within this time, it is possible that certain decisions may have to be taken which will evoke wide differences within the party. In the case of the Malayan Chinese Association and the Malayan Indian Congress, it seems by no means certain that they will be able to carry the majority of Chinese and Indians with them. In the case of both these bodies, the organisers are Chinese and Indians who have been long established here as wealthy merchants and traders in Malaya and they see participation in UMNO as a chance to extend their influence even further. They are very largely out of touch with the poorer sections of their own communities (who are very numerous) and with more recent immigrants.

Paradoxical as it may seem, the real future of UMNO as a government really depends on the ability of these two bodies to democratise themselves so that they really do represent the people they claim to represent. Otherwise the more recent Chinese immigrants (represented by the Communists), the nationalistic Malays (represented by Party Negara), and the poorer Indians (represented by Plantations Workers' Unions and certain Trade Unions) may, by systematic sniping at the Government, so undermine the confi-

(Continued on previous page)

U S Peace Economy Booms

(From an American Correspondent)

THE gradually diminishing intensity of the 'cold war' augurs well for the American economy. The auto-makers have been expanding their production for quite some time and are now planning to increase their productive capacity. General Motors announced a 500 million dollar expansion program; it brings the company's postwar expansion program to \$4 billion. Ford and Chrysler are also spending \$625 million each for expansion this year. According to Time Magazine, Oldsmobile will expand its engine plant capacity 50%. Buick will boost annual capacity from 750,000 cars to one million cars.

These trends are evidence of the great confidence American auto-makers have in the US economy and their own industry. Living standards are gradually rising and more and more people are buying cars, better cars. Therefore, the automobile industry feels that it should increase its capacity to meet rising consumer needs.

In the steel sector operations have been pushed almost to capacity, so that additional increases are a physical impossibility. There is a good chance that the steel output can be maintained at this high level in the near future. In several instances export orders have not been filled because commitments at home have been very heavy.

The third of the 'big three' in American industry is the building industry. Here too the situation is excellent. The volume of plant investments in business is increasing and consequently bringing good business to the building sector. Greater investments and expansions, particularly in the chemical industry, will undoubtedly affect building favorably.

The over-all picture of the American economy is bright. However, there are a few black spots. These include declining farm incomes, the rapid expansion in consumer debt and the failure of employment to keep pace with rising production. Some people say that there are monetary trends which might be interpreted as symptoms of inflationary developments; however, these are very small in their impact and overshadowed by other more important factors.

Agriculture has not responded with improvements in other fields of the

economy. The net receipts from farming this year might be about 5 per cent lower than last year. But each year the farm income is spread around a smaller number of farmers.

The farming problem has come more and more to the limelight of politics in the USA. It may even become the central domestic problem in next year's election campaign, particularly if general business activities remain favorable and agriculture is the only sector of the economy where the opposition has cause for grumbling.

High price supports have led to a huge accumulation of farm surpluses in Government hands. The Commodity Credit Corporation investment in farm products is expected to reach an all-time peak after the harvest. The losses incurred by the Corporation are rising continually. Storage charges rise sharply as the Corporation takes title to defaulted commodities; they are now running approximately \$1 million dollars per day. The Corporation has to sell products below their cost of acquisition. Stocks are deteriorating and charges for processing items to be sold or given away run heavily. Selling and buying costs are also considerable.

There has been some criticism about the piling up of surpluses and costly supports. The opposition came mainly from consumer groups and tax payers. They point out that the farm population of the United States comprises only about 1/8 of the total population.

According to law farm surplus products cannot be sold domestically for less than 5 per cent above their current support prices plus reasonable carrying charges. Current production is more than enough for immediate needs. Consequently, there is little chance for sales in the domestic US market.

It was natural for Parliament and the Government to look for markets abroad. In January this year the United States offered to sell butter for export on a competitive bid basis. This, of course, led to concern, and several nations felt that their markets would be upset. What followed the attempts to develop markets for 'butter oil' (ghee) in India, Pakistan, Burma and other Far Eastern countries must be too well known to the readers to need recounting here.

In the United States labor market conditions have undergone a definite improvement; a serious work stoppage has been averted in the automobile industry. However, it must not be forgotten that the demands for a decisive improvement in working conditions which were raised by the automobile workers will soon be echoed in other industries. The general trend points toward strides in social improvement. The establishment of a higher minimum wage is only one of the steps in that direction. The extended coverage of social security payments to groups which so far have not benefited from this system is another measure. There is no doubt that demands for social advancement will continue to be voiced and that American industry will have to take them into account.



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Forecasting Failure of Effective Rainfall

Rainfall and Famine: A Study of Rainfall in the Bombay Deccan 1865 to 1938

by Harold H. Mann: Indian Society of Agricultural Economics, Bombay, 1955—Pages 49—Rs 2.

DR. MANN is one of those few Britishers who made an effective but silent contribution towards the development of Indian economy during the British days. His pioneering studies in the socio-economic aspects of rural life are too well known to need any mention. In the field of applied agriculture he has publications like 'The salt lands of Nira valley' (1910) to his credit. And now at this advanced age of 85 it is remarkable indeed that he had the tenacity, intellectual curiosity and the zeal for undertaking such a comprehensive and painstaking research project as the one, the results of which are embodied in this monograph.

In his preface Dr. Mann relates the genesis of this study. His attention was first attracted to the relationship between rainfall and famine in India by his experiences in 1918 when Deccan districts experienced the worst famine since 1899. During June and July of that year, the usual monsoon rain held off. Anxiety grew greater and greater, but the authorities were helpless. All hoped for the best, and no serious preparations were made for a serious failure beyond those which were normally in operation. By September it was evident that a severe famine was imminent. It came, and the ensuing months were a nightmare.

Dr. Mann was at that time in charge of the Department of Agriculture. He could not forget the horror of those months and wondered again and again whether it would not be possible to forecast, with reasonable probability, such a failure of rain as was likely to lead to a famine. If so, much could be done to mitigate its effects so far as the cultivating classes were concerned. All this was emphasised by the occurrence of a second serious famine two years later.

These events set him on to study the rainfall records ever since they were taken, along with a measure which he had devised to assess the "goodness of the rainfall" from the agricultural point of view. The study proved much more difficult than Dr. Mann had originally imagined, but he worked out "views

as to the figures that really mattered" and finally put the whole together on the basis of data up to the year 1926. He did not, however, publish the results at that time. After retiring to England in 1927, he collected the data between then and 1938 in order to check against them how far the conclusions he had drawn could be co-related with what happened in the next 10 or 12 years. One can only be amazed at his devotion and grit and offer him the solace, if one may,—but a practising Yogi like him may not need it—that research consists more of detection of our own errors than of successful trials, for Dr. Mann did not get the results by which famine could be forecast with reasonable probability and which could give the authorities the clear lead that he had hoped for. He finds the results disappointing in many respects. But they indicate the times when famines are most likely, the character of the rainfall which will lead to scarcity (which will not always be when the rainfall appears very short), and the conditions when shortage of rain is most likely to lead to failure of crops.

The basis of much of his argument, notably the calculation of that portion of the rainfall which is likely to be effective, is empirical. But the author can justify it by saying that it is based on many years' experience in studying the agriculture of Bombay Deccan.

The analysis of the data relating to rainfall attempted in this monograph was originally intended for ascertaining whether "it would not be possible to forecast, with reasonable probability, such a failure of rain as was likely to lead to a famine"; the author concludes that "it is not possible . . . to forecast at any time of the season, with a reasonable amount of probability, the further course of the agricultural season". There are, however, other very useful and revealing conclusions, which are arrived at by the author; these are given below:

1. There was no general tendency for the rainfall to increase or diminish during the seventy years from 1869 to 1938. There

have certainly been cyclic changes, though the cycle is evidently not a simple one. The periodicity is almost the same at all the stations whose records have been studied.

2. There appears to be a definite cyclic change in the amount of effective rain during the period, and the cycles seem to be getting shorter in the more recent years. Serious famines have always occurred when the five-year moving average shows a tendency to decline.

3. The date of the opening of the rainy season shows neither regular nor cyclic change.

4. There is no tendency for an early start of the monsoon to be correlated with a small effective rainfall for the whole season. If anything, the tendency is in the opposite direction.

5. The number of 'growing days' in the season shows periodic changes which correspond roughly with those for the total effective rainfall for the season.

6. As regards the end of the rains, there is strong evidence that a high total rainfall will probably be a late rainfall, and that as the effective rainfall for the whole year shows signs of being of a cyclic type, so the lateness of the rainfall seems to be also of a similar cyclic type.

After a study of this monograph, the present reviewer is left with the impression that perhaps more useful results could have been obtained if Dr. Mann had not formulated the "problem" for the study in the way he did. Instead of studying the available statistical evidence with a view to forecasting "famines", if the data had been studied from the point of view of understanding the true nature of variation from year to year, perhaps more fruitful conclusions could have been arrived at. In this publication, the author tries to use refined statistical techniques for establishing co-relationship between

(1) total rainfall.

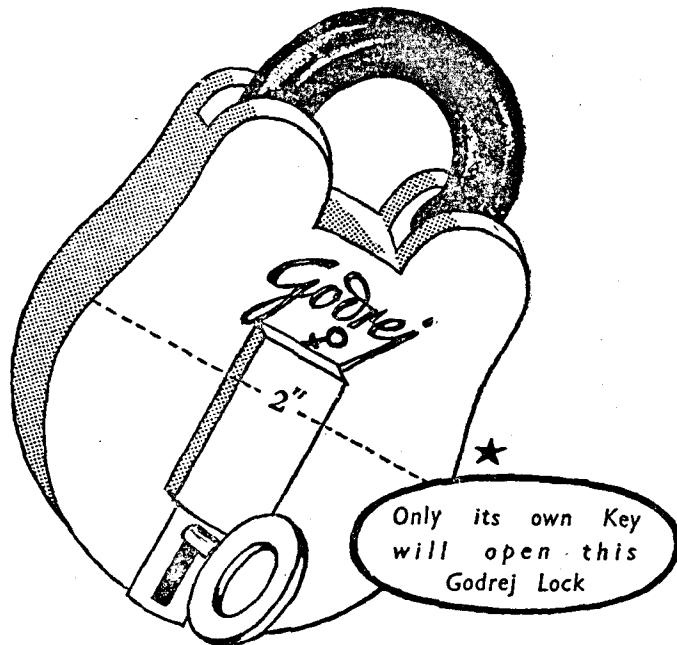
(2) maximum effective rainfall, and

(3) "standard condition (of rainfall) for fully vigorous growth" on the one hand with the "goodness of the season" on the other.

The study is restricted to four districts Poona, Bijapur, Ahmednagar and Sholapur. The primary data—unprocessed—consists only of (i) rainfall as recorded in Poona, Ahmednagar, Sholapur and Bijapur, and (ii) the area and yield of crops as estimated by the Government on the basis of the reports received from the Revenue Department. The coverage of the sample, in the case of the former, was inadequate; in the case of the latter, the quality of the estimates, for the purpose of the refined techniques to which the data are subjected, is questionable. Further, various assumptions in regard to (1) the critical period during the growth period of crops and (2) the ability of the soil to absorb the maximum amount of rainfall are made while arriving at an estimate of "maximum effective rainfall". Similarly, while assessing the "standard conditions (of rainfall) for fully vigorous growth" various assumptions are made regarding (i) the amount of water drawn up by plants—although based on some experimental evidence—and (ii) the depth at which the sub-stratum of 'murum' or 'kanker' lies. To make the methodological basis still more vulnerable, the "goodness of the season" is assumed to be measured by the product of the total area under staple crops and the relative yield of these crops, as estimated on the basis of the report of the Revenue Department.

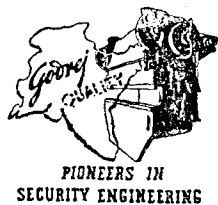
The data which have been subjected to such refined measures as "co-efficient of co-relation", are thus themselves in the nature of estimates, and they are inherently subject to a magnitude of error which itself needs to be measured in the first instance. Under these circumstances, it is not surprising to note that no useful conclusion could be arrived at after analysing the data. Though this is the major problem posed for the study, absence of any definite conclusion in regard to this problem does not, in the least, detract from the value of this very useful and pioneering study by Dr. Mann. It is to be hoped that Dr. Mann's publication will enthrust others to work on this number one problem of Indian agriculture.

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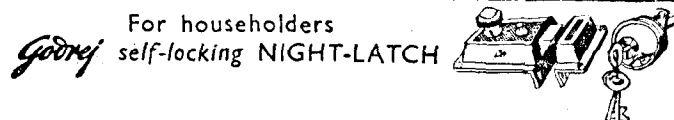
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From the Chair

Bombay Suburban Electric Supply Limited

Speech of the Chairman K G Milne

THE following is the full text of the speech of the Chairman, K G Milne, delivered at the Twenty-sixth Annual General Meeting held on July 29, 1955 at the registered office of the Company, Killick Building, Home Street, Fort, Bombay:—

Gentlemen,

Sales of energy have gone up by nearly 24% in the year under review. Last year the increase was almost 23%. When it is considered that this substantial increase has been made possible by a limited relaxation of certain types of restrictions, even though stringent controls are still applicable to demands for New Industrial Power supplies, which in the main are not yet sanctioned, one cannot help but ponder on how much greater your Company's growth would have been had an unrestricted supply of power been available for distribution. Further these figures of increase reveal the magnitude of the pent up, and as yet unsatisfied demand for electricity in the Bombay Region, and consequent on this, the arresting effect which has been imposed during recent years, on the economic growth of the area. I make these remarks in no spirit of destructive criticism, and even less in that of the "I told you so" attitude. My purpose is to stress again the vital necessity of adequate power supplies being made ready for economic development always in advance and never in arrear of needs, if our cherished hopes of rapidly raising the standard of living are to be realised. I also want to emphasise the importance of drawing the correct conclusions for the future from past experiences.

Trombay A Momentous Relief

The news which came just after your last Annual General Meeting that Government had finally decided to permit Tatas to instal a further 50 MW of power plant at their projected Trombay Thermal power station, came as a momentous relief to the worst of our anxieties for the future; but of course the earliest that this Station could go into production to relieve the present shortages would be about October 1956.

Meantime it has been suggested recently that with the commissioning

of all three sets at the Government owned Chola Power Station, more power would be available to industries both new and existing. I fear however that at the most such extra releases would have to be confined to special hours for the time being, as it is understood that the working of certain parts of this Power Station continues to be unsatisfactory.

On the 6th November 1954 we welcomed the formation of the Bombay State Electricity Board, with Mr. N. H. Hasham Premji, an experienced and successful business man, as its Chairman. I feel this to have been a notable, though too long delayed, step forward.

Company's Six-Year Development Plan

We do not think that we can be accused of any narrow vision with regard to our own arrangements to perform and extend the work we have to do, namely, to provide steady and reliable distribution of all the power which our customers would like to have, to the extent we can procure it for them. The effect of our Six-Year 1948-54 Development Plan is now being very beneficially felt. We are in a position to cater for load much in excess of that which can at present be released by the authorities, and furthermore to take on additional consumers with a relatively lower rate of annual capital expenditure on the Transmission system. The Distribution system continues to be expanded concomitantly. During the year under review, 25 new Sub-Stations were added and the transformer capacity of 12 existing Sub-Stations was reorganised. Further capacitors were added, as those installed last year brought about a considerable improvement in the overall power factor of the System, with a corresponding saving in costs.

Continues its Contribution

The Company thus continues its contribution to the progress and development of the Suburbs, now even reaching out as far North as the village of Bhayander. Unfortunately the standard of Municipal street lighting in most parts of the Suburbs still leaves a good deal to be desired, and this has been the subject of

adverse comment in the Press from time to time. We have no doubt that the Greater Bombay Municipality and the other authorities whom the Company is privileged to serve are well aware of the position, and will in the near future provide the necessary funds in their Annual Budgets to enable the street lights to be improved into line with modern standards. It will be of interest here to mention that a Technical Officer of your Company has been deputed to make a special study of street lighting developments abroad, so that we may make available the very best possible advice at all times.

Wider Issues

Looking towards wider issues, I would like to repeat to you what I have already said elsewhere, namely that I myself see no reason to think that either the recent amendment to the Constitution or the projected new Companies Bill holds out any special threat to Electricity Undertakings such as yours, subject however, I must now add, to there being no more drastic changes introduced into the Companies Bill by the Parliament which is about to begin debating it.

There is I think still reason to hope that the "standard rate" of return will soon be upgraded, though I have yet to see the Bill which we were told was to be introduced at the present Session of Parliament. The question of our being allowed to create a Deferred Taxation Reserve is, I understand, also part of the considerations before Government in connection with this Bill.

Share Capital Indian

There are some facts about this Company which I have been urged by shareholders to disclose, in order to assist in removing misconceptions. In the first place 91.7% of the share capital of your Company is held by Indian Nationals, as are the majority of seats on the Board of Directors. Over 80% of the share capital of the Agency Company is held by Indian Nationals, and again the majority of Directors are Indian gentlemen widely known and highly respected.

In the second place I would say that of the total number of share-

holders of the Company, 23% own between Rs. 100 and Rs. 500 of the share capital, and 45% hold from Rs. 600 to Rs. 2,500. Only 7% own over Rs. 10,000, and, of these, institutional investors (that is to say other companies also having many small holders) comprise almost the whole. I would commend the serious study of these figures by those concerned with the formation of new legislation and controls, in respect of joint stock enterprises and organised industry within the private sector, for they are true not only of our own Company, but of the general pattern of large concerns operating under free enterprise. What would be revealed by such a study is that far from there being an undue concentration of economic power, the truth is that the weapons of production are owned by a large and continuously increasing cross section of society, which is exactly as it should be in a democratic country poised for a vigorous advance of industrial expansion.

Labour Relations

Seven demands were made on the Company during the year by the Union, including those for enhanced wages, and bonus for the 3 years 1950-51, 1951-52 and 1952-53. As no settlement could be reached, these questions have been referred to the Industrial Court for arbitration. The subject is now sub judice, so I will not dwell any further on it. The Union have more lately also made a claim for enhancement of dearness allowance.

The Staff has continued to work for the maintenance of a high standard of service, and our thanks are as usual due to them for their efforts. I am pleased to report that it has been possible to give them a bonus this year amounting to a little over one month's basic salary.

During the year the scope of application of the Employees' State Insurance Act to your Company has been enlarged. Facilities afforded to the staff under the Act appear to be as yet somewhat unsatisfactory, but it is hoped that they will improve.

I have to report with deep regret the death of the Company's Doctor, Dr. Joseph D'Lima, who had been associated with the Company for many years.

Surcharge Not Passed on to Consumers

Coming now to the Accounts which are before the meeting, you will be glad to know that the results have

been obtained without passing on to our consumers any part of the additional 15% surcharge on the cost of power which was introduced by our Bulk Suppliers from 1st April 1954. With regard to Additional Income Tax we are hopeful of settling the issue in the Courts before very long, but I fear that any settlement of the question of shareholders' gross-up of dividends may still be a lengthy matter. The Matthal Commission commented and recommended on both these problems in their Report, which you have doubtless read.

Amendment of Electricity Act Needed

The statutory necessity to make allocations to the Consumers Benefit

Reserve and the Tariffs and Dividends Control Reserve this year, amounting to Rs. 69,933 each, has made it necessary to withdraw Rs. 19,500 from the Equalisation of Dividend Reserve in order to maintain the dividend this year. This kind of position could only be remedied if the Electricity (Supply) Act were suitably amended to increase the rate of return permissible to the Company, and it is somewhat too early yet to draw final conclusions about the future in that respect. I trust therefore that you are satisfied with the Directors having recommended a final dividend of Rs. 4 per share, making 7% for the year, which is the same as that of last year.



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Agricultural Labour

I—Pattern of Occupation and Employment

ALTHOUGH the existence of idle man-power in agriculture has been discussed 'ad nauseum', and has all along been acknowledged to be our problem No. 1, no serious attempt had been made to size up the problem or to study its various aspects with any degree of precision. Is there chronic unemployment in agriculture? If so, what is its volume? Could the surplus labour be withdrawn, without any loss of production? What subsidiary occupations are followed by agricultural labourers? What is the extent of self-employment? What is the level of wages in agriculture? Is the fixation of a minimum wage possible? To these and similar questions, it had not been possible hitherto to give satisfactory answers. The All India Agricultural Labour Enquiry, 1950-51 was instituted by the Central Ministry of Labour to find out the answers to some of these questions and it would be interesting to examine the findings of the Enquiry to see how many of these questions can be answered and how reliable are the answers.

The Agricultural Labour Enquiry was to collect data on rural occupational pattern, employment, wages and income, cost and level of living and indebtedness of agricultural labourers, with a view to considering what protective and ameliorative measures, including fixation of minimum wages, should be taken to improve the conditions of agricultural labourers.

The method and purposes of the Enquiry as outlined in the Preface are as follows: The Enquiry was conducted during the year 1950-51 in three stages through three different schedules and covered 800 villages selected on the basis of stratified random sampling distributed through all the 27 States of the Indian Union. In the General Village Schedule broad data were collected on the economy of the village available either from the village records or from local inquiries and the results were published under the title "Agricultural Wages in India", Vols. I & II. The General Family Survey covered all the rural families in the selected villages totalling about 104,000 and information collected related to the size of the family, earning strength, occupational structure, size of holdings, implements and housing. The

results of this second stage of the enquiry have already been published in the volume entitled "Rural Man Power and Occupational Structure".

The third and the most important report now out deals with the Intensive Family Survey of agricultural labour families. Agricultural families are defined as those whose principal source of income is agricultural labour. Roughly, half of the families coming under this definition in the sample villages, numbering about 11,000 in all, were studied and information was collected for the period from March 1950 to February 1951, relating to employment, wages, income, cost of living, standard of living and indebtedness. The data were collected month by month for a period of 12 months and the annual figures were derived from the monthly data. The present report is the first of a series; the subsequent volumes will be devoted to the six population zones into which India was divided for purposes of the last Census.

Agricultural Labourers and Other Rural Families

According to the 1951 Census, the all-India total of rural families was 58 million, of which about 80 per cent were agricultural families. Unlike the population Census, the Agricultural Labour Enquiry takes as the unit the family and not the individual, and the rural families surveyed are divided into four broad categories, viz., land owners, tenants, agricultural labourers and non-agriculturists. The percentage distribution of the rural families, both all-India and Zone-wise, are given in Table I.

In the sample villages covered, agricultural labour families accounted for 30.4 per cent of the rural families: if the same proportion holds good for all India, the total of such

families would come to 17.6 millions. Agricultural labourers being defined as those who derive the principal portion of their income from wage employment in agriculture, they include families who may own a small plot of land or cultivate land on lease.

Casual and Attached

Of the agricultural labourers, again, some are casual labourers, who get employment from time to time according to the demand for such labour. Others are attached workers' families who are more or less in continuous employment, being under some sort of contract with their employers. Most of the agricultural labour is casual, rather than attached; for all India 84.6 per cent of agricultural labour families being casual and only 15.4 per cent 'attached.'

While half of the agricultural families holds some land, the percentage of those holding land among casual labourers is much greater than among the attached agricultural labour families. Casual agricultural labourers who hold land form 13.4 per cent of total rural families, while attached labourers with some land form only 1.8 per cent of the latter total. It will be seen later that the fact that an appreciable percentage of casual labourers holds some land also partially explains why some of these labourers prefer casual employment to the more regular employment obtainable by attached agricultural labour families.

The percentage of both agricultural families and agricultural labour families is lowest in North-West India (77 per cent and 9.8 per cent respectively); while the former category was highest in Central India (83.7 per cent) the proportion of

Table I
Percentage Distribution of Agricultural Families

Zones	Land owners	Tenants	Agricultural labourers		Total	Non-agriculturists
			with land	Without land		
North India	7.7	56.1	5.7	8.6	14.3	21.9
East India	16.3	29.9	19.0	13.7	32.7	21.1
South India	23.0	6.1	27.3	22.8	50.1	20.8
West India	44.8	18.4	8.8	11.6	20.4	16.4
Central India	25.0	22.0	14.6	22.1	36.7	16.3
North-West India	42.2	25.0	2.7	7.1	9.8	23.0
All-India	22.2	27.2	15.2	15.2	30.4	20.2

agricultural labour families is the highest in South India (50.1 per cent). And of the 6.2 million agricultural labour families in the Southern Zone, as many as 5.1 million are in the State of Madras alone. For all India, the proportions of agricultural labour families with land and without land, to total agricultural labour families are equally divided, whereas in East and South India those with land out-number those without land (See Table II).

The main reason for this uneven distribution would appear to be that in Bihar and Orissa in the East Zone and Madras and Travancore-Cochin in the South Zone, there is a relatively large proportion of small sized holdings with the result that there are numerous marginal cultivators whose principal activity is agricultural labour. It is also found that the proportion of attached labour families is very high in North and North-West India. The chief reasons for this seem to be first, that the proportion of agricultural labour families itself is relatively low being 14.3 per cent in North India and 9.8 per cent in North West India as against an all India average of 30.4 per cent. And in North West India, the proportion of land owners is also high at 42 per cent, while in North India agricultural tenants predominate (56.1 per cent). Secondly, in North India, particularly in Punjab and PEPSU, the size of holdings is comparatively large and the productivity of soil high. Hence the cultivators of larger holdings employ the available labour force as attached workers. In the East Zone also, attached labourers form a high proportion of agricultural labour. In the rest of the country, casual labourers predominate and in Travancore-Cochin, their incidence is the highest because of rapid growth of population, the extreme smallness of the average size of holdings and the glaring inequality of distribution of cultivators' holdings in the State.

The average size of the rural family is estimated at five, the average showing only a slight variation among the different zones of the country. Some members of the family are earners, while others are helpers and dependents, only the first two contributing to the family income. The number of earners and helpers is almost the same in the different categories of agricultural families; viz. 2.6 per family. However, while helpers are more important in the case of owner and tenant families (1.5), earners are

more important in agricultural labour families (2.4). Another significant feature revealed by the Enquiry is that the number of women is greater in the latter category of families than in others. Again, the size of the agricultural labour family is smaller than that of others, and dependents average only 1.96 as against about 2.80 in the owner and tenant families. Another notable finding is that in rural families, the earners other than the head of the family do not always pursue the family occupation, and the dependence of agricultural labourers on non-agricultural work is greater than in the case of others. Also, more workers in agricultural labour families take to other occupations than workers in the other types of families take to agricultural labour.

Excessive pressure of population on land has forced the earners in the rural families to take to subsidiary occupations; of the total earners in different occupations, 26 per cent have subsidiary occupations. Of the various categories of rural families, 21 per cent of the agricultural labour families have taken to subsidiary occupations. Of total earners, about a third have subsidiary occupations outside agriculture, one-sixth have agricultural labour as the subsidiary occupation and the remaining have cultivation of owned or leased land. For almost all the agricultural earners, the subsidiary occupation is agriculture. This shows the excessive pressure on land. Of the agricultural

labourers having subsidiary occupations, cultivation is the subsidiary occupation of more than 50 per cent while the rest engage themselves in non-agricultural work such as house building and repairs, road construction, carting, selling vegetables etc.

Pattern of Employment

Wage-paid employment forms the bulk of the total employment of agricultural labourers, and its volume depends on such factors as the employment status of the labourer—casual or attached—extent of self-employable resources, periodicity of labour needs in self-employed occupations, and the age and sex of the labourer. As attached workers are mostly employed on contract basis for a year or so, their wage-employment is more continuous than those of the casual labourers in whose case seasonal need is the determining factor. Again, while labourers who have a small strip of holding of their own are restricted from taking wage employment, women workers are not free to take up wage-employment on account of the pressure of house-hold duties and in some cases owing to some local social customs.

Number of Days Employed

Taking all agricultural labourers, on an average, an adult male earner is employed on wages for 189 days in agriculture and for 29 days in non-agricultural work or in all for about seven months in a year. (See Table III).

Table II

Different Categories of Agricultural Labour Families

Census Zones	Agricultural labour families as % of total rural families	With land % of total	Without land % of total	Casual % of total	Attached % of total
North India	14.3	40.6	59.4	78.3	21.7
East India	32.7	58.0	42.0	76.1	23.9
South India	50.1	54.4	45.6	95.0	5.0
West India	20.4	43.2	56.8	90.2	9.8
Central India	36.7	39.9	60.1	81.6	18.4
North-West India	9.8	28.5	71.5	69.0	31.0
All-India	30.4	50.0	50.0	84.6	15.4

Table III

Extent of Annual Employment of Men Agricultural Labourers (All-India)			
Category of Family	Agricultural employment (days)	Non-Agricultural employment (days)	Total employment (days)
Casual Labourers	176	31	207
With land	162	28	190
Without land	191	34	225
Attached Labourers	299	13	312
With land	280	16	296
Without land	309	11	320
All Agr. Labourers	189	29	218

The employment of an earner in an attached labourer's family is naturally greater than in the case of an earner in the casual labourer's family, by about 3½ months, and as the casual worker is more free to seek employment elsewhere, his employment in non-agricultural work is greater. The zonal differences in the average number of days on which agricultural labourer is employed on

Casual Labour

It will be seen from this table that male agricultural workers are employed for the largest number of days (289) in North India and for the least number of days (181) in South India. The quantum of employment for casual workers is generally low, and it is lowest in the case of North West India (141), while that of attached workers is uniformly high in all the zones, and ranges from 10 to 11 months in the year. It may be relevant to indicate in passing some of the factors responsible for regional disparity in employment. The higher average in the North Zone may be attributed mainly to the fact that this zone has the highest percentage of area sown more than once and also of the area irrigated. Besides, land is comparatively fertile and productive. Secondly, agricultural labourers are fewer than elsewhere and also the number of women workers is smaller with the result that male workers get higher average employment. The low level of wage employment in West India is due to factors which are almost exactly the opposite of those prevalent in the North. South India shows the lowest average, and this is due to factors such as (a) the availability of land per capita is the lowest, (b) the size of holdings is small and (c) the proportion of agricultural labour families to total agricultural families is the highest. Owing to all these, there is a surplus

or abundance of agricultural labour. What has made average employment for male workers worse still is the fact that the proportion of women workers in the South is almost equal to that of men. Amongst the states in this Zone, Mysore's position is found to be the worst.

Non-Agricultural Work

As regards non-agricultural employment, casual labourers have more of it than attached workers in all the zones. The all-India average for non-agricultural work is 29 days, the duration generally being uncertain. The average is highest in East India (42 days) and lowest in West India (20 days).

Women Labour

Most of the women workers are casual, the impelling reason for seeking work being need of additional income. Women are found to be particularly suitable for operations such as weeding, transplanting and harvesting. Their average employment in a year is 120 days in agriculture and 14 days outside it. There is, however, considerable variation, both in the number of women labourers and their average period of employment among the different zones. Taking agricultural labour only for consideration, South India shows the highest average (132) days and in South and Central India, women figured more prominently among agricultural labourers than elsewhere. The main reason would appear to be that the wage level is lower than in any other part of India.

Different Agricultural Operations

An idea of the nature of employment in terms of the different agricultural operations performed by both men and women workers may be gained from Table V.

(To be continued)

EMPLOYMENT OF ADULT MALE AGRICULTURAL LABOURERS

Average number of days worked on wages during the year (All Labourers)

Zones	Total days employed	Agricultural labour	Non-Agricultural labour	Casual workers	Attached workers
North India	289	255	34	280	345
East India	224	182	42	215	323
South India	181	160	21	173	301
West India	196	176	20	171	340
Central India	245	221	24	193	325
North-West India	202	177	25	141	288
All-India	218	189	29	200	326

TABLE V.
Percentage of Man-Days worked by men and women in different Agricultural operations and Non-agricultural labour*

All India			
Operations	Men	Women	Total
Preparatory	8.8	3.3	12.1
Ploughing	12.7	0.2	12.9
Sowing	2.6	1.2	3.8
Transplanting	3.1	4.5	7.6
Weeding	6.0	8.9	14.9
Irrigating	2.6	0.5	3.1
Harvesting	11.2	9.7	20.9
Threshing	3.5	1.3	4.8
Others	1.8	1.6	3.4
All agricultural Operations	52.3	31.2	83.5
Non-agricultural Operation	10.0	3.7	13.7
All Labour	62.3	34.9	97.2

*The balance of man-days was contributed by children.

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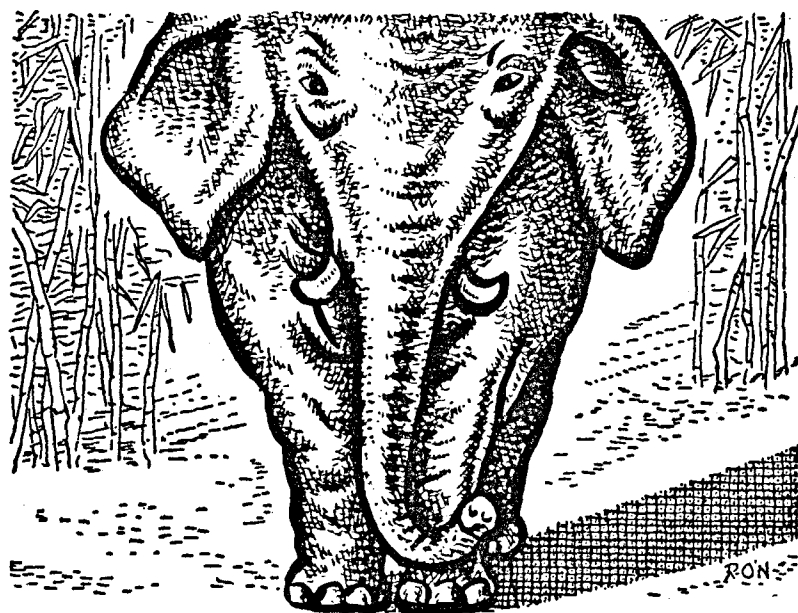
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Around Bombay Markets

Rise Well Maintained

Thursday, Morning.

WELL sustaining the improvement witnessed at the close of last week, the Stock Exchange maintained its buoyancy, and the closing quotations recorded for the second week in succession the highest levels for the period under review. Under the leadership of steels, all the leading industrial counters attracted uninterrupted speculative activity which in the case of Tata Ordinary was further strengthened by good working results of the company. Indian Iron were well supported by Calcutta bulls on prospects of a bright future for the company.

Either actual reports or expected satisfactory working results of mills accounted for the steady trend in almost all textile scrips. Thus, while Bombay Dyeing, Century and Kohinoor were highly favoured by speculators on prospects of higher interim dividends, Simplex moved up on good working results and on suggestions of a possible upward revision of dividend next year. About 2500 Simplex shares changed hands in a single day towards the close of the week.

The miscellaneous section also reflected the buoyant conditions of the market in general with Phaltan Sugar making phenomenal strides on reports that have been persistently circulating in the ring that the company would very likely raise its dividend from Rs. 8 to Rs. 10. Tata Chemicals and British India Corporation enjoyed consistent speculative backing. ACC were favourably influenced by reports of expansion programme, following the company's joint venture with Vickers Ltd. Bombay Burma Old drew sustenance from reported reorientation of the company and satisfactory working results.

Tata Steel Ordinary maintained a steady trend throughout the week and registered towards the close of the week the 1954 peak level of Rs 254, influenced by the twin factors of the satisfactory TISCO report and encouraging advices from Calcutta. In the event, the scrip gained, over eight points to close a shade lower than the week's highest at Rs. 253-8.

Indian Iron gained Rs. 1-9-0 over the week to close at Rs. 38-8, an anna lower than the highest touched during the week. In kerb trading

Indian Iron were taken up higher to Rs 38-12.

There were further gains in the textile section. Kohinoor, Century, Swadeshi and Nagpur closed at the week's highest levels while Bombay Dyeings, which moved from Rs 510 to Rs. 516-4, closed a trifle lower at Rs. 515. Simplex rose from Rs. 163 to Rs 175 and finished the week at Rs 173.

Bombay Burma, National Rayon and Tata Chemicals, which remained subdued at the close of the previous week, joining in the fray, the miscellaneous section ruled steady throughout the week. Bombay Burma Old reached the peak of the week at Rs 564 while National Rayon successfully penetrated its reactionary level at Rs. 218-4 to close, however, a shade lower at Rs. 217-8. Sentiment in this scrip was favourably influenced by export prospects

to Pakistan. On firm speculative support Tata Chemicals closed steady at Rs. 16, the highest level for the week being Rs. 16-4. ACC, Scindia and Premier Construction were well maintained at around the highest levels of the week. On anticipations of higher dividend, Phaltan Sugar rose from Rs 134-12 to Rs 140 but closed at Rs 139.

Cotton

Reacts to Devaluation

THE cotton futures market displayed a mixed trend. In the first half of the week, it presented a more or less firm front but in the latter half, particularly at the close, it developed distinct signs of weakness. Although even at the outset the undertone was subdued on reports of favourable weather in some parts of Saurashtra cotton belts, with consequent fears that cotton

Bombay Market Leaders During the week

	Aug. 2, 1955	Week's Range, High Low		July 27, 1955
Steel Shares				
Tata Ordinary	253- 8	254- 0	247- 8	248- 8
Indian Iron	38- 8	38-11	37- 7	38- 8
Textile Shares				
Bombay Dyeing	515- 0	515- 0	508-12	510-10
Century	420-12	420-12	413- 0	414- 0
Kohinoor	354- 8	354- 8	339- 8	343- 8
Simplex	173- 0	174- 8	163- 0	164- 8
Swadeshi	215- 8	216- 0	210- 0	211- 8
Miscellaneous Shares				
Associated Cement	195- 8	196- 0	187- 8	188- 8
Belapur	318- 0	320- 0	317- 0	318- 8
Burma Old	561-14	563-12	542- 8	546- 4
National Rayon	217- 8	218- 8	211- 8	213- 4
Premier Const.	164- 0	164- 0	161- 8	163- 0
Scindia	15-3½	15-7½	15-1½	15-3½
Tata Chemical	16- 0	16- 4	15-13	15-13
Bank of India	150- 0	150- 0	148- 0	148- 4
New India Assc.	43-12	44-12	43- 4	44- 4

Oils and Oilseeds

	Aug. 2, 1955	Week's Range High Low		July 27, 1955
Seeds				
Castor Sept 1955 (per candy)	89-14	93- 4	89- 8	88-12
May " "	89- 0	92- 8	87- 4	86- 4
Groundnut Aug-Sept (per cwt)	23-10	24- 9	23- 8	23-10
Linseed Aug-Sept " "	24-14	25-14	24-14	26- 2
Kardi Ready " "	15- 0	15- 8	15- 0	14- 6
Niger seed Ready " "	25- 0	25- 4	25- 0	23- 6
Oils				
Castor oil Com. (per quarter)	9-10	10- 0	9-10	9-12
Groundnut oil R R " "	12-11	13- 3	12-11	12-10
Linseed oil " "	14- 8	15- 8	14- 8	15-12

may not be taken on docket, sentiment changed for the better on the opening day. The improvement was initiated, in the first place, by reports suggesting that prominent cotton-cum-mill magnates were assiduously campaigning for buying cotton on the docket.

On the following day, however, a reversal in trend was noticed when the foregoing reports proved to be without foundation. Evidence of this was provided by a leading bull operator who started liquidating his August position. This was immediately followed by other bulls transferring their purchases to the new crop. In the event, there was a drop of nearly six points in the maturing contract.

In the middle of the week, there was a smart rally in prices in both the old and the new contracts in view of the reported shelving of US cotton export subsidy. This trend, however, could not be maintained for long as a leading cotton merchant-cum-speculator, who had bought August futures recently on a large scale, started liquidating his holdings. As a result, the earlier gains were wiped out and the rates slipped back to their old level.

On Saturday there was only a brief session of two hours during which the market reacted to the reference at the Indian Central Cotton Committee that the cotton crop had already reached the target a year ahead of schedule and that the acreage and production of cotton for the Second Five-Year Plan had been fixed provisionally at 20.42 million acres and 55.86 lakh bales respectively. On Monday and Wednesday, there was no trading.

Tuesday's performance reflected the reaction of the trade to the Pakistan devaluation move. The August contract slumped by 10 points. The issuance of relatively small delivery orders for about 2,250 bales failed to check the declining trend. On balance, the August contract suffered a fall of 21 points from the week's highest while the new February contract slid from Rs. 619-12 to Rs 603-12.

Oilseeds

Mixed Trend

THERE was a mixed trend in the oilseeds market also. On the first two days of the week, speculative selling brought about a recession in prices all round. Trading in the following two days presented a mark-

ed contrast, with prices shooting up particularly in groundnut and castor. Sentiment was favourably influenced by persistent support extended by Vanaspati manufacturers and besides, there was also heavy bull buying and frantic bear covering. During the rest of the week, the trend was erratic. At the close of the week, the weakness in the cotton market also had its bearish effect on oilseeds and there was a general decline all round.

Castor September opened the week at Rs 91-8 and after touching Rs. 93-4, closed at Rs 89-14, the lowest for the whole week being Rs 88-8.

Groundnut ready bold closed at Rs 23-8 after going up at one time to as high as Rs 25-8. Groundnut August-September came down from Rs 24-9 to Rs 23-8 at the close.

Other sections remained easy more or less in sympathy with the declining trend in castor and groundnut, the closing quotations in all showing a moderate loss over the week.

Bullion

At a Standstill

Trading in the Bullion Market was practically at a standstill throughout the period under review.

Tuesday was the settlement day for Gold Shravan delivery. But the Board sought shelter under its by-law 35 (2) and postponed the settlement indefinitely.

Despite the attendance of the bulls at Tuesday's meeting of the Board of Directors, there appears to be no lessening of the tension and the stalemate continues.

Around Calcutta Markets

Effects of Lower Pak Rupee

Wednesday, Evening

FROM the immediate impact of devaluation of the Pakistani rupee on the Calcutta Stock Exchange and on the raw jute and gunny markets, it would seem that Calcutta's commodity markets are wiser than Clive Street. Clive Street was, perhaps, not wrong in marking Coal shares up. But its enthusiasm for Jute shares on Monday morning was rather surprising, as it neither knew nor did it anticipate New Delhi's decision to abolish export duties on jute manufactures.

At first sight, steadiness in Coal shares as a sequel to devaluation of the Pakistani rupee may seem surprising. With the devaluation of the Pakistani currency, it should, theoretically, be more difficult for India to export coal to Pakistan. Under the Indo-Pakistani Trade Agreement, India's coal exports to Pakistan have some relation to India's imports of raw jute from Pakistan. But the trade in coal or in raw jute has not been anywhere near the permissible limit. How, then, to explain the steadiness in Coal shares?

Coal Shares

This raises the question why devaluation of the Pakistani currency has had a mixed reception in Calcutta. Coal shares have steadied up on the argument that, with the devaluation of the Pakistani currency, trade between India and Pakistan will improve. This is one of the avowed aims of Karachi's decision to devalue. Traders in Calcutta hope that it will now be possible to extend the scope and volume of the Indo-Pakistani Trade Agreement. This is a reasonable presumption, and it justifies the halt to the downward trend in Coal shares.

But some industrialists in Calcutta are doubtful whether trade between India and Pakistan will improve even after devaluation of the Pakistani currency. Trade controls and restrictions in Pakistan continue. Pakistan, it is argued, has an acute balance-of-payments problem. She may be interested in raising exports, but will have to keep a strict watch on imports. This, of course, may mean that India may have a deficit trade balance with Pakistan in the near future. This may or may not be a "bear" argument for Coal

shares. But it does not necessarily mean that devaluation of the Pakistani rupee will not stimulate trade between India and Pakistan.

Tea Shares Unaffected

Devaluation has not had any effect on Tea shares. That is rather surprising. With the currency devalued, it should be possible for Pakistan to sell more tea at the London auctions. As exports of Pakistani tea tend to improve, exports of Indian tea may, to that extent, be affected. There is no doubt that Pakistan will now be able to compete on equal terms with India in the London market.

This raises the problem of the export duty on Indian tea. It is widely expected that, as in the case of jute goods, the export duty on tea, as also on raw cotton and on cotton textiles, may be lowered. It was an unlucky coincidence that, when the market opened on Monday, it had to cope simultaneously with the possible effects of devaluation of the Pakistani rupee and an increase in the export duty on tea. Even so, it was rather strange that Tea shares did not fall on Monday.

Tea Export Duty

Incidence of the export duty on tea can be over-emphasised. As the duty is now based on a slab system and is directly related to London auction prices, its effect on exports is no longer so rigid, as the duty automatically varies with fluctuations in London auction prices. To stress this direct relation between the export duty, under the slab system, and London auction prices, is not to minimise the possible repercussions of devaluation of the Pakistani currency on the Indian tea industry.

Temporary factors like dissuption of communications due to floods in northern West Bengal and Assam may have a steadying effect on Calcutta tea auction prices. But the recent behaviour of tea auction prices indicates that Calcutta tea auction prices may fall hereafter. That was why Tea shares became inactive a few days ago. Suitable adjustments in the export duty may offset the possible disadvantages arising out of devaluation of Pakis-

tani currency. But an examination of the relevant factors suggests that the immediate outlook for Tea shares is not very promising.

Jute Shares Up

On Monday morning, when shares were going up, many were surprised at Clive Street's reaction to devaluation of the Pakistani rupee. For, a lower Pakistani rupee was, and is, a serious threat to the Indian jute industry. Therefore, as a result of devaluation of the Pakistani rupee, Jute shares should have gone down. Indeed, New Delhi's prompt action in abolishing all export duties on jute manufactures indicates the trade's and the Government's fears about competition from Pakistan with her currency devalued.

Though Clive Street's immediate response to devaluation of the Pakistani rupee was illogical, the gunny and raw jute markets were logical in their immediate reaction. Initially, both raw jute and heavy goods fell. Later, both started moving up in anticipation of reduction or abolition of the jute export duty. What would be of interest to note in this connection is that Clive Street was doubtful about reduction or abolition of the duty, and yet pushed Jute shares up.

Dealers in the gunny market proved right in their speculation about abolition of the jute export duty. Prices of jute goods rose further on Monday evening. Jute goods were steady throughout Tuesday, but moved up further on Wednesday as it became known that the export minimum price for Pakistani raw jute would not be lowered. This also explains why raw jute prices in Calcutta remain steady.

If Clive Street was hasty in bidding Jute shares up on Monday morning, it was equally hasty in pushing Jute shares further up on Tuesday. Though abolition of the export duty on Indian jute goods was a "bull" factor, Clive Street was unwise on Tuesday in ignoring the possibility of a lower fixed minimum price for raw jute in Pakistan. It was widely expected that Pakistan would lower the minimum export prices for raw jute to offset the possible effects of abolition of the Indian jute export duty. That would have helped the Continental manu-

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facturers to compete on more favourable terms with the Indian industry.

But Clive Street can now take consolation that all is well that ends well. With the abolition of the export duty on Indian jute manufactures and with no lowering of the fixed minimum export price for raw jute, the prospects for jute shares become brighter. Developments in India and in Pakistan since Sunday night relating to raw jute and jute goods indicate that the Indian industry may secure its requirements of Pakistani raw jute at cheaper prices. In this connection, it is necessary to bear in mind that both India and Pakistan are producing bumper jute crops this season.

Devaluation of the Pakistani rupee has no direct bearing on Indian Iron. But Indian Iron have been moving up in the last few days. Belief in issues of right shares by both Tata Steel and Indian Iron persists. Recently, however, Indian Iron have shown a tendency to follow closely the fluctuations in Tata Steel.

Company Notes

THE ASIAN ASSURANCE

THE forty-fourth Annual Report and balance sheet of the Asian Assurance Company Ltd., for the year ending December 31, 1954 show that despite the fact that the company has had to struggle hard to wipe off the legacy of loss relating to its General business, it has been able to record satisfactory results in the Life business. In 1954, proposals for assurance amounting to Rs. 320.79 lakhs were received out of which including those pending, proposals for an aggregate amount of Rs. 268.86 lakhs resulted in policies, as against Rs. 203.11 lakhs in 1953, indicating an improvement of 32 1/3 per cent.

The Life Fund of the company increased by Rs. 34.72 lakhs to Rs. 390.09 lakhs, at the end of 1954.

Net premium income during the year under review amounted to Rs. 62.56 lakhs as against Rs. 60.54 lakhs in the previous year. The company was also able to realise a net profit of Rs. 4.55 lakhs on the sales of investments.

Mortality experience has shown improvement in as much as the percentage of actual to expected deaths declined from 52.7 per cent in 1953 to 48.9 per cent in 1954.

Claims less re-assurances paid during the year amounted to Rs. 23.59

lakhs of which claims by death totalled Rs. 5.59 lakhs. The renewal expense ratio worked out to 15.87 per cent, and as the Directors point out in their report, that efforts are being made to bring it down further.

The General Department was closed down as from 15th February 1952 and the company has been engaged in winding it up.

Interest and transfer fees received during the year amounted to Rs. 20,198. After adjusting the loss transferred from the Fire Revenue account to the tune of Rs. 18,868, a net balance of Rs. 1,329 was credited to the Profit and Loss Appropriation Account, and adjusted against the loss being carried forward. At the end of the year under review, loss outstanding amount to Rs. 1.97 lakhs.

It would be useful if the company furnishes in its accounts previous year's figures also for purpose of comparison.

BENGAL CHEMICAL

ACCORDING to the report of the Bengal Chemical and Pharmaceutical Works, Ltd., for the year to April last, the work on installa-

tion of the new sulphuric acid plant is progressing according to schedule. For the repayment of the loan of Rs 30 lakhs from the Industrial Finance Corporation, the Company has executed a mortgage. In the year to April last, Rs 12 lakhs were drawn by the Company to finance its expansion plans.

In the year under review, profits were higher by Rs 3.07 lakhs. Dividend has been maintained at 6 per cent.

BRITANNIA BISCUITS

DESPITE an increase in capital, the Britannia Biscuits Company, Ltd., maintained the ordinary dividend at 10 per cent for the year to March last. This was possible because of higher sales and profits.

In the report, the directors complain about the increasingly difficult transport conditions. In view of the gradual increase in the demand for quality biscuits, the directors contemplate implementation of the Company's plans for replacement and modernisation of equipment in order to enhance the Company's reputation as a manufacturer of quality biscuits.

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The Tata Iron and Steel Company Limited

THE performance of the Tata Iron and Steel has been fully up to general expectations and shown excellent results during the year 1954-55. Sales (gross) of the Company's products recorded a small rise as compared to the previous year. The net profit, however, has increased substantially by about Rs 21 lakhs. After providing Rs 240 lakhs for taxes, Rs 32.28 lakhs for Managing Agents commission and Rs 235 lakhs for depreciation, the Company made a profit of Rs 224.47 lakhs compared with Rs 201.61 lakhs in the previous year. The Provision of Rs 106.60 lakhs has also been made for profit sharing bonus to employees. The directors have taken Rs 31.98 lakhs to General Reserve, Rs 10 lakhs to Development Reserve and Rs 191.50 lakhs to Dividend Reserve. Balance of Rs 5.52 lakhs has been carried forward.

Dividend on First and Second Preference shares and Ordinary shares has been maintained—Rs 9 per share subject to tax on First Preference, Rs. 7-8 per share, subject to tax, on Second Preference and Rs 10-8 per share on Ordinary shares, free of tax, have been recommended. These will absorb Rs 191.46 lakhs.

Production and Despatches

The total production of saleable steel during 1954-55 amounted to 783,000. This is about 3000 tons more than in the preceding year. The total despatches of saleable steel during the year amounted to 749,000 tons as compared with 767,000 tons while steel retained for construction purposes in the Company's works amounted to 49,000 tons in 1954-55, as against 22,000 tons in the previous year. Thus, the total quantities supplied during 1954-55 exceeded the previous year's total by 9000 tons.

Capital Expenditure

A total of approximately Rs 9 crores of capital expenditure was incurred during the year on the various projects of modernisation and expansion programme. The Company drew, during the year, Rs 4.8 crores from the Government Loan leaving a balance of Rs 5.2 crores, against the special advance of Rs 10 crores sanctioned by the Government for the Company's expansion programme.

The Company further bought Rs 32 lakhs worth of share of the Tata Locomotive and Engineering Company, bringing up its total holding in the Ordinary Shares of the company to Rs 112 lakhs.

The Company also made further advance of Rs 54 lakhs to the Indian Tube Company's projects, bringing the total advances to that company to Rs 66 lakhs.

Two Million Ton Programme

As against a production target of 6 million tons of steel ingot or about 4½ million tons of finished steel for the steel industry in the Second Five-Year Plan, the Company has a programme for expanding the capacity of its works at Jamshedpur to a total of two million tons of steel ingots or 1½ million tons of finished steel.

The details of the project are being worked out, and negotiations are also afoot to procure necessary finances from abroad. The preliminary estimate for the project total Rs 60 crores. This is to be financed partly from savings and partly from the fresh issue of Ordinary shares.

With No Comments!

“PEOPLE from far away places swarmed the village Tukral, in Ujjain, to witness Gend Kumar Bai commit “Sati” on the funeral pyre of her husband and the railway authorities ran special trains on the narrow gauge line between Agra and Ujjain to facilitate transport for this crowd.”—PTI message, July 30, 1955.

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CURRENT STATISTICS

BANKING RETURNS				
	Latest Week†	Week Ago	Month Ago	Rs Crores Year Ago
Reserve Bank				
1. Note circulation	1291.47	1297.99	1312.72	1142.74
2. Rupee Coin	108.49	107.60	105.60	102.74
3. Deposits				
a) Central Government's	80.24	79.62	58.96	129.89
b) Banks'	54.46	53.34	46.14	49.70
c) Other Governments'	20.19	18.90	12.34	20.86
d) Others'	15.06	14.67	35.70	36.56
4. Foreign Securities	637.04	637.04	652.04	623.15
5. Balance held abroad	80.03	79.62	61.86	109.07
6. Rupee Securities	543.65	543.65	543.65	421.22
7. Investments	61.47	61.24	46.55	94.83
8. Loans and advance to Governments	1.0	0.13	0.91	—
Scheduled Banks				
1. Demand liabilities (net)	592.43	591.01	590.21	543.96
2. Time Liabilities	402.37	402.05	396.74	344.51
3. Cash on hand	33.38	33.77	34.27	30.29
4. Borrowing from Reserve Bank of which against Usance Bills	15.15	25.33	17.22	2.69
14.55	24.14	16.71	0.89	
5. Advances and Bills discounted of which State Bank's	562.7	570.11	568.75	514.77
109.47	111.62	115.60	114.10	
6. Investments of which State Bank's	368.43	367.18	346.56	329.85
94.00	94.32	89.57	81.87	
Cheque Clearance	124.03	129.77	125.85	110.34

†For Reserve Bank and Cheque Clearance week ended 29-7-55. Scheduled Banks week ended 22-7-55.

Bombay Money Rates	29-7-55	22-7-55	1-7-55	30-7-54
Inter-Bank Call Rate	1%	1%	2%	1%
3 months deposits	2%	3	2%	2%
6 months deposits	2%	2%	2%	2%

Bombay Bullion				
(In Rupees & Annas)				
Gold (per fine tola)	4-8-55	Week Ago	Month Ago	Year Ago
Spot	94- 8	94-12	93- 2	85-12
Forward	92- 4	92- 4	91-14	85-11
Silver				
Spot	162- 4	161- 4	159-12	152-10
Forward	159- 4	159- 4	159- 4	152- 6

FINAL ESTIMATE OF SMALL-MILLETS			
	1954-55	1953-54	% Change
Area ('000 acres)	13,680	13,979	-2.1
Production ('000 tons)	2,424	2,427	-0.1

INDIAN RUBBER PRODUCTION			
	1952	1951	1950
Area (acres)	111,117	104,505	104,460
Production (million lbs)	36.0	32.03	31.83

Source : Directorate of Economics and Statistics

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939=100)

Group and Sub-Group	Week ended 16-7-55	Week Ago	Month Ago	Year Ago
I. Food Articles:	317.8	304.0	284.9	356.5
Cereals	368	349	331	399
Pulses	280	272	231	293
Others	252	244	229	305
II. Industrial Raw Materials:	408.3	412.8	393.1	419.2
Fibres	410	417	410	388
Oilseeds	398	400	352	480
Minerals	423	427	422	431
Others	420	417	415	404
III. Semi-Manufactures:	330.9	331.6	330.1	355.0
Leather	357	357	385	368
Mineral Oils	201	201	221	221
Vegetable Oils	406	408	351	462
Cotton yarn	408	406	422	457
Metals	256	256	244	239
Oilcakes	327	345	321	421
Others	329	330	329	300
IV. Manufactures:	370.5	370.6	369.3	376.5
Textiles	406	406	406	419
Jute	415	415	413	422
Cotton	402	402	403	418
Rayon & Silk	474	474	467	470
Wollen	282	282	285	310
Metal Products	351	351	343	340
Others	286	286	286	287
V. Miscellaneous:	570.1	567.8	566.3	636.8
All Commodities:	358.8	354.7	343.9	381.6

INDUSTRIAL DISPUTES

(Resulting in Work-Stoppages involving 10 workers or more)

Year/Month	No. of disputes		No. of workers involved		Total No. of man-days lost
	Start-ing	In Pro-gress	Start-ing	In Pro-gress	
1947	—	1,811	—	1,840,784	16,562,666
1951	—	1,071	—	691,321	3,818,928
1952	—	963	—	809,242	3,336,961
1953	—	772	—	466,607	3,382,608
1954	—	840	—	477,138	3,372,630
1954:					
Jan	62	84	34,049	51,973	325,514
Feb	61	85	26,419	41,351	344,295
March	70	91	21,496	34,202	331,416
April	78	101	30,062	34,963	207,247
May	56	80	27,606	40,073	216,062
June	61	82	14,963	21,589	205,078
July	106	122	22,547	30,189	277,492
Aug	69	79	36,262	51,090	322,887
Sep	77	97	35,162	50,414	363,878
Oct	66	88	30,678	41,724	276,294
Nov	48	62	16,244	25,115	239,701
Dec	75	101	44,124	54,455	262,763
1955					
Jan	72	95	38,430	49,038	322,807
Feb	68	91	31,853	38,370	144,302
Mar	86	111	63,091	69,925	353,091
April	68	97	19,525	29,398	*299,035

N.B. Figures for 1954 are provisional

*Not known in 9 cases.

Source : Labour Bureau

FINAL ESTIMATE OF RAPE AND MUSTARD

	1954-55	1953-54	% Change
Area ('000 acres)	5,665	5,534	+ 2.4
Production ('000 tons)	962	855	+12.5

Source : Directorate of Economics and Statistics

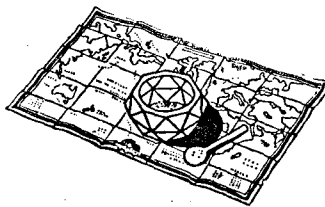
TARGETS FOR INDUSTRY PROPOSED BY THE MINISTRY OF COMMERCE AND INDUSTRY

(Continued from last issue)

Name of Industry	Capacity Target	Proposed Investment Rs lakhs	Investment-output ratio in new units	Investment per man employed in new units
(1)	(2)	(3)	(4)	(5)
11. Aluminium	30,000 tons	19,75	100 : 30	„ 30,000
12. Cement	12 mn. tons	66,84	100 : 60	„ 31,000
13. Fertilizers:				
a) Phosphatic—	120,000 tons	2,80	100 : 300	„ 13,000
b) Potassic	3,000 tons	8	100 : 120	„ 5,000
14. Paper & Board	600,000 „	66,00	100 : 50	„ 20,000
15. Newsprint	120,000 „	12,00	100 : 50	„ 55,000
16. Rayon & staple fibre				
a) Art Silk Yarn	55 mn. lbs.	18,20	100 : 50	„ 37,500
b) Weaving	275 „ Yds	—	—	—
c) Staple fibre	25 „ lbs	5,50	100 : 25	„ 37,500
d) Pulp	30,000 tons	8,00	100 : 50	„ 80,000
17(A) Cotton Textiles				
Cloth:				
a) Mill	5,320 mn. yds	98,00	—	—
b) Decentralised Sector	2,880 „ „	—	—	—
(B) Woollen Textiles				
Wooltops	9 mn. lbs addl.	2,25	100 : 270	„ 6,400
18. Jute Textiles:				
(mainly modernisation)	1.2 mn tons	1,51	(20,00 for modernisation)	100 : 50 „ 17,000
19. Dyestuffs and Related Chemicals:				
a) Intermediates	64 mn. lbs	8,70	100 : 200	„ 30,000
b) Coke oven by-products:				
i) Coal tar	514,000 tons	4,00	100 : 100	„ 10,000
ii) Benzene	17 mn gls	1,00	100 : 120	„ 20,000
20. Caustic Soda, Soda Ash etc:				
a) Soda ash	350,000 tons	14,65	100 : 40	„ 40,000
b) Caustic Soda, Chlorine & Bleaching Powder	130,000 „	6,60	100 : 50	„ 70,000
	69,000 „			
	18,000 „			
21. Other chemicals:				
a) Sulphuric acid	600,000 tons	5,50	100 : 180	„ 60,000
b) Carbon black	8,000 „	—	—	—
c) Sodium Hydrosulphate	5,000 „	1,40	100 : 100	„ 50,000
d) Potassium Chlorate	4,200 „	21	—	—
e) Calcium Carbide	25,000 „	1,25	100 : 100	„ 70,000
22. Cotton, Jute, Cement, Sugar and Paper Machinery:				
a) Cotton textile machinery	Rs 17 crore worth	4,50	—	—
b) Jute „ „	„ 2.5 „ „	1,32	100 : 250	—
c) Cement machinery	„ 2 „ „	—	—	—
d) Sugar Mill machinery	„ 2.5 „ „	2,00	—	—
e) Paper „ „	„ 4 „ „	—	—	—
23. Power alcohol, essential oils, metals and soap:				
a) Power & Industrial alcohol	36 mn gls	1,00	100 : 70	„ 30,000
b) Turpentine & Resin	27,000 tons	32	100 : 200	„ 4,500
c) Lead	6,000 „	20	—	—
d) Antimony	800 „	—	—	—
e) Soap	220,000 „	—	—	—

Source: Papers presented to the Central Advisory Council for Industry

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salt!



Can you imagine how poor the world would be without salt? Your food would lose its savour; there would be no paper to write on; no leather for shoes; no glass to replace the broken window panes; no medicine for the ailing.

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THE hopes that August 15 brought with it eight years ago were somewhat damped in the succeeding years. They seem at last in the process of fulfilment. And that is no mean gain, considering the many vicissitudes of the intervening years, the time and energy that had to be expended on giving our newly-won freedom a framework and direction and the labour that was involved in clearing the debris of the past and paving the way for planned development. Though the transition from preparation to actual achievement had started taking place some time earlier, it is this year that we have had the most heartening evidence of the speed with which the country is moving ahead. We are already beginning to taste the first fruits of all that has gone on silently these years—an undramatic process which could not be expected to stir much enthusiasm in the common man. Some of the frustration has been largely due to this; but now with planning and execution gathering slow momentum, the mental climate in the country has been changing, be it ever so slowly. The position of honour, prestige and influence that India has been gaining for herself in the international field has also contributed not a little to bring about this welcome change.

The most significant development since August 15 last year, and one which holds incalculable consequences for the pattern of political evolution in the land, the line and pace of future progress and the transformation of Indian life, has been the decision of the Congress to work for a socialistic pattern of society and the ready acceptance by Government of that goal. In a sense, this was no new declaration on the part of the Congress, though its intentions had come to be obscured by conflicting statements and hesitant policies in the early years of freedom. For the first time, the country's urge for progress has been given a certain direction to follow and a goal to reach. Some of the bewilderment has disappeared, and for good or ill, the Republic has taken a definite turn to the Left to the relief of the common people and the temporary chagrin of Socialist and Communist groups which have been left without much of an alternative appeal to the electorate. If there was any tendency towards a polarisation of political forces, it has received a setback for the time being; and the Congress has emerged as a party without a rival in a deeper sense than in the immediate past. Given its present fairly wise leadership and its recent aspiration, this accession of fresh strength to the Congress is largely to the good of the country, for it has thereby secured unchallenged authority and an unhampered opportunity to carry out its aims. But this concentration of power and mass faith in one party, however welcome at this moment, may lead to evil consequences in course of time particularly if the present leadership should waver, weaken or fade away. That is a danger which far-sighted politicians cannot possibly ignore.

India's peace endeavours in the course of the year, which have relieved if not removed international tensions, are too fresh in the public mind to need elaboration here. Though both in Korea and Indo-China, which have benefited from Prime Minister Nehru's peace initiative, there have been signs of unrest, it is unthinkable that any serious flare-up will

occur. On the contrary, the area of peace promises to grow wider, embracing the East and the West, and in this happy development, India has not been without her share. The 'Panchashila', the offspring of Indo-Chinese friendship and collaboration, has been winning more and more adherents, the latest being Soviet Russia and one country in the West, Yugoslavia. The Afro-Asian Conference, in which India played no small part, has given a wider meaning to Asian freedom and brought much nearer the day of Africa's deliverance. The crowning event in the international sphere was Pandit Nehru's visit to Russia and certain countries of Europe, where the great ovation he got was some measure of the appreciation felt by thinking people for our Prime Minister's untiring labours in the cause of peace.

Though our relations with our immediate neighbour, Pakistan, have not improved to the extent desirable, there has been a little tangible progress towards greater understanding and even a little co-operation in limited fields. But the Kashmir problem awaits final settlement, though

happily there has been no serious clash over the issue. The position of Indians in South Africa continues to be as bad as ever, while that of our countrymen in Ceylon and other parts of the world, particularly in Africa, has shown no improvement. Within the country, it was a tribute to Indian patience and wisdom and also to French realism, albeit belated, that the problem of French settlements came to be solved in the course of the year. Indeed, the first elections in conditions of freedom have already taken place in these former pockets of alien domination, and all that remains to be attended to is the question of a 'de jure' transfer. Meanwhile, blind alike to the lessons of history and the examples set by the British and French, the Portuguese continue to cling to Indian soil, committing atrocities which have set a thrill of horror through the country and led to massive demonstrations of indignation. But for our Government which in the face of calculated insolence and provocation has been scrupulously adhering to a policy of peaceful set-

THE ECONOMIC WEEKLY

tlement and, what is more, putting curbs on mass feeling, these islets of alien exploitation and intrigue would have been wiped off long ago. Despite the obstacles put and restrictions imposed by Authority, the nation's wrath has found expression in a new campaign of satyagraha to be launched on this Independence Day, with M.P.s and leaders of all parties except the Congress participating. Apart from the atrocities perpetrated and being perpetrated by the Portuguese, the mere fact that in the eighth year of India's freedom, a petty dictatorship of Europe should dare to besmirch our soil is something which free India's manhood cannot stand. Portuguese rule has to go: the sooner, the better for all—and for Portugal most of all.

Meanwhile, with teething troubles over and considerable achievement to her credit both within and abroad, India looks hopefully and even a little buoyantly forward to the unfoldment of the Second Five-Year Plan and the maturing harvest of the First.

THE ECONOMIC WEEKLY

language. But the United Front's acceptance of the one-unit plan for Western Pakistan is conditional on the grant of full regional autonomy to both the wings of Pakistan. This is the crux of the problem. Mr. Suhrawardy, an astute politician, has had the shrewdness to exploit this basic issue in dispute in Pakistani politics.

Mr. Suhrawardy proved wrong in his calculation that the United Front's uncompromising attitude to the future political status of the two wings of Pakistan would enable him to emerge as a balancing factor in Pakistani politics. Though the Muslim League was committed to the one-unit plan for Western Pakistan, it was vehemently opposed to full regional autonomy for the two wings of the State. It was known that Mr. Mohammed Ali would fail to secure the Muslim League's acceptance to a League-Front coalition Cabinet. This explains the decision of the Muslim League Party in the Constituent Assembly to replace Mr. Mohammed Ali by Chaudhry Mohammed Ali as its leader. But it does not explain the initial flirtations between the Awami League and the Muslim League. It would have been unseemly for the Muslim League, still the largest political party in Pakistan, to form a coalition Cabinet with the support of the Awami League on the condition that its leader, Mr. Suhrawardy, must be the Premier of the coalition Cabinet. Political implications of such a coalition cabinet would be far more disturbing. For such a coalition Cabinet would have been confronted with massive opposition by the United Front and Eastern Pakistan, with all its disquieting political repercussions on the whole of Pakistan.

Ministry making in Pakistan gave rise to many surprises but the exit of Mr. Mahomed Ali was not one of them. Ever since the rout of his party in the East Bengal elections, his position has been insecure. The election by the League Assembly Party of Choudhri Mahomed Ali in his place, it was taken for granted at one stage, was to bring the Awami League into the coalition. In the event, it is the United Front or that part of it which remained after the Awami League broke away and the Hindu group supporting it, that have come into the coalition and it is Mr. Suhrawardy who has stayed away. A national, all party Government was desirable most of all, but failing that, will the present coalition be able to give a stable Govern-

ment to Pakistan? That will depend on how far the Muslim League is prepared to yield to the United Front in the matter of granting autonomy to East Bengal which it had resisted until the other day. What reasons were responsible for the last moment changes in the composition of the Cabinet have not yet been disclosed. But pre-occupation with unification of the West seems to leave out one important fact from consideration. The opposition to it is not in the Constituent Assembly but outside, in the North-Western Frontier Province where Badshah Khan and Pira Manki Sheriff represent the forces to be contended with. Neither does the present coalition between the Muslim League and United Front necessarily convey the assurance that differences between the West and the East have been resolved. And yet, without such an agree-

ment in fundamentals, coalition is unmeaning. Let us hope that agreement has been achieved though it may not have been advertised that under the leadership of Pakistan's able ex-Finance Minister, the threat of the army and the civil service taking over, which has been looming large all this time, will formally disappear.

Without Comment

Calcutta, August 8

The Commissioner of Police, Calcutta, tonight issued an order under Section 144 Cr. P. C. banning assembly of five or more persons or carrying of dangerous weapons in the Assembly House area. The order comes into force immediately.

The autumn session of the Assembly begins on August 11.

—News item

Pakistan's Coalition Ministry

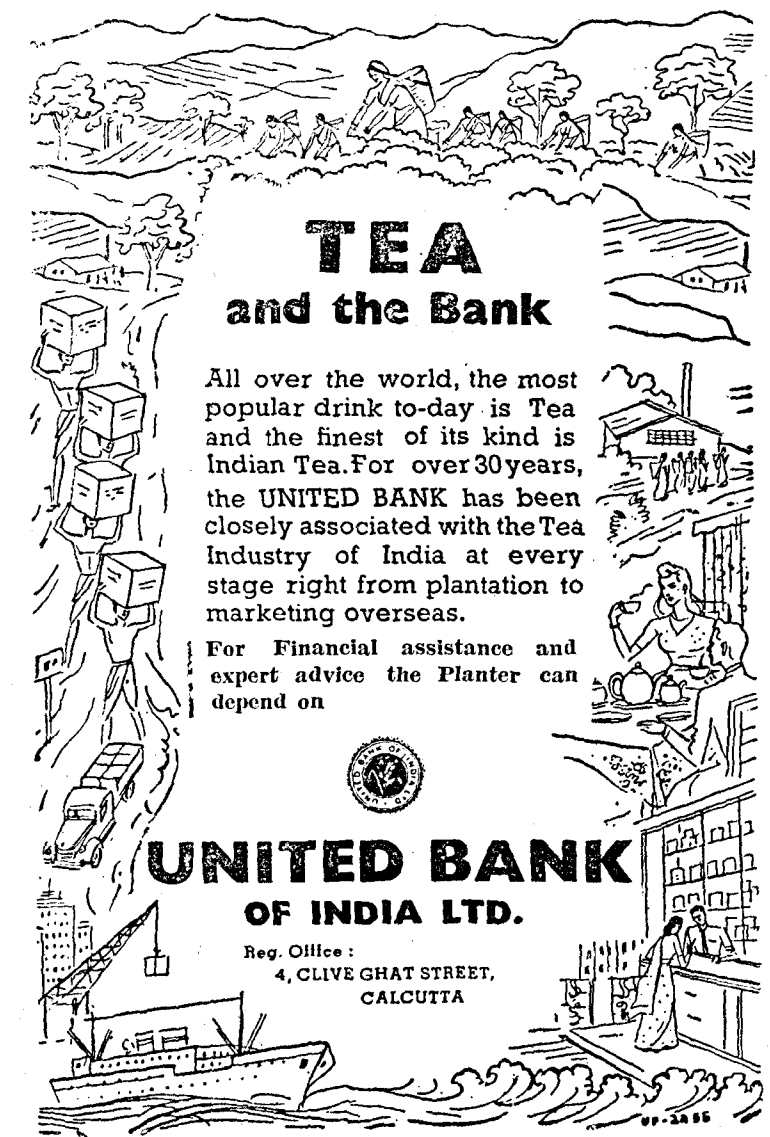
TO compare political conditions in Pakistan with those in some Middle Eastern or Latin American countries, is to over-simplify the issue. Pakistan, a Muslim State, has some of the characteristics of a Middle Eastern or Latin American country. Major-General Iskander Mirza's appointment as acting Governor-General may seem to emphasise this aspect of Pakistani politics. Political and economic conditions in Pakistan since the creation of that State have been such as to encourage the emergence of a military administration. That danger may persist even after the adoption of a Constitution by Pakistan. But as long as efforts to frame a Constitution continue, it would be premature to stress this aspect of Pakistani politics, or to interpret Major-General Iskander Mirza's appointment as acting Governor-General as a pointer to the shape of things to come. Contrary to speculation in some quarters, there is no evidence to suggest that Major-General Iskander Mirza's appointment amounts to a bloodless coup. It is probable that his appointment as acting Head of State has been made at the initiative of Mr. Ghulam Mohammed prima-

riarily because Major-General Iskander Mirza is a non-party leader with no pronounced inclination to any political party.

Subsequent developments lend weight to some such assumption. One redeeming feature of the political crisis in Pakistan is that it arises from a desire for a smooth and speedy acceptance of the proposed Constitution by the Constituent Assembly. Reasons for a Cabinet crisis at this stage would seem to be hidden by obscure political cross-currents. It may have been forced or hastened by the over-confidence of some political leaders. But once the decision to test the strength of political parties and personalities was taken, it became clear that party wranglings and personal rivalries would intensify the crisis. Immediately after the formation of the re-constituted Constituent Assembly, it became evident that the Muslim League did not command an overall majority in the Assembly. Whether the Muslim League is to be credited for the split between the United Front and the Awami League, or whether personal rivalries forced the rift, the differences between these two parties have enabled the Muslim

League to remain as the largest single party in the Constituent Assembly.

Under such political groupings, the Muslim League had necessarily to seek political allies. It could form a coalition Government with the support and participation of either the United Front or the Awami League. It has to be presumed that Mr. Mohammed Ali, the outgoing Premier, preferred an alliance between the Muslim League and the United Front because of the comfortable majority that the combination would command in the Constituent Assembly. Personal rivalries between the outgoing Premier and Mr. H. S. Suhrawardy, leader of the Awami League, are as much involved in the former's political decision as in the rifts between the Awami League and the United Front, led by Mr. Fazlul Huq. Mr. Mohammed Ali's appecart has been upset partly because of the political machinations of Mr. Suhrawardy, but mainly because of the United Front's adamant policy to one of the major issues involved. Both the United Front and the Awami League are committed to the one-unit plan for Western Pakistan and to adoption of Bengali as a State



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Weekly Notes

Durgapur Barrage Opened

DURGAPUR standing a few miles away from the important railway, mining and industrial centre of Assansole, is only a short distance from the Grand Trunk Road. Though so conveniently situated from the point of view of location of industries, not many factories have yet been established there. But many will be, now that the coke-oven plant has been sanctioned and the new steel unit is also in all probability going to be set up there. The Durgapur barrage, however, which was opened with such great eclat by the Vice-President, will not play its full part in the industrialisation of the Ruhr of India, until the navigation canal which is to connect Durgapur with the Port of Calcutta, is completed. To its other advantages will then be added the very important one of water transport which will reduce the cost of moving heavy materials in bulk and enable direct shipments to the Calcutta port thereby reducing the congestion on this over-worked section of the Eastern Railway and also, let us hope, the congestion—not of shipping in the port, that is hardly possible—in the warehouses, wharves and sidings of the Port Commissioners Railway.

Whenever a project, or a part of a project, is completed, it has become customary to claim completion ahead of schedule. To keep track of the different dates and years which are mentioned from time to time as the targeted date or year is difficult, particularly in the case of a part of the D V C project. Many dead-lines were mentioned and naturally many of them have also been left behind. The earliest mentioned for the Durgapur Barrage as also for the first phase of the Damodar Valley Project was as early as 1953. It is only the Barrage that has been completed. In the construction of the irrigation canals, considerable progress has been made but it will be another year or two before the whole network is completed. It does not appear likely, either, that the irrigation canal can be opened to transport barges and heavy traffic before 1957.

Water for the Hooghly

IT is a matter of controversy among technicians what effect the completion of Mayurakshi and D. V. C. projects will have on the navigability of the Hooghly river and the silting up of the Calcutta port. While the monsoon outfall into the Hooghly will be reduced as a result of storing up of water from Damodar and Mayurakshi, it is a plausible argument that the larger flow that would be made possible in the lean summer months should improve rather than further damage the river channel. It may even help to deepen the Hooghly river bed as well as help to carry more silt into the sea. Viewed thus, the problem of the Hooghly may not have become any worse. But it remains very acute indeed, and the Ganga Barrage scheme alone held out the hope of salvaging the decaying port of Calcutta by restoring the draught of the river. This scheme, however, has been in the incubation stage for a long long time. Unconscionable delay in the issue of the report by the Gokhale Committee which was set up to examine the Ganga Barrage Project is explained by differences of opinion among members regarding the practicability of the project.

A navigational canal from Farakha farther up from Durgapur to Calcutta would be a great boon to West Bengal and an asset to the industrialisation of the areas served by the D V C though the Ganga Barrage project may not be organisationally or administratively a part of D V C project. The Committee, however, it is understood, has reported against the technical feasibility of the navigational canal and has recommended instead a project for the limited object of maintaining the flow in the Hooghly to help push back silt into the sea. This will be a great disappointment to Bengal and Government action on the report will be most eagerly awaited.

Variations on the Theme

WITH the threat of nationalization hanging on their heads—is it? We take the chairmen of the companies on trust, they should know—the speeches of the Chairmen at the Annual General Meetings of the Insurance Companies naturally give pride of place to this burning question of the day. There are individual

differences in approach, of course, and this week we have had some interesting variations on this theme. While Shri Mangaldas Mehta, speaking at the Annual General meeting of the Vulcan Insurance Co., did not exactly take the line made familiar by Shri A. D. Shroff, he reproduced many of Shri Shroff's arguments. His main points were that nationalization would drive out the foreign companies and State insurance would find it difficult to spread risks widely enough through re-insurance. And what is insurance, if not the spreading of risks as widely as possible? To this, Shri Mehta added some others such as the delay that policy-holders or their legatees were bound to experience in realising their dues, and the difficulty of determining compensation, which could not be effected through discussion and compromise as now, and so on, and finally he quoted the Communist Party of India in support of his contention that a socialistic pattern of society does not call for nationalization of insurance. And horror of horrors, he went on to compare the performance of Government-administered companies with that of others, violating the polite convention that comparison should always be between the public sector as it should be and the private sector as it is.

Sir Cowasji Jehangir, on the other hand, worked the human angle, quoting his predecessor with approval: "Hands off those for whom we insurance companies are trustees, particularly as they are normally widows and orphans". For the head of the company which has always left all its funds with the Government and built its fortune on the security offered by the Government on the funds entrusted to it, this is rather a curious position to take. But one should not be surprised. While the nationalization of the Bank of England was being debated in the British Parliament, it was often heard from the Tory back benches that if the Government took over the Bank of England, people could no longer be "sure of their money."

Don't Rob Policyholder

SIR Cowasji, however, was in very good company indeed. Only the day before the Oriental meeting,

What salt means to you!



How long ago man discovered salt is lost in antiquity, but he learnt that it came from the rocks and the sea. As he realised the value of salt, he made it an article of currency and commerce.

Science has gone far since then, and today it has learned to make many and varied uses of salt. Can you imagine your common salt being turned into a number of heavy chemicals, such as soda ash, caustic soda, bicarbonate of soda, magnesium chloride, bleaching powder and bromides? Can you imagine getting along without salt in the twentieth-century?

At the Mithapur Works of Tata Chemicals, salt and other marine products are extracted from the sea and converted into these alkalis and heavy chemicals. They find their way into many other factories where paper, leather, soap, glass, textiles and pharmaceutical products are made.

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Shri T T Krishnamachari, Minister for Industries and Commerce, addressing the Indian Merchants Chamber, had made the fantastic statement that nationalization of insurance would "rob policyholders" and had called upon the press to oppose the move boldly! Shri T T K has a weakness for saying hard things as well as an ear for the telling phrase but he is no lost soul, for he has also an amazing capacity for conversion which he displayed only recently by becoming a 'convert' to "the philosophy of the handlooms". Sir Cowasji may not have such spiritual resilience.

Of course ministers are entitled to their personal opinions, they can also learn, and in the manner of their chief, prefer to take their lessons in public. It is somewhat confusing for the public, however, when ministers do so. To take this particular question of nationalization, only the other day Shri M C Shah, Minister for Revenue and Civil Expenditure, said that the issue was being considered by the Planning Commission, and speaking for himself, he did not agree that "nationalization would not be in the best interest of the country". T T K is not only a minister; he is in the cabinet, but Shri M C Shah is not, which might mislead some people into thinking that he might be speaking on behalf of the Government. What Nehru thinks aloud today, may become Government policy tomorrow. It is not so with the other members of the Cabinet. When they forget it, there is perplexity which brings to the fore the necessity of a convention in the matter of the ministers speaking, learning and airing their respective views in public.

Oriental's Unique Performance

THE Oriental Chief's main concern was, naturally, the proposal for mutualisation which is awaiting sanction. The scheme that was put before an Extraordinary General Meeting is being given the widest publicity and the Controller of Insurance has given two months' time to policyholders and shareholders to send their objections and suggestions on it. Therefore there seems little ground for the fear, which Sir Purshotamdas Thakurdas has ventilated, of a decision being taken over the heads of policyholders. The question of compensation for shareholders is a vexed one and on behalf of the shareholders, the Oriental Chairman rightly claims that the life funds would not be what they are

today, had not the shareholders gone in the past what they could have taken in dividends. Sir Purshotamdas challenges this statement. The very large amount which the company holds today in its life fund, he maintains, belongs to the policyholders. This is of course formally correct but it does not fully rebut the shareholders' claim.

But not all that Sir Cowasji had to say was controversial. The progress of the company and its performance last year are beyond any controversy. It must be a unique achievement for any company which is mature and well-established to double its new business as the Oriental did; and simultaneously the company set up an all time record for new business. Its performance, judged by every criterion, has been unique all along the line, in terms of premium income, average amount assured under a policy, total premium income and mortality experience etc. True, the expense ratio did not show the same improvement; it amounted to 25.4% of the premium income in 1954 as compared with 23.4% in 1953, but practically the whole of this increase was accounted for by the provision made for the liability in respect of Gratuities to the Staff. This is another feather in the Oriental's cap.

Vulcan Chief on Companies' Bill

OTHERS, besides Shri Mangaldas Mehta in the world of big finance, have also been enthusiastic in their appreciation of the role of India in world affairs. They too have felt proud that India's voice is now being heard on international problems. But Shri Mangaldas alone has expressed the hope that the summit meeting at Geneva, which has already resulted in the easing of world tension, will also lead to ultimate entry of the Republic of China to the United Nations as a full fledged member. But he is far from enthusiastic in his appreciation of the Government's Economic Policy at home. He does not agree that the recommendations made by the Tax Commission can achieve the main aim that the Commission has in view viz., leaving adequate incentive to the private sector to develop. The rates of direct taxation he finds particularly severe: they are "the highest in the world" and are bound to discourage risk capital and retard capital formation. He is equally critical of some of the changes made in the

last Finance Act, particularly the provision made for aggregating the income of the husband and wife for purposes of taxation. This would make the wife more dependent, and is offensive to the Constitution in that it goes against the principle of equality between the sexes which is upheld by the Constitution. Another of his grouses against the Taxation Commission is on the score of the recommendation for withdrawal of tax concession on new buildings. This will weaken the incentive for building new houses, and the Vulcan chief is keen that this concession should be continued at least until March, 1958.

While generally welcoming measures to rid the managing agency of its undesirable features, Shri Mangaldas Mehta is afraid that the Joint Select Committee on the Companies' Bill has gone too far and that instead of improving the quality of company management, if the bill as it stands is put on the statute book, "no honest man would go forward to accept directorship of a company". This is a serious charge coming, as it does, from a legal luminary.

If Pimpri Delivers...

ONE is pleasantly surprised to learn that before very long, India will be in a position not only to produce all her requirements of penicillin and allied products, but also export some, if the present programme goes through. The expanded plan is for the production of 28-32 million mega units per year, as against an estimated annual domestic consumption of 8 million mega units in the past.

India has been importing all her requirements of anti-biotics such as streptomycin and penicillin valued at about Rs. 3 crores per annum. In January, 1949 the Government of India decided to set up a State concern for the manufacture of Penicillin. Next year, the WHO and UNICEF offered their help and an agreement was concluded with these organisations in July, 1951 according to which, the UNICEF was to provide all the imported equipment for the project to the value of \$850,000 while the WHO undertook to provide technical assistance valued at about \$350,000. From July 1953, however, the responsibilities of the WHO in this behalf were taken over by the UN Technical Assistance Administration.

The Penicillin factory at Pimpri (near Poona) was converted into a

private limited company with the name of Hindustan Anti-biotics Ltd., from June 1, 1954, with an authorised capital of Rs 4 crores. According to original plan, the factory was expected to go into production by the end of 1954 and produce 3.6 million mega units of penicillin to start with and increase it steadily to 9 million. The first process in production was commenced in December 1954, and the first instalment of penicillin made in India is expected to be on the market any day.

A Committee of Experts which enquired into the types of penicillin that are to be produced, recommended

Off the Record

THOUGH not the largest enquiry of its kind—the Reserve Bank Rural Credit Survey team violently challenges this claim—the Agricultural Labour Enquiry has at last published its findings on agricultural labour. In fact, the third report, which can be considered the final and most important, has been before the public for some weeks. Elsewhere in this issue will be found the gist of the concluding portion of the most important part of the report, viz., Pattern of Occupation and Employment. But what does it all add up to? Do we get a reasonably sound estimate of the volume of unemployment among agricultural labourers? We know so many of them do not get any wage-employment at all, i.e. not even for a single day in the month, even in the peak period. Now labour which is surplus even at the peak period will be surplus for the rest of the year and can be dispensed with, without any loss to production. So ignoring for the moment the utilisation of such labour in the idle period in self-employment or other partial (under) employment, we get a measure of surplus labour as 13 per cent of the total or 4.6 million in absolute figures, given a total of 35.4 million for agricultural labour in India. But this is a very unsatisfactory measure, since it takes as employed even those who get work only for one day in the month. And the estimate is a little better if instead of peak point unemployment, we take the monthly average of those who failed to get work in each month. If we do that, the

that all varieties of penicillin required by hospitals, and private practitioners should be produced, and the Government of India has accepted this recommendation.

The capacity of the Pimpri factory will be raised by 60 per cent so as to produce 28-32 million mega units of penicillin per annum. Among the other products that this factory is expected to manufacture are (bicillin, benzathine) penicillin, DBED penicillin, streptomycin and chloromycetin.

In the initial stages, raw materials required for penicillin production, such as corn steep liquor, chemicals

estimate of unemployed would be 16 per cent of the total or 5.7 million. But this is not the information we are seeking.

Idle Days and Idle Manpower

Though defined as employed, these 84 per cent remained without work for many days in the month, varying from 3 to 5 days in a month in some States to 9 to 11 days in others. On an average, they got wage-paid work for 218 days and were unemployed or self-employed for the rest of the year.

The unemployment or self-employment of the remaining 16 per cent of the labour force will have to be added to the above, in order to make the picture complete.

Leaving aside self-employment, as before, and taking the year to consist of 300 working days, if those who are employed have no work on an average for (300-218) 82 days out of 300, it amounts to saying that in terms of man-days, there is employment only for 218/300 of those employed and that 9.2 million in round numbers are unemployed and surplus.

Now about those who did not report any wage work at all, the remaining 16 per cent of the labour force, it is assumed that for half the year they are self-employed, and for the other half, fully unemployed.

How to add up the two i.e. the unemployment of the 16 per cent and the idle days of the 84 per cent who are unemployed for some days?

etc. had to be imported. Recently, however, successful efforts have been made to procure the raw materials from indigenous sources, and very soon the bulk of raw materials are expected to be obtained in India.

If the factory is able to fulfil the target of 32 million mega units, it will mean a considerable saving in foreign exchange on imports; in addition, if the domestic demand is taken at around 10 to 15 million mega units, there will be a sizable surplus for export. Will Pimpri be able to deliver less painfully than Sindri?

(Continued on page 981)

Surplus Labour in Agriculture

—Has it been Sized Up?

To the 9.2 million above has to be added the whole of this 16 per cent or 5.6 million to get the total, which works out at something like 14.8 million. This would appear to be incontrovertible if the underlying assumptions are accepted viz., that absence of wage-employment is unemployment and that idle days can be converted into idle labour. If on the other hand varying demands for labour in different seasons of the year according to the nature of the agricultural operations are to be given due weight, perhaps the safest estimate of unemployed or surplus labour would be the one at the peak point, i.e. 4.6 million. So unemployment in the sense of lack of wage-employment must range between these two limits, 14.8 and 5.6 million.

This is not a very definite finding. The composite picture presented here gets more blurred when allowance is made, as it has to be made, for self-employment, since casual labour has also its small quota of landholding and has to work on its own for part of the year.

A Third Estimate and Draft Plan

A third figure emerges when only 16 per cent of the total or 5.6 million who report no wage employment are taken to be unemployed but allowance is made for their self-employment. The Labour Enquiry assumes, for reasons which are not set out clearly, that those who do not report any wage employment are self-employed for half the year and are "fully unemployed"

for the other half. If the self-employed are left out, the hard core of the unemployed, according to this method of computation, would be 2.8 million. This is obviously a partial and incorrect estimate. The coincidence may be accidental but it may not be out of place to note that in his estimates of additional employment to be created in the Second Plan period, Professor Mahalanobis has provided for about this number of new jobs, in addition to jobs for new entrants into the working age group in the next five years, estimated at 9 million. If the employment targets are realised, there may not be jobs for all of these unemployed; the pressure will, nevertheless, be substantially reduced. But if the above analysis is correct, the magnitude of the problem would appear to be much greater than can be tackled by the Draft Plan-frame.

It is hardly necessary to mention that this attempt to size up unemployment in agriculture has been made throughout on the assumption that existing techniques will continue to be followed and that the pattern of cultivation will remain unchanged. If techniques are improved, of course, the extent of

direct employment in agriculture will be reduced and the surplus will be greater. That much of the present employment in agriculture is only disguised unemployment in this sense is well-known. The possible effects of improved techniques on the labour situation, however, cannot be judged a priori, for along with the scope of economy in labour, better yields and larger production may create new employment opportunities by increasing the demand for existing services and products and creating demand for new ones.

Subsidiary Occupations

The Enquiry also throws some light on the "subsidiary" occupations of agricultural labour. Taking all categories of rural families in the Indian Union, 26 per cent have subsidiary occupations, but of these, only about a third has subsidiary occupation outside agriculture, one sixth has agricultural labour and the remaining i.e. about 50 per cent, has cultivation of owned or leased land, as subsidiary occupation. For almost all the non-agricultural earners, the subsidiary occupation is agriculture! Thus, even subsidiary occupations add to the pressure on land. As against 30 per cent of rural families other than

agricultural labouring families, only 21 per cent of agricultural labour families have subsidiary occupations, the principal one accounting for more than 50 per cent being cultivation of land. The non-agricultural subsidiary occupations are house building and repairs, road construction, carting, selling vegetables etc.

A Study in Isolation

The Enquiry does not even mention cottage or village industries as providing any supplementary occupation to the unemployed or under-employed agricultural labour. The inference is, therefore, warranted that whether cottage industries provide full employment or not to those who ply them, they are not combined, to any appreciable extent, with agriculture as a part-time occupation to fill up the idle time of the agricultural labourer. Whatever their prospects, village industries are a whole-time occupation. This finding knocks one of our pet illusions on the head. There are others, but the pity of it is that the enquiry was so partial and sought to study agricultural labour in isolation from the rural economy of which it is an integral part. But that is no fault of those who carried out the enquiry.

The Vulcan Insurance Company Limited

Speech of the Chairman Shri Mangaldas B Mehta

THE following is the speech delivered by the Chairman Shri Mangaldas B Mehta at the THIRTY-FIFTH Annual General Meeting of the Company held on Friday, the 12th August 1955 at 3-30 p.m.

Gentlemen :

The Directors' Report and the Audited Balance Sheet and the Revenue and the Profit & Loss Accounts for the year ended 31st December 1954 have been in your hands, and with your permission I take the same as read.

India's Voice Now Heard

The strenuous efforts of our Prime Minister in persuading the two blocs to accept the principle of co-existence have been crowned with success. The tumultuous reception which our Prime Minister received in his whirlwind tour of U S S R, Yugoslavia and Poland has placed India in a prominent and respected position in the comity of nations. Her voice has now been heard in all the international problems facing the world. As a result of the summit conference of the Big Four, there has been considerable relaxation of world tension and peoples of the world are now engaging themselves in arts of peace rather than in the arts of manufacture of destructive armaments and bombs. The recent release by the Republic of China of eleven U S airmen has brought about a new rapprochement between U S A and China, which, it is expected, will result in the ultimate entry of the Republic of China as a full fledged member of the United Nations.

The vagaries of monsoon and floods in different parts of our country are causing great anxiety amongst the people. It is hoped that adequate relief will be forthcoming to the unfortunate sufferers.

Since we met last year, important events have happened in our country. The Reports of the Taxation Enquiry Commission and the Joint Select Committee on the Companies Bill are out. The Imperial Bank of India is now converted into a State Bank with the object of providing the necessary finance for the rural economy of the country. The draft of the Second Five-Year Plan is also before us. The Finance Act of 1955 has made drastic changes in the Income-tax Act. There have been re-

peated threats of nationalisation of insurance, banking and mining. Although agricultural and industrial production has increased, the problem of acute unemployment has still remained unsolved.

Tax Commission Criticised

The Taxation Enquiry Commission was charged with the examination of the present system of taxation, Central, State and local qua the development programme of the country, the objective of reducing the inequalities of in-

whole family for purposes of direct taxation.

India's Tax Rate World's Highest

As regards the structure of taxation, the Commission have suggested a maximum marginal rate of 85% on incomes above Rs. 1,50,000/-, but Government have gone further and in the Finance Act of 1955 rates of taxation have been further stepped up with the result that on incomes over Rs. 1,50,000/- the maximum rate has been increased to 89% from the previous existing rate of 82%. Compared to the rates prevailing in other countries, the rates of taxation in India are the highest in the world and will in the long run retard capital formation and the maintenance and development of productive enterprise. The risk capital is indispensable to industry for ultimately equity or risk capital must represent the capital investment in productive assets.

As regards the scheme of surcharge and compulsory deposit suggested by the Commission it will in my opinion further reduce the net surplus in the hands of individuals after payment of taxes.

As regards the Commission's recommendation for aggregating the income of husband and wife for the purpose of direct taxation in my opinion it is unsuitable to the conditions prevailing in India and it is likely to cause great hardship. This system is not supported even by the Royal Commission on the Taxation of Profits on Income in the U. K. It is common knowledge that in India, a woman acquires her own separate properties by inheritance, gifts or otherwise and if this system is adopted it will make her more dependent on her husband than at present. This is surely against the fundamental principle of equality of sex laid down in the Constitution.

Tax Exemption on New Building Should Continue

The Commission have also recommended that the concession for exempting income from new buildings erected before 31st March 1956 should be withdrawn. With great respect I submit that this recommendation should not be accepted by Government in view of the fact that there is still acute shortage of accommodation in urban areas. If this



Shri Mangaldas B Mehta

come and the effects of the level of taxation of income on capital formation and maintenance and development of productive enterprise. While the Commission conceded on the one hand that the taxation system should not be strained to a limit which would endanger the productive system of the country or impair the possibilities of its expansion by savings and incentives in the private sector, their recommendations are not in my humble opinion such as would bring about the desired results.

Some of the recommendations of the Commission aim at the socialistic pattern of society envisaged in the Avadi Resolution of the Congress. This objective is proposed to be attained by a change in the rate structure regarding personal taxation, levy of special surcharge and a compulsory deposit at graded rates on income exceeding Rs. 25,000/- and aggregation of the income of husband and wife, and perhaps of the

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concession is withdrawn, there will be no incentive left for investors to invest money in erecting new buildings in the urban areas. In any event I hope that this concession will be continued up to 31st March 1958.

I welcome the recommendations of the Commission regarding allowance of 5% of the premium income of general insurance companies to be free of tax up to certain limits. I suggest that for the healthy growth of insurance industry no ceiling should be fixed for such an allowance.

Draft Second Plan

In the draft Second Five-Year Plan, the private sector has to find Rs. 2,200 crores for the development programme and this has to be found alongside of more taxation and larger Government borrowings. Is it possible for the private sector to find this money when the individual is sought to be taxed so heavily as not to leave anything in his hands for investment? The institutional investors, such as insurance companies, banking companies etc., are restricted by law from investing their moneys in new industrial undertakings, and I fail to see how it will be possible for the private sector to find this money unless and until Government are prepared to reduce the burden of taxation on the individual.

The Plan contemplates that with the development of small scale and cottage industry, which is given greater prominence, suitable employment will be found for over ten million people. I doubt very much whether this objective will be attained in the manner suggested by the Committee. In my opinion the only solution of this problem lies in the development and expansion of basic and large scale industries in this country. My view is that there should be levelling up instead of levelling down: more production—more consumption—greater prosperity.

Drastic Changes in Finance Act

The Finance Act of 1955 has made drastic changes in the Income-tax Act. The definition of 'dividend' has been amended so as to include in the case of a company in which the public are not substantially interested of any sum by way of advance or loan to a shareholder to the extent to which the company possesses accumulated profits. Such a provision has caused great hardship to many as the time given by Government for

repayment of the loan was only up to 30th June 1955. Section 23A has been amended drastically with the result that many companies which were treated as public companies will now be considered as private companies for the purpose of application of that Section. One of the provisions of that Section is that a company will be treated as a company in which the public are not substantially interested if its affairs or the shares carrying more than fifty per cent. of the total voting power are controlled or held by less than six persons and for that purpose husband, wife, brother, sister etc. are treated as a single person. This provision, in my opinion, will prevent many companies of good standing from creating sufficient reserves for replacement of plant and machinery or for expansion of the industry. It is common knowledge that entrepreneurs or promoters before they start a new industry arrange for capital from their own resources and resources of the members of their family and friends before they invite the public to subscribe for capital. The public are very shy in investing their moneys in shares of a new undertaking and in most cases the requisite capital is obtained from private resources of the promoters. The new provisions contained in Section 23A will, in my humble opinion, retard the progress of rapid industrialisation of the country and will prevent the private sector from effectually playing its part during the period of the Second Five-Year Plan. I fail to understand why an invidious distinction has been made for granting relief in respect of earned income between a salaried person and a professional or business man. While there is no ceiling fixed for granting relief to a salaried person, a ceiling is fixed in the case of a professional or business man so that such a person earning an income of over Rs. 45,000/- will not get any relief. Is it suggested that a salaried person earns his income with the sweat of his brow while a professional or business man does not do so? I submit with great respect that no such distinction should be made for granting relief in respect of earned income.

Companies Bill Will Weaken Enterprise

The Joint Select Committee have made many major changes in the draft Companies Bill, some of which are of a very far-reaching character. While I welcome such of the changes in the Company Law as are intended

to ensure maintenance of standards of good behaviour in company promotion and management and to secure the conduct of company management on healthy and progressive lines, I feel that some of the provisions of the Bill as it has emerged from the Joint Select Committee are likely to retard the development programme assigned to the private sector in the draft Second Five-Year Plan. It is pertinent to point out that the private sector functions through joint stock enterprise in setting up the necessary organisation and securing financial resources involved in suitable development activities. In my opinion, the proposed amendments can hardly be said to be conducive to produce a psychological atmosphere favourable for giving a fillip to the private sector, but on the other hand are likely to dampen the enthusiasm of the investing public and produce effects which may shake the confidence of the public regarding the stability and future of private enterprise.

Undue Restrictions on Managing Agency

The definition of the term 'associate' has been made more comprehensive so as to include a number of persons firms and corporations who were not regarded as associates in the draft Bill. The promoters are even made liable for misstatements in the prospectus on immaterial matters. According to one of the clauses a member of a company will be entitled to appoint any person whether a member of the company or not as his proxy to attend and vote at any meeting of the company. Such a provision, in my opinion, is against all principles of joint stock enterprise. A new clause has been added by which the overall maximum managerial remuneration should not exceed eleven per cent. of the net profits of the company in any year. Drastic restrictions are proposed to be imposed upon the managing agency system. While I condemn the malpractices and fraud perpetrated in the past by managing agents of a few companies, I am of the opinion that undue restrictions on the system of managing agency will hamper the healthy growth of joint stock enterprise and are likely to defeat the objective of Government namely the rapid industrialisation of the country. The obligations imposed upon the directors of companies are so heavy and burdensome that after the Bill is put on the Statute Book, no honest man would

come forward to accept a directorship of a company.

Mr Shroff's Views Endorsed

Now I come to the most burning question of the day viz., the threatened nationalisation of insurance industry in our country. Mr. A. D. Shroff, Chairman of the New India Assurance Co. Ltd., in his speech delivered at the last Annual General Meeting of that Company, has in his own inimitable way made out a strong and unanswerable case against nationalisation of insurance industry in this country. His speech deals with the question of nationalisation of insurance industry in all its aspects supported by facts and figures and is a challenge to those in power to meet the case put forward by him. I do not propose to reiterate all the arguments and reasons advanced in that speech on this question. These arguments may be summarised as follows:

- A State enterprise cannot create and stimulate the insurance habit amongst the vast masses of the population by a highly efficient sales service at an economic cost;
- A State enterprise cannot set up a vast field force possessing the requisite qualities controlled by an inspiring leadership;
- A State enterprise cannot extend to the insuring public the same active, flexible, prompt, competitive and economic service as now;
- A State enterprise cannot operate in the foreign field with the same initiative, enterprise and success as is the case now;
- In the case of life assurance the coverage sold to the public is essentially a personal one suited to the requirements of the individual families concerned and calling for the utmost vigilance and servicing throughout the term of the policy;
- General insurance being of a highly complex character demands immense variation in insurance coverages which have to be adapted to different types of risks and calls for active, flexible, prompt and economical service and requires extensive spread of risk through international reinsurance.

I entirely and whole-heartedly endorse the views of Mr. Shroff on

this question and lend my unstinted support to all the arguments put forward by him as to why insurance industry should not be nationalised. I suggest that those who talk of nationalisation of insurance in a loose way should study that speech and before coming to any conclusion should weigh in an impartial manner the pros and cons of the case advanced by Mr. Shroff against nationalisation of insurance industry. I hope and pray that before coming to any final decision on this matter those in power and authority would judge this question on merits and from the point of view as to whether nationalisation of insurance is likely to benefit the country in any way or to attain the objective of improving the standard of living of its people. I should however like to deal with one or two aspects of this question.

Experience of Govt Management

It is argued by those who talk of nationalisation of insurance industry that if this industry is nationalised it would eradicate unhealthy methods adopted in the field of insurance and secure for the development programme envisaged in the Plan large funds. It is significant that the experience of concerns taken over by Government shows that instead of the expenditure in these concerns being reduced it has gone up and the business of such concerns has not progressed as well as it could have if it were in private hands. In this connection, I would refer to the cases of two big companies of which Government appointed Administrator to carry on their business under the direction and control of the Controller of Insurance. From the published accounts of these companies it will be seen that since the Administrator took charge of the business of these companies, there has practically been no progress and the expenses are abnormally high.

In the case of one of these companies, the Renewal expense ratio of Life Premium ranges between 19 and 19½ per cent. against 15 per cent. allowed by Law. Compared to the figures of other well established companies of equal standing, the new Life business secured by these companies has remained static and there has been hardly any increase in the total life business in force. As regards General business of one of these companies, the expenses are on the high side. In the Fire Department, which is the mainstay of indigenous companies transacting General insurance business, the percentage of expenses is abnormally high—

about fifty per cent. higher than that of any well established Indian company of equal standing. It is evident that in a Government managed concern there is no incentive to push up business or to control the expenditure. In a recent speech the Chief Minister of the Bombay State observed that if proper incentive could be made available to trade, commerce and industry, India would make tremendous progress in all directions and attain a very high position among the industrialised countries of the world. From the nature of things, such an incentive cannot exist in the case of nationalised industries with the result that the progress which could be made in the private sector can never be attained in the public sector.

Even Communists Oppose

I am not unmindful of the fact that Government's policy is based on the objective laid down in the Avadi Resolution viz., the socialistic pattern of society. The Second Five-Year Plan however contemplates the existence of private sector and in a mixed economy both sectors have to co-operate with each other and to flourish side by side. In my opinion, insurance industry has played a vital role in the development programme of this country. If you scrutinise the balance sheets of several well established insurance companies, it will be seen that large funds are invested in debentures, preference shares and equity capital of several joint stock companies. This clearly shows the very valuable part which insurance companies play in the economy of the nation by canalising the multitude of small contributions of individual policyholders into a substantial support of the industries from which many such policyholders derive their livelihood. Even the Central Committee of the Communist Party of India recently passed a resolution to the effect that for the present it was neither necessary nor advisable that Indian insurance and banking should be nationalised. Why then those in power should loosely talk of nationalisation of insurance industry when even the leftists in the country are opposed to it?

State Cannot Spread Risks

It seems to be forgotten that insurance is a highly technical matter. The principle of insurance is that the risk should be spread over as widely as possible. In fact it is international in character. From the nature of things it is not possible

to retain the entire risk in this country without ceding a substantial part of such risk to foreign companies in different parts of the world. If the threatened nationalisation of insurance industry is brought about, foreign companies operating in India will have to close their doors and in that event the nationalised corporation taking over the business of insurance will not be in a position to secure favourable treaties and arrangements for reinsurance. In my opinion, economic nationalism in insurance industry is neither possible nor advisable and will considerably retard the development programme envisaged in the Plan.

It is conceded that insurance companies admit and pay the claims arising under the policies whether life, fire, marine or accident as promptly as possible. It is common experience that policyholders make exaggerated claims under the policies but with the good will on both sides these claims are amicably settled without resort to a court of law. If insurance industry is nationalised, those at the head of affairs will not be as prompt in the investigation and payment of claims as our experience in the matter of refund of income-tax clearly proves. Red-tapism and strict adherence to the Letter of the Law will play their part in delaying the payment of claims of policyholders, some of whom may have to undergo untold hardships by reason of such delay.

No Large Funds to Grab

It is suggested that if insurance industry is nationalised Government would be in a position to avail themselves of large funds which are now in the hands of the private insurers. This, in my opinion, is a wrong view inasmuch as 64 per cent. of the total life funds of life companies operating in India are invested in Government or semi-Government Securities.

In the end I hope and pray that those in power will see the light of the day and will not rush in where angels fear to tread.

Satisfactory Accounts

The details of the accounts as well as of appropriations from the profits have been already dealt with in the Directors' Report which is before you. From the Revenue Account of the Fire Department it will be observed that there has been a slight reduction in the net premium income both from business effected outside India and also from Indian business. The fall in the Indian premium income in the Fire Department is mainly due to fall in commodity prices

and tendency on the part of the merchants not to maintain large stocks in hand. The premium income in the Accident and Miscellaneous Department also shows a slight reduction. The Marine premium income however shows a small increase which has necessitated increasing the unexpired risk reserve by about Rs. 20,000/-. Your Directors have considered it desirable to increase the reserves in the Marine and Accident and Miscellaneous Departments and have transferred a sum of Rs. 13,000/- to Additional Reserve in the Marine Revenue Account and a sum of Rs. 33,000/- to Additional Reserve in the Accident and Miscellaneous Revenue Account.

The total profits of all the Departments are Rs. 4,94,184/-, which, I am sure, will be considered quite satisfactory.

Investment Position Strengthened

It will be seen from the Profit and Loss Account that there is an appreciable increase in the income from sale of Investments. Your Directors have considered it desirable to write off a sum of Rs. 63,125/- as Depreciation on Investments. This has been done with a view to bring down the book value of some of our Investments to the actual market value as at 31st December 1954. As already mentioned in the Directors' Report, your Directors have continued to maintain the existing Investment Reserve of Rs. 1,00,000/- which goes to strengthen the Investment position of the Company.

After making the necessary provision for other expenses, repairs to property etc., a sum of Rs. 6,05,803/- has been transferred to the Profit and Loss Appropriation Account subject to taxation.

Handsome Appropriation to Reserves

As stated in the Directors' Report, Your Directors have transferred a sum of Rs. 1,50,000/- to General Reserve, Rs. 13,000/- to Marine Revenue Account and Rs. 33,000/- to Accident and Miscellaneous Revenue Account respectively for Additional Reserves. Your Directors have further thought it advisable to make a special reserve for granting Gratuity to the Members of the Staff and call it 'Gratuity Reserve Account' by transferring a sum of Rs. 40,000/- for the benefits of Members of Staff on retirement.

It will thus be seen that our General Reserve Fund has increased from Rs. 1,00,000/- to Rs. 2,50,000/- over and above the increases made in the Additional Reserves of Marine and

Accident and Miscellaneous Departments by a further 5 per cent. of the premium income of the year.

It will also be seen from the Accounts that the total net premium income of all Departments is Rs. 30,09,583/- and the total Reserves of the Company amount to Rs. 34,14,614/- against Rs. 32,95,395/- in the previous year which works out at more than 100 per cent. of the total net premium income of the Company during the year.

Your Directors have recommended a Dividend of Rupee One per share as in the last year.

In view of the satisfactory results of the working of the Company during the year, your Directors have recommended to grant two months' basic salary by way of Bonus to the Officers and members of the Administrative Staff.

Extension of Activities

The question of extension of the Company's activities in other parts of the country is engaging the serious attention of your Directors with a view to increase the premium income and the Directors are confident that the result of these arrangements will be reflected in the coming years.

In conclusion, on behalf of the Company I take this opportunity of thanking our clients, patrons, agents and field workers for the support they have given to us during the year and I again appeal to them to give us their continued and hearty co-operation in the years to come. I must also place on record appreciation of the work done by the Director-in-charge, the General Manager, other officials and staff both at the Head Office and Branches and it will be no exaggeration to say that but for the strenuous efforts made by them it would not have been possible to present to you the satisfactory results as shown by the Accounts.

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Letter to the Editor

SHRI V P VARDE in his article on the "State Bank's shares" in the "Times of India" of July 8 rightly pointed out that the Reserve Bank's offer of State Bank shares at Rs. 350 per share may be technically correct but not necessarily right. What is important is to ascertain whether the offer is a formal one as required under the Act or whether the authorities are genuinely desirous of public participation. As the offer stands at present, without any indication as to the return that the investor would get, there is little hope of any response because no investor would knowingly take a decision involving serious impairment of his capital which any reduction in dividend below the current rate must involve, particularly when the alternative compensation in Government bonds ensures full safety of capital and a definite return. If the investor is to take shares in preference to the loan, he should at least be made to feel that he will continue to receive the same income. Admittedly no definite assurance is possible but the authorities owe it to the public to declare what their intention is likely to be.

When the State Bank of India is launched and shares are offered to the public at Rs. 350 even though the nominal value of the share may be Rs. 100, the effective issue price is Rs. 350 and a dividend distribution can only bear relation to such issue price. Any comment whether in Lok Sabha or outside which does not take this vital fact into account must be regarded ill-informed and distorted.

Shri Varde has well indicated the defects in the present legislation but, as the Act stands at present, one cannot share his view that maintenance of dividend at the old level would appear excessive and not in consonance with the new philosophy. It is fictional and misleading to regard the shares of the State Bank as of the face value of Rs. 100. The value paid by the Reserve Bank and demanded from the public being Rs. 350, the right course is to indicate in the Balance sheet of the State Bank that value as the nominal value, if necessary even by a suitable amendment of the Act. Maintenance of dividend, in terms of percentage, would then not give a false impression and by ensuring a

State Bank's Shares

moderate return on his capital would induce the investor to exercise his option in favour of State Bank shares.

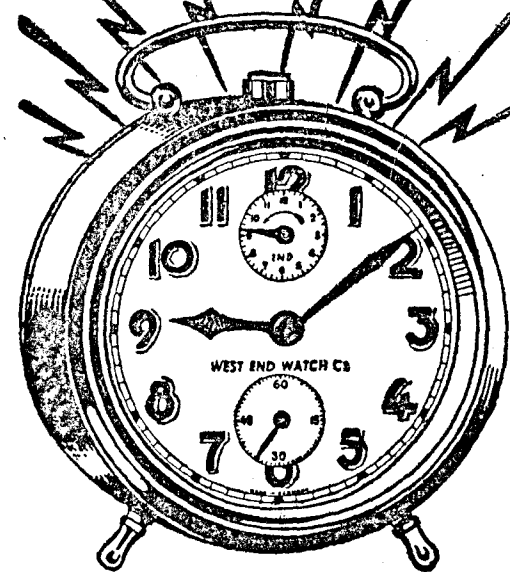
Viewed from a wider perspective, the offer of minority equity participation in a State enterprise is an interesting and novel experiment in mixed economy. If desired it can well form a precedent for future capital issues even of State industrial enterprises. In that way a new channel can be opened by drawing savings of the public for develop-

ing State enterprises. This would however call for a more proper understanding of the investor's point of view than at present and an appreciation by the Government of the basic fact that the mass of the investors are common men and not capitalists seeking a reasonable return on their hard-earned savings in an atmosphere which inspires confidence.

H T Parekh

6, Dalal Street, Bombay
August 6, 1955

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Inflation and Sterling Reserves

THE expected has happened. Britain's gold and dollar reserves have fallen in an alarming manner. The Treasury has just announced the changes in the reserves for the first half of 1955 and for the month of July. Between June and July these reserves have fallen by \$136 million to a total of \$2,544 million. It represents the largest decline in any month since the heavy losses sustained during the post-Korean recession when the reserves dropped from their peak of \$3,867 million in the middle of 1951 to \$1,685 million a year later. The Treasury has stated one of the more important reasons for this decline. The heavy loss in July is attributed mainly to what it calls the "unfounded Continental and overseas rumours about the alleged pending alterations in the sterling exchange rate". Evidence for this belief is provided by the £25 million deficit which the United Kingdom had on its European transactions during July. It appears that the extent of the July loss was known to Mr Butler, the Chancellor of the Exchequer, when he reasserted Britain's policy to maintain the pound at the parity rate of \$2.80 and when he announced further measures to restrict domestic credit.

It is difficult nowadays to assess the extent to which speculative movements in sterling exert pressure on the gold and dollar reserves of the Bank of England. In the past, the free transferable sterling markets in foreign centres provided some indication of the extent of speculative pressures against sterling. However, since the Bank of England was given the right to intervene in support of the £ in these markets, this speculative indicator has been obscured. It is certain that when the transferable sterling exchange rate on the free markets dropped to \$2.71 = £1 in February last, the Bank of England intervened boldly and this must have involved some loss of gold and dollars. Since then, the free rate has moved up to the current level of \$2.75½ = £1 and stayed put at this rate, with variations of 1/16 of a cent (US), either way, for about a month. Nor can there be any doubt that the Bank of England must have lent its hand to support sterling in these markets and keep it steady for this length of time. This is all the more remarkable when account is taken

of the persistent pressure on sterling in the official exchange markets, where it has been limping between \$2.78 and \$2.78½ for some time now. That some part of the fall in the gold and dollar reserves can be attributed to Bank of England's intervention in the unofficial exchange markets in Zurich, Paris and New York is, therefore, a warrantable assumption.

More important, however, is the trend of exports and imports. The trade statistics for June and the first half of 1955 have been issued and from these it is clear that the worsening of the balance of trade is now having its inevitable effect on the country's gold and dollar reserves. In June, the value of recorded exports amounted to £157 million. This was about £90 million, or over one-third, below the April-May average of UK exports. Imports, on the other hand, were £293.9 million, which is only 3 per cent below the April-May average. Thus, from an average monthly trade deficit in the first and second quarters of 1955 of about £76 million, the deficit for the month of June shot up to £128 million. The increase in the trade deficit has, up to now, been explained in terms of the railway and dock strikes. Recently, however, the authorities have come round to explaining the adverse movement in the balance of trade by reference to the pressures of internal demand on the resources available in the economy.

In the first four months of the year, production in all industrial establishments was about 6 per cent higher than in the first quarter of 1954. Unemployment fell to less than 1 per cent of the working popu-

lation and, according to the Ministry of Labour, there were two vacancies for every unemployed person. The high level of economic activity was mirrored by the number of new factories under construction and new orders for machine tools. Factory building approvals and net new home orders for machine tools were about 70 per cent higher than a year ago. This expansion, as the Treasury Bulletin for Industry puts it, has placed "a heavy burden on the country's balance of payments".

Until the first quarter of 1955 the volume and value of imports was rising at a pace faster than exports. In February last, the bank rate was raised to 4½ per cent and, possibly as a result of this, the April and May volume of imports declined somewhat. By June, however, the influence of the heavier cost of borrowing was wearing out. More than that, new import commitments were being made by Britain. For instance, heavier imports of coal have had to be made (costing about £80 million, or £60 million more than in 1954). Steel imports, too, have risen and the prospective increase in imports of heavy cargoes has sent up tramp shipping freight rates. While the export trade continues to be brisk, it is reaching its peak. It can only be increased by a corresponding rise in export prices, and this is what is happening, judging from the favourable movement in the terms of trade (import prices have remained unchanged while export prices have risen).

And here a problem of some significance is emerging. A number of overseas markets are tending to become more sensitive to prices and are therefore diverting their pur-

chases from the heavier cost to the cheaper cost sources of supply. The German export drive shows no sign of slackening and now that most of the European countries are lifting their restrictions on dollar imports, the United States is emerging again as the most powerful trader in the world.

To add fuel to the inflationary fire, a number of basic materials have been subjected to sharp price increases. Coal prices have been pushed up by 18 per cent—this increase as the Times described it "was a serious matter for a country already in the tolls of a steady inflation of wages and prices". The cost of electricity will be correspondingly increased by some £20 million, while that of gas supply and railways will rise by £18 million and £9 million respectively. Similarly, steel prices have been increased by 8½ per cent.

The United Kingdom's balance of payments data for the period January to June will not become available until the beginning of September, but it is clear that a somewhat serious situation will be revealed when these statistics are published. Indeed, a serious crisis in UK's balance of payments during the autumn has already been forecast. The Financial Times has stated that "it would be remarkable if the month of August failed to show another substantial deficit in the gold and dollar accounts". The months of July, August and September are usually the ones in which heavy imports of tobacco and grain take place and when sterling commodity earnings are low.

In contrast, heavy pressures on the resources of the economy show no signs of abatement. Recent data on retail sales show a sharp increase over the first quarter of 1955 and it is believed that retail and wholesale stocks are being maintained at a relatively high level, in order to take advantage of the brisk rate of sales turnover. In spite of considerable increases in interest rates, house and factory building continues with some speed and, here again, would-be purchasers of houses, as well as those industrial enterprises borrowing funds to expand their plants, still appear to be insensitive to the heavier costs of borrowing. True, commercial banks have been asked to cut down on their advances "by a significant amount", but most of these reductions have been in respect of bank advances on professional and personal accounts. Banks are finding it difficult to discriminate

between those clients whose activities are "economic" and those whose activities are "uneconomic". The Economist's recent survey of company accounts for the year 1954-1955 shows an increase in the average gross profit by some 4 per cent over the previous year and it is clear that high profit margins are killing many of the restraints which a dearer monetary policy is designed to implement.

The credit squeeze, it is now hoped, will have its overall effect on the economy some time in the autumn. And yet, it is difficult to understand how so limited and mild a squeeze that was prescribed by Mr Butler recently could withstand the pressures of the current boom, against the foregoing background. The age of inflation is once again upon us and almost everywhere recourse is being had to monetary measures with the hope that equilibrium may be restored. It is reported that the United States Federal Reserve Bank

has increased its rate of discount (which it charges to four Federal Reserve Banks) to an average of 2¼ per cent from the previous limit of 1½ per cent. Similarly, the West German Bank Deutscher Lander has raised its rate of discounts by ½ per cent to 3½ per cent. It is also reported that the National Bank of Belgium is raising its Bank rate to 3 per cent from 2¼ per cent. In the case of West Germany, the danger signs noted by the Central Banking Council included strong expansion of short and medium term bank credits, boom in the building industry and demands for higher wages. It is precisely these dangers which the British economy has been facing, in spite of the steep rise in the bank rate in February of this year. Maybe 1955 will find some place in monetary history as the year in which purely monetary measures were again proved to be incapable by themselves of restoring balance in Western economies.

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K. P. R. MENON,
Managing Director

Analysis of UK Gold Movements in 1955
(\$ million)

	July	2nd Quarter Monthly Average	1st Quarter Monthly Average
EPU Settlement	- 12	+ 17	- 2
Other Gold and \$ Movements	-128	- 25*	-43*
American Aid	+ 4**	+ 15	+16
Change in Reserves	-136	+ 4	-32
Reserves End of Period	2,544	2,680	2,667

* Excluding \$8m paid on the 1942 Canadian loan.

** In July \$16m US aid was received, but only \$4m accrued to reserves, as \$12m went to repay commercial dollar loan against which Britain had bought US tobacco.

From the Calcutta End

Autumn Is Here

AUGUST is a month of holidays. That's what Calcutta's office-going people remind their colleagues as they trudge along to their offices every morning. Shravan, the month of heavy rains in Bengal, is nearing its end. It still pours. But it hardly ever rains incessantly in Bengal. There is a crisp brightness in the sunshine. The autumn blue sky is one of the most refreshing sights in Bengal. The snow-white clouds make the blue sky look bluer. The rains are almost over. There is an expectant awareness in the atmosphere. It's a feeling one can't escape while in Calcutta.

Calcutta is now paying homage to the Poet. Throughout the week, throughout Bengal, there will be celebrations in memory of Rabindranath. This is the week of the Poet's death anniversary. This is also the week of the birth anniversary of his illustrious brother, Abanindranath. Calcutta's Tagore societies are now staging famous Tagore plays like Sesh Varshan and Varshamangal. This is the week when Calcutta celebrates Janmashtami, the birth of Lord Krishna. This year's celebrations will be held at Deshapriya Park, and will be presided over by the Vice-President, Dr Radhakrishnan.

Hope Lingers

The seasons have changed. The seasonal periods also seem to have changed. If floods are now annual pests in Assam, northern West Bengal, Bihar and Uttar Pradesh, drought and scarcity of rainfall are now equal threats to many parts in these areas. Lower Damodar Valley is a region where rainfall has been uneven for the last few years. On Tuesday, the DVC Barrage at Durgapur was opened. The Durgapur Barrage will irrigate about one lakh acres of West Bengal's arid land. Tuesday's Calcutta dailies carry an advertisement released by the West Bengal Government. It tells the people that the Vice-President will be opening the Barrage on that day. It adds that the West Bengal Government's coke-oven gas plant will be set up at Durgapur in the near future. Durgapur, the people are reminded, will be the Ruhr of India.

West Bengal and Bengalis live in hope. There is much misery. There is too much poverty. Death never seems to take a holiday in West

Bengal. These dismal facts and their social consequences are discussed below. Findings of the all-India Institute of Hygiene and Public Health, Calcutta, are too gloomy. One wonders whether West Bengal will ever overcome her troubles and problems. It is difficult to shake off pessimism. But the only ray of hope is that hope still lingers. One has been agreeably surprised at the student community's curiosity and faith in the series of five-year plans. The younger generation is hopeful.

Are males or females the weaker sex? Women are popularly supposed to be weaker than men. Recent researches have exploded some of the popular beliefs. Some medical scientists are inclined to the view that females show more resistance to disease than males. It is only natural that females show a higher mortality rate in the age groups when the burden of reproductive hazard is heaviest. But that does not necessarily mean that the female mortality rate is higher than that of the male.

Mortality Rate

Investigations undertaken by the all-India Institute of Hygiene and Public Health, Calcutta, indicate, however, that the mortality rate for the city female is higher than that for the city male. According to the Institute's study, this is the case in the major cities of India. But the Institute's figures reveal that the comparative mortality rate is more unfavourable for women in Calcutta than females in any other big city in this country.

Tuberculosis and small-pox are the two diseases which generally affect city females more than city males. Tuberculosis is slowly spreading even into rural areas. According to the Institute, the proximity of villages to industrial centres is the main reason for the slow spread of tuberculosis in the rural areas. Rural people show lower resistance to some diseases. Those rural people who come to industrial towns to earn their livelihood show less immunity to infection.

T. B. and Poverty

It is not surprising to know that middle-class families suffer more from T.B. than any other class. Nor will it be surprising to know that the Institute has collected data which establish a positive co-relation

between the presence of T.B. in the family and the size of families. Poverty is the main cause of the rapid spread of T.B. in Calcutta. Though the middle-class is not, by definition, as poor as the poorest section of the community, it is understandable that the social pretensions of the middle-class are the main cause of its relative lack of nourishment. Here, the popular impression is confirmed by irrefutable data collected by the Institute.

If poverty is the main cause of the rapid spread of T.B., it is also responsible for the high rate of maternal mortality in Calcutta. A study of the trend of maternal deaths in the city reveals that anaemia is responsible for 30.3 per cent of the deaths in hospitals. To the Institute's foot-note that milk consumption in adequate quantities by expectant mothers has been found to maintain a better blood standard, the obvious reply is that if expectant mothers could afford milk in their diet they would, perhaps, not be bearing as many children as they do.

Fertility Pattern

This is where the reproductive pattern of the Bengali female enters into the picture. From the Institute's study, one clear fact emerges: No other influence has so close a relation to the fertility pattern as the economic factor. Among Hindu females, the fertility pattern has a direct co-relation with the economic status. Among Muslim females, on the contrary, the relation is inverse; the higher the economic status, the greater the female fertility.

From the Institute's study, it appears that both the Bengali male and the female hold positive views about planning the size of families, though there are substantial differences in the attitude to this problem between rural and urban groups and between Hindus and Muslims. Majority of women in the upper middle class urban group are willing to use contraceptives to maintain the size of families at certain levels. But the rural Hindu group and even the urban Muslim group are not willing to use contraceptives to plan the size of families. There is circumstantial evidence to suggest that this difference in attitude has something to do with female education in the groups concerned.

Post-Script to Draft Plan-Frame III

Capital-Intensity of Consumer Goods

D Ghosh

THE object of this note is to examine one of the basic assumptions of the Second Five-Year Plan-frame. According to the Plan-frame, increase of consumer's goods during the next five years should be achieved by an extension of hand industries rather than of mills and factories.

The argument used in support of this recommendation is, briefly, as follows: because of our low income per head we have a limited supply of capital. On the other hand, we have a large surplus of unemployed and under-employed workers. We can bring this labour into employment only if we use labour-intensive rather than capital-intensive methods in the production of consumer's goods and services.

I shall assume, for the purpose of this note, that capital intensive methods are, by and large, more efficient and, given any practicable wage-rate, can produce more cheaply than labour-intensive methods. The Plan-frame is then asking us to sacrifice efficiency for the sake of employment, implying that in the circumstances of an economy like ours, there is an unavoidable conflict between the two desiderata, or, to put it differently, that the volume of employment, in an underdeveloped economy, depends upon the technique of production employed.

The strangeness of this theory becomes patent as soon as it is stated in this manner. For neither orthodox economists nor the theorists of socialism associate the volume of employment with the technique of production. They speak almost always of over-saving, under-consumption, liquidity preference, etc. as factors responsible for employment in the short period, while for the long period, they regard increasing investment as the main instrument for expanding employment. Briefly, it is the manner in which a society distributes and uses its income rather than the technique it employs to produce it that has been considered as relevant to the determination of the volume of employment both in the short and long run.

The classical approach to the problem is simple. Liquidity considerations being abstracted—in any case the technique of production has no

thing to do, directly, with liquidity considerations—supply creates demand, so that the more efficient the technique of an industry and the cheaper its products, the greater the demand for the products of other industries and the wider the scope for employment in all industries taken together. Further, the increase of income per worker and the expansion of employment provide the source of extra saving necessary still further to improve the production technique and expand output and employment.

This argument is not affected by the fact that savings are, to start with, insufficient. Given the minimum investment in plants required by any form of technique, the scarcity of initial saving would limit the variety of the industries that can be established and of the goods and services that can be produced. But whatever is produced, would be produced more efficiently under capital-intensive methods and given the wage rate, the total employment provided would be no less than under labour-intensive methods. Indeed, if capital is conceived of as labour, the existence of surplus labour in an economy should make it easier and not more difficult both to increase the capital-intensity of its productive methods and expand the scope for employment. To employ this labour would not require any extra saving; only the portion of the national income that is being spent on feeding the unemployed worker for no work done would be handed over to him as wages for producing capital goods.

The only real snag in the above argument is that as the period of gestation for the more developed capital goods is longer than that for simpler tools and instruments, a society which adopts capital-intensive techniques would have to wait longer before it can enjoy the fruits of its investment in the form of consumer's goods and services.* The crucial question which it must answer is then: should it have a higher output at lower cost, but available only after a time, or a more imme-

*The acquisition of special skill needed by the higher technique of production is regarded as a problem of investment.

diately available smaller output produced at higher cost?

In a completely socialised economy in which future income is not discounted, there is a natural preference for the more capital-intensive methods because of their superior productivity. In societies where future income is discounted, investment in capital-intensive methods should extend up to the margin at which the discounted value of the larger output in the long run from superior technique is equal to the benefit from a more readily available increase of supply from labour-intensive methods. Evidently, the situation would be different for different consumer goods and industries depending upon the urgency of demand and the comparative efficiency of capital-intensive and labour-intensive techniques. There could surely be no case for a blank decision in favour of labour-intensive methods for all consumer's goods.

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Paid-up Capital	3,14,54,250
Reserve Fund and other Reserves	4,00,55,696
Deposits as at 31-12-54	1,24,21,26,680

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Farm Tenancy Legislation in Bombay State

H B Shivamaggi

AS a first step towards protecting the rights of the tenants, the Government of Bombay enacted the Tenancy Act in 1939. This Act was first introduced in the four districts of the State viz. Dharwar, Surat, West Khandesh and Thana in 1941 and was extended to the whole of the old Bombay Province in 1946. During the same year, it was amended and was replaced in 1948 by a new and more comprehensive legislation called the Bombay Tenancy and Agricultural Lands Act, 1948. To regulate the relationship between the landlords and the tenants, and to improve the social and economic conditions of the 'peasants', the Act provides for

- (1) fixity of tenure,
- (2) fixation of maximum rent and provision to determine reasonable rent,
- (3) abolition of feudal dues, levies and forced labour (veth), and
- (4) taking up management of neglected estates and farms so that efficiency might be raised.

The working of this Act, during the last six years has revealed that there is a wide gap between the promise and performance of the Act. Because of their weak bargaining power vis-a-vis their landlords, the tenants have not been able to claim and enforce the rights conferred upon them by the law.

Working of the Act

The regional surveys conducted with a view to studying the working of the tenancy legislation have shown that:

- i. The customary practice of paying half of the gross produce from land as rent still largely prevails and the maximum rent laid down by the Act is, by and large, ineffective;
- ii. Few tenants have purchased agricultural lands to become full-fledged owner-cultivators;
- iii. The area under owner-cultivation is gradually increasing; and that
- iv. Voluntary surrenders of leased lands have to a great extent remained at a low level. In the light of hope. There is much to be done to take a head-on view of the work.

ing of the Tenancy Law, the new Tenancy Bill, which is to be introduced during the Poona Session of the Bombay Legislature opening on the 17th of this month, will be examined below.

Tillers' Day—April 1, 1957

In view of the fact that the conversion of tenancy into ownership is proceeding at a very slow rate, the Government of Bombay seeks through this Bill to abolish unwanted tenancies in the State by declaring that "all permanent and protected tenants and other tenants, subject to the right of the landlord to recover possession for personal cultivation or for non-agricultural use, would be deemed to have purchased the land cultivated by them from their landlords on 1st April 1957 called the Tillers' Day at prices to be fixed within the prescribed limits". Within three months from the Tillers' Day, the tenant is to apply to the Tribunal for the determination of the purchase price of the land he is deemed to have purchased.

The maximum price has been fixed in terms of land assessment. In the case of a permanent tenant, the price of land shall not exceed 100 times the assessment levied or leviable in respect of that land and shall not be less than 30 times such assessment; and in case of any other tenant, the price shall not exceed 200 times the assessment on that land and shall not be less than 50 times such assessment. Thus the maximum price laid down comes to 6 times and 10 times the maximum land rent laid down in case of the permanent and other tenants respectively. The price fixed, it has also been provided should include the amount of the value of the unexhausted improvements carried out by the landlord on the leased land. Thus the landlords who have invested in the past on permanent improvements on their lands are not put to loss. While fixing the price limits, "the Government has taken into account the market rate at which the lands are generally sold, the need for maintaining the land as a security, the demand for land and the capacity of the tenant to pay".

The aims of the Bill are laudable indeed but why does the Govern-

ment want to declare tenants as purchasers of their leased lands on 1st April, 1957 and not on the day when the amended Act comes into force? The gap of nearly two years between the declaration of the Government's decision to make all the tenants owners of their leased lands and the date of the implementation of that decision is inexplicable. The only saving grace is Section 84A of the Bill, which restricts transfer or acquisition of any land before the Tillers' Day, to forestall the impending purchase-right given to the tenants.

Purchase Price

The other question is: Will the tenants be able to purchase the land they till? They have not been able to purchase the land they till because of their poverty. The new Bill no doubt declares that the tenant is deemed to have purchased the land on 1st April 1957, but does not make any specific provision to equip him with the needed land purchase money. As Prof. M. L. Dantwala has put it:

"In fact experience of land reform all over the world shows that unless tenants are actively assisted by a suitable arrangement for finance, a mere conferment of the right to purchase land will remain a dead letter" (vide this journal dated August 30, 1952.) The existing arrangement is that the tenant is required to pay the price in 10 instalments spread over 12 years. Once the tenant is declared to have purchased the land and he consents to pay the price, he ceases to pay rent on that land, but only pays purchase price instalment. This is a welcome change introduced in the new bill. The working of the tenant-purchase programme would be more effective if some arrangement is made to pay off the landlords' land price instalments on the Government account and collect the same from the tenants concerned in convenient instalments along with the land revenue. The amending Bill also lays down that no tenant can mortgage his land within five years from the date on which the certificate of purchase is issued. There is no reason, however, why the tenant should not be able to mortgage his land to a co-operative land mort-

gage bank to secure land loan. In fact, the absence of any such definite provision of financing the tenant purchase programme would certainly slow down the pace of progress towards tenant-ownership.

If the tenant does not want to purchase his leased land either because that land is poor in fertility or he is too poor to pay the instalments on purchase price or for some other reason, he has to intimate within three months from the Tillers' Day his unwillingness to purchase. In that case, the Collector is authorised to evict the tenant. Of course, no tenant would be foolish enough to intimate his unwillingness to purchase land and get evicted. It is provided, however, that in such an unlikely eventuality, that land or part of it which is surrendered by the tenant to his landlord cannot be taken up by him for personal cultivation if he already possesses a maximum holding (Section 321). The first choice of getting the land in that case will be that of a landless person and next that of a partially landless person. This order of priority, though desirable from the point of view of the landless, is unwelcome in so far as it gives preference to low income or uneconomic cultivators when we are anxious to convert the existing uneconomic holders into economic holders. It is more desirable that the first choice should go to one of the neighbouring cultivators with an uneconomic holding and the landless should come next. In this connection, it is necessary that the Government should consider the implications of Bhoodan and make statutory provisions regarding land allocation. On no account should scope be given to create new tiny landholders. Hence Section 321 of the Bill should be amended suitably.

In this context, attention may also be drawn to the fact that the Tenancy Act as it stands today or after the amendment proposed does not regulate the sale or transfer of the lands of owner-cultivators who do not come under the purview of the Act at all. The ceiling on land laid down in the Act neither affects the existing ownership of self-cultivators nor their future sale or any other kind of transfer of their lands. It need hardly be argued that statutory provision is necessary for applying uniform ceiling to the self-cultivated lands and to regulate their sale and transfer in future as in the case of rented lands.

The 1948 Act had fixed one-fourth and one-third of the gross yield as the maximum rent in case of irrigated and other lands respectively. Later in 1952 the Government reduced the maximum rent to one-sixth of the gross produce in respect of all types of land in the State, except in some selected areas where it was fixed in terms of multiples of land assessment. In the amending Bill, share rent has been abolished. The tenant has to pay rent annually and in cash. The rent shall not exceed 5 times the assessment of the land or Rs. 20 per acre whichever is less and shall not be less than 2 times such assessment in the case of areas where survey and settlement have been carried out. In other areas, the rent shall not exceed 3 times the assessment of such land and shall not be less than 1½ times the assessment of such land.

It is not necessary to discriminate between surveyed and settled areas and other areas in the fixation of levels of rent. The existing land revenue rates have been fixed on the basis of rentals that prevailed at the time of settlement. To fix rents on revenue rates which are themselves based on rental rates does not seem to guarantee reasonableness of rent. Hence what is required is revision of land revenue rates throughout the State which may be undertaken gradually. One might also question the wisdom of compulsory cash rent in view of the declining prices of farm products.

Rent and Other Dues

In the new Bill, the landlord is not expected to contribute anything to cultivation except of course his land for which he receives rent. The tenant is now required to pay land revenue, other Government land dues and local cesses, but his aggregate liability in respect of land revenue, land rent etc. should not exceed one-sixth of the value of the gross produce of land. If it does, he is entitled to deduct from the rent payable to the landlord the amount in excess of one-sixth of the total gross value of land. In practice, it will mean that the landlord, as before, can get one-sixth of the total yield as maximum rent from his land, the change being that hereafter the tenant has first to pay land revenue and other dues, and thereafter hand over whatever remains of the one-sixth of

yield as rent to the landlord. If the aggregate amount of land revenue, cess, etc. is less than one-sixth of yield, the tenant does not pay anything to the landlord. If the yield is less, the landlord's rent is reduced. But if the yield increases, the landlord does not get any share in increased yield. This does not seem equitable. The best course is to declare rent as 4 or 5 times the assessment per acre. If land revenue is reduced during years of scarcity, automatically the tenant also gets relief by way of reduced rent. Otherwise, for the negligence of the tenant, the landlord might be penalised in the form of reduced rent.

Since the Government policy is to discourage tenantry of lands as far as possible and to promote tenant-ownership, rent will have little significance. From this point of view, that rate of rent is the best which discourages tenancy and leaves adequate income to the tenant to enable him to improve his land after maintaining a minimum standard of living. The practical question is as to how the Government is going to make the statutory rates of rent effective. Because of the tenant purchase programme, the extent of tenancy is bound to diminish in years to come. It may be suggested that rent should be collected by the revenue department along with land revenue. Such arrangement was made in the Travancore-Cochin Land Reforms Bills. The Government may charge a small fee for this service rendered to the landlords. This would enable the Government to enforce the legal rates of rent strictly. The administrative feasibility of the proposal may be tried out in selected localities where tenant-cultivation covers less than, say, 20 per cent of the total cultivated area.

Owner-Cultivator and Maximum Holding

In future, the landlord cannot terminate the tenancy of a protected or permanent tenant even if he wants this land for his own cultivation. If he has leased out land to ordinary tenants, he can evict the tenant who was the last to take lease. He cannot, therefore, have a choice in taking land for self-cultivation. However poor the land that he has leased out last, he has to take it for personal cultivation subject to the ceiling and other conditions prescribed in the law. Notice will have to be given in writing to the

tenant before the Tillers' day if any landlord wants to exercise this restricted choice. Even when his tenant has more land than is necessary to constitute an economic holding, the landlord cannot take back this land if thereby his cultivated holding exceeds the maximum holding. If the landlord is to take back part of his leased land, the tenant will have the choice to retain whatever

type of land he wants till his holding comes to be of the prescribed economic size.

The ceiling has been fixed at three times the economic holding which is 16 acre of jirayat land, or 8 acres of seasonally irrigated or paddy land or 4 acres of perennially irrigated land. It may be noted, however, that even in jirayat land the quality varies so much that it is

doubtful whether a ceiling should be fixed in terms of acres. The suggestion that the ceiling should be fixed in terms of standard acres, assuring a fixed income to cultivators, is no longer an academic and impracticable one. It has been accepted and acted upon in Punjab and there is no reason why other States should not adopt it.

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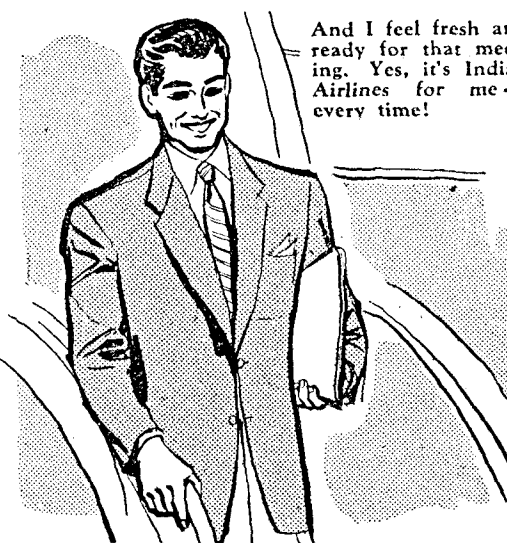
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Eightieth Annual General Meeting

Speech by Sir Cowasjee Jehangir, Bart

PRESIDING over the Eightieth Annual General Meeting of the Oriental Government Security Life Assurance Co., Ltd., held at the Head Office, Oriental Buildings, Bombay, at 4 P.M. on Wednesday, 10th August 1955, Sir Cowasjee Jehangir, Bart., G.B.E., K.C.I.E., J.P., Chairman, referred to the resignation of Sir Purshotamdas Thakurdas, since the close of the year under report and quoted 'in extenso' the Resolution passed by the Board while accepting the resignation in which the Board had placed on record the long and meritorious services rendered by Sir Purshotamdas to the Company during the 36 years he was a Director, out of which for 22 years he served as the Chairman of the Company in recognition of which service his bust has been put up in a prominent place in the Company's premises. Continuing he said:

I have pleasure in presenting to you the Report and Accounts for the year ended 31st December 1954, a copy of which has been in the hands of the Shareholders and such of the Policyholders as had asked for one before the date of the meeting and may, therefore, I hope, be taken as read.

New Business More Than Double

The New Business completed last year amounted to an all-time record of 1,24,476 Policies assuring a little over Rs. 47½ Crores which shows an increase of 46,201 Policies assuring Rs. 24 1/3 Crores as compared with the New Business of the preceding year. The Company thereby achieved the unique feat of more than doubling the volume of New Business during the last year. The average amount assured under a Policy also registered a significant increase of Rs. 3,837 as against Rs. 2,989 in the preceding year.

During last year, our total Premium Income crossed the Rs. Ten Crore mark, the actual figure being over Rs. 1,046¼ lakhs as compared with Rs. 952½ lakhs in 1953 showing an increase of Rs. 93 2/3 lakhs.

The Claims by Death last year amounted to a little less than Rs. 108½ lakhs. The Claims by Maturity amounted to slightly less than

Rs. 322½ Lakhs. The Company's Mortality Experience has registered a further improvement, the ratio of Actual to Expected Deaths during the year being 37.0 per cent., as compared with 41.7 per cent. in 1953.

Renewal Expense Ratio Registers Improvement

The Expenses of Management last year amounted to 25.4 per cent of the Premium Income as compared with 23.4 per cent., in 1953, showing an increase of 2.0 per cent. Practically the whole of this increase, 1.9

to the fact that while in 1953 we received refund of Income-tax for one year, in 1954 we received refund for two years.

The Lapse Ratio improved from 5.5 per cent. in 1953 to 5.3 per cent. in 1954.

The year under report was the last of a Triennial period at the end of which the Valuation of the Assets and Liabilities falls to be made to ascertain the profits for distribution between the Shareholders and the Policyholders. The Valuation is now in progress and the results will be available shortly.

Policyholders' Directors

On 1st June 1955, the usual triennial Policyholders' Meeting in terms of Section 48 of the Insurance Act, 1938, was held and Messrs. Dabhaibhai Vallabhbhai Patel, Pashabhai Patel and Chandrakant Chhotabhai Patel were re-elected Directors.

Mutualisation of the Company

Now a word about the idea of the Directors to mutualise the Company. As policyholders might be aware, an Extraordinary General Meeting of the Shareholders of the Company was called on the 15th June last when the Directors put before the meeting a scheme for mutualisation prepared by them which was after some discussion unanimously approved by the Shareholders. It was as far back as the year 1948 when the Directors felt that, looking to the large size of the Company at that time and also the rapid progress which it was making during the preceding few years, it would be desirable to mutualise the Company, thereby leaving its management entirely in the hands of the Policyholders. As I stated in my speech before the Extraordinary General Meeting above referred to, the Directors felt that although the share capital played a very important role in the initial stages of the Company, the time has now come when the Shareholders should be paid off and the management of the affairs of the Company should be left to such of the Policyholders as are elected by them. It is with that idea in view that the entire mutualisation scheme was considered in all its bearings by



Sir Cowasjee Jehangir,
Bart., G.B.E., K.C.I.E., J.P.

per cent., to be exact, is accounted for by the provision of Rs. 20 lakhs made in the accounts for the liability in respect of future Gratuities to Staff. The Renewal Expense Ratio for last year was 11.67 per cent., as against 14.40 per cent for 1953, showing a decrease of 2.73 per cent.

As a result of the year's operations, the Funds of the Company increased to a little over Rs. 78¼ Crores at the end of the year.

Demand for Policy Loans continued more or less at the level of the preceding year. The total amount of Policy Loans (excluding Automatic Premium Loans) standing on the Company's Books at the end of the year was a little over Rs. 592 1/3 Lakhs.

The Net Rate of Interest after deduction of Income-tax at the source earned on the Funds during 1954 was 4.12 per cent., as compared with 3.57 per cent., for the preceding year. The difference is mainly due

the Directors step by step with the result that we have now come to the stage when the scheme for mutualisation as put before the Extraordinary General Meeting and approved by them has been forwarded to Government. The scheme is being published in all the important newspapers of the Country and the Government of India are also publishing it in the Government Gazette. The scheme is thereby given the widest publicity possible and also any objections or suggestions are invited from interested parties and these should be addressed to the Controller of Insurance so as to reach him before 30th September next which gives as long a period as 2 months for Policyholders and Shareholders to send their objections or suggestions, if any, after careful consideration. The Directors gave their utmost and very anxious consideration to the vital question of holding the scales even between Policyholders and Shareholders. To have their hands further strengthened they took the opinion of a highly respected legal luminary of top rank in India as regards the figure of compensation putting before him what they had arrived at as fair compensation. He fixed the compensation at Rs. 8,800 after carefully going into all the aspects of the problem. This sum of Rs. 8,800 is not what falls to be paid straightaway, but its payment will be deferred for or spread over a period of years. Again, it is not and cannot be secured on any tangible asset of the Company but only on 15% of the emerging Surplus of the periodical Valuations of the Company. What is more important to consider is the fact that practically during all the years in the past the Shareholders had forgone a substantial part of the amounts that would have gone according to the Articles of Association of the Company to augment their dividends but which instead were allowed to augment the Policyholders' Life Assurance Fund. If the amounts the Shareholders had forgone in the past had been taken to a fund to their credit and invested, the amount standing to the credit of that fund itself would have provided a significant part of the compensation now sought to be paid to them. What is even more important to consider is the fact that the figure of Rs. 8,800 does not allow for any future increases in the dividend due to the progressively satisfactory functioning of the Company judging from how it has been functioning during the past few years.

Even from the date mutualisation is given effect to, the Debentureholders' Directors will be reduced from the present number of 9 to 5. To enable the policyholders take over an increasing share in the management of the Company, there is provision for the number of Debentureholders' Directors progressively diminishing further and the number of Policyholders' Directors correspondingly increasing as and when Debentures are redeemed.

To avoid any sudden strain falling on the Surpluses of a few trienniums only the redemption of the Debentures is deferred for or spread over a period of years.

These are some, if not all, of the points to which the Directors had to give their careful consideration before deciding on the principle of mutualisation and also the quantum of compensation. I thought it best to go to the length I have done in explaining how the Directors' minds have been working for a few years in the past on this important question of mutualisation.

The advantage that would be secured by Policyholders once the Shareholders are paid off will be very great indeed. Apart from the fact that the entire management of the Company will pass into their hands, there will also be a financial advantage in that there will not be any future liability, once the shares are paid off, for payment of dividends and the entire Surplus would be available for distribution amongst Policyholders alone. Taking all these factors into consideration, I cannot but wholeheartedly recommend to the policyholders the acceptance of the scheme as forwarded to Government.

Nationalisation of Insurance

I now take up the highly vexed and topical question of Nationalisation of Insurance. In this connection, I cannot do better than quote fully what my predecessor in Office said at the time of opening the Oriental Building, Ahmedabad, on 17th March 1953. Since this speech was not delivered before a meeting of policyholders and shareholders, I think it appropriate that his weighty words in this respect should receive your careful consideration:—

"It is surprising that in spite of the grim warning furnished so unequivocally by nationalisation of the coal industry in the U. K. in the shape of diminished output per man and increased cost of raising, our Ministers in power talk lightly

of socialising or nationalising as applied to a business least fitted for nationalisation and whose progress depends upon research in several fields of intellectual activity which can be fostered only under conditions created by healthy competition as a private enterprise. I, therefore, cannot allow this occasion to pass without putting out most respectfully a warning to these advocates of socialism. 'Hands off those for whom we insurance companies are trustees, particularly as they are normally widows and orphans'. I make an appeal to Ministers in power in all humility but with the utmost sincerity to be consistent in their policy declarations bearing in mind the great harm that will be done to the country's economy by inconsistent pronouncements of policy."

Since then, Chairmen of almost all companies have gone fully into the question and I cannot do better than say that I wholeheartedly agree with every bit of what has been said in this respect.

In my statement as Chairman at the Annual General Meeting of our Subsidiary, the 'Oriental Fire', I have already expressed my considered opinion regarding this disturbing development as it affects the future of Indian general insurance companies. I make no excuse for reiterating that I consider it a most retrogressive move and I am of the opinion that even the threat or rumour of nationalisation may be sufficient to damage the prestige of Indian companies in those overseas territories in which a number of us are seeking to establish ourselves.

On that occasion, I also amplified the details of the progress of our Subsidiary, the Revenue Accounts and Balance Sheet of which are shown separately in the accounts now before you. Steady progress was again recorded in all departments and it was possible to increase the dividend from Rs. 15 to Rs. 20 per share free of income-tax after substantially strengthening the Reserve position and making adequate provision for all contingencies. With our Subsidiary firmly established, I am satisfied that we are now in a position to offer insurance service second to none in the best 'Oriental' tradition, not only so far as life insurance is concerned but also in all other departments of our business.

Before concluding, I should like to convey our appreciation of the steady performance of our Active Agents

Tribals—Particular Case of General Problem

By a Semi-Tribal

THE contribution entitled "Tribal Welfare: A New Approach" by Shri Sankho Choudhuri in the issue of July 23 illustrates how our non-specialist and very often also the specialist "intelligentsia" think through their feelings. From the contents of the article, Shri Choudhuri appears to be an artist and your correspondent also vaguely remembers to have seen his name among the exhibitors in some art exhibition. The non-specialist has this advantage over the specialist: he can pose the question bluntly, without the terminological jargon and the pedantry of the specialist. Shri Choudhuri rightly says "We are alienating these people (tribals) from the core of their culture, where do we leave them?" "We must decide what we want these people to be."

Having presumed the author to be an artist, we do not expect him to be analytical. His examination (?) of what has been done by others in the field of tribal welfare is characteristic of his class—the sophisticated intelligentsia—which puts one argument against another without going into its relevance or significance and concludes the discussion with "I don't think so," "I think so," "I do not agree" or "I agree". Faithful to his class of high-brow sentimentalist, Shri Choudhuri suggests that what we want them to be should prevent them "from becoming landless labourers to flock to factories and mining centres and copying the worst habits of a large town" and "save them from the outside glamour of big cities and descent to a sordid life therein." His concrete proposals to achieve these aims are, "to open small craft centres to teach them silk spinning and weaving, and lac laboratories to train them in various uses of lac and promote centres for handicrafts," and to combine education with craft.

Surely, these measures would prevent the migration of the tribals to the city. But will they prevent the

which has enabled the Company to complete a New Business of over Rs. 47½ Crores.

Finally, I wish to convey our appreciation to our Officers and Staff at the Head Office and at our Branches of the helpful service rendered by them during the year.

migration of the city to the tribals? Actually Shri Sankho's suggestion amounts to this, that instead of the tribals migrating to the city, the city should migrate to them. This is his new approach. Is he sure that such a migration would enable them to lead "a healthy life in their own locality bringing in more spirit and zest into these desolate places"? Yes, if one believes that the city life that goes to the tribals has its canines knocked out and that it is as humane as Shri Sankho. A case can be made out that life in a small town is not as "sordid" as in a big city. But that may be true of certain secondary characteristics of the city. The basic relationships in a small town and the big town are the same and they are different from those of the tribal society. While there are problems peculiar to city life, what brings about misery to a group of people is the sudden change from one set of social relationships to another and their difficulty in adjusting to the latter quickly. This creates the state of normlessness which is called 'anomie' by sociologists and loss of nerve in common parlance. This happens to any group of people, tribal or civilized, not necessarily on account of migration but on account of sudden changes in society. That is

what is happening to-day to the large mass of non-tribal people in India. The relationships between various classes of people in the rural area are changing. A section of them is migrating to the city as industrial workers and as lower division clerks. Are they less miserable than the tribals? Do we not observe the state of normlessness in the new war-rich black-marketeer class? And why not observe the behaviour of the 'intellectuals' who have got sudden recognition as a class for the first time and who are flocking to the State and Union secretariats?

The intellectual has to answer the question, what he himself wants to be, before he decides for the tribals what the tribals should be. The tribal is a part of society which is itself in the process of change and what happens to it will decide what will happen to the tribals. The problem of the tribals is only a particular case of this general problem.

In the meanwhile Shri Sankho will have the petty bourgeoisie satisfaction of blowing the conch for the tribals to save them from the orthodox purist and from the impurities of city life. Busy looking up, did the petty bourgeois ever look where his own feet were?



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Are Rivers in the Siliguri-Amingaon Section of N E Railway a Challenge to Engineers?

Kumud Bhushan Ray

NORTH-EAST India's ordeal by water begins with the beginning of the floods in July. The Assam Rail Link has again been snapped in more places than one. (Fig. 1). The Assam Access Road has also suffered a similar fate (Fig. 2).

As flood damage has become an annual phenomenon, the public appears to be under the impression that engineers do not fully realise the great force of a river, which they try to harness. It is widely believed that deforestation in the upper catchments of the rivers in the Himalayas is the cause of flood and that the Governments of Tibet, Nepal, Sikkim and Bhutan, where these catchments lie, should be persuaded to take up and maintain watershed management and afforestation works and only if this is done, India can be spared this annual ordeal.

The flood damages this year in Uttar Pradesh from rivers, whose catchment area lies in the alluvial plains, show that the deforestation in the upper catchments of the river cannot be the real cause of the flood.

Fig. 1 will show that the area of the catchment basins in the Himalayas, lying in Tibet, Nepal, Sikkim and Bhutan, is more than twice the

area of the river basins in Bihar, Bengal and Assam, lying between the foot-hills of the Himalayas and the outfalls of the rivers into the Ganga and Brahmaputra. Watershed management and afforestation in such desolate and sparsely inhabited regions, would encounter colossal difficulties and involve enormous costs.

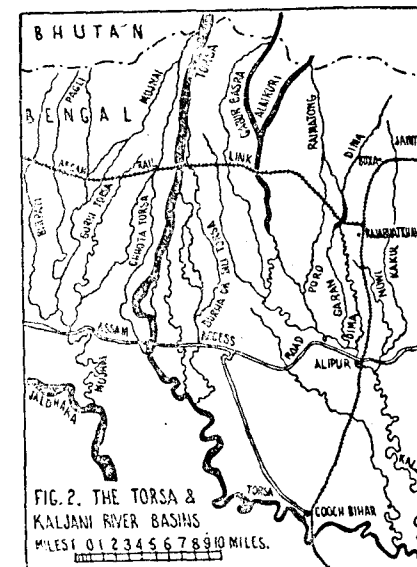
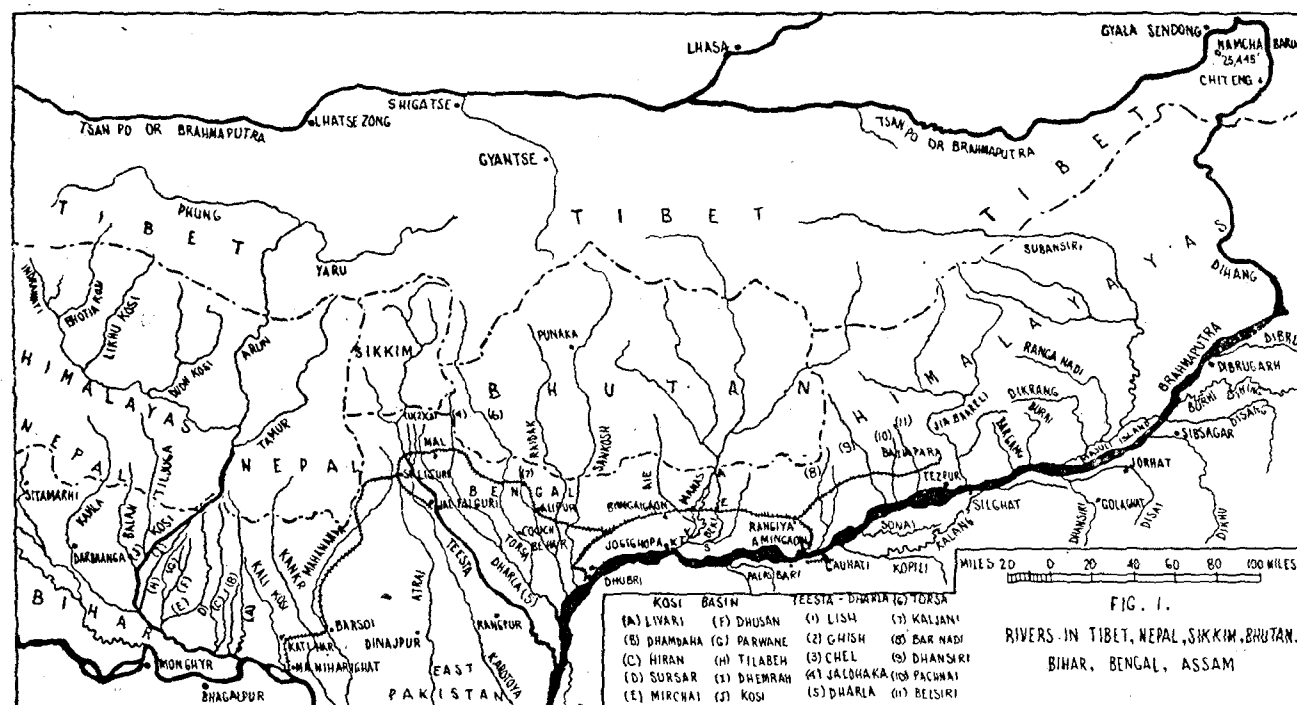
Breaches and Loop Channels

It may now be studied why breaches occur in the Assam Rail Link. Fig. 2 shows in greater detail the Torsa and Kaljani Rivers, which cross the Assam Rail Link and the Assam Access Road. It will be seen that the Torsa River has developed, by erosion of banks, in its upper reach a channel about half a mile wide. From the point where it emerges from the foot-hills of the Himalayas in Bhutan on to the plains, it has many loop channels—Mujnai, Burhi Torsa, Chhota Torsa, Burha or Sili Torsa, etc. The Mujnai, Burhi Torsa and a few smaller loop channels have their outfalls into the Jaldhaka, while the Chhota Torsa, Burha Torsa and some smaller ones have their outfalls back into the Torsa. The Kaljani has also many loop channels.

The flow of water in these river

basins is not always restricted to any one loop channel. Sometimes the water flows through one channel and sometimes through another; the flow through these several loop channels is seldom kept under observation. It may happen that the flow through one channel goes on improving and consequently the flow through another, which was so long carrying the main discharge of the river basin, goes on diminishing. When the improving loop channel becomes the main river of the river basin, the bridge over it may not have sufficient waterway to pass the total discharge of the river basin. There is then damage to the bridge, or the approach embankments are overtopped and breached.

The usual procedure, while rebuilding the breached bridge, or making up the breached embankments, is to provide additional spans to the bridge. But it is found that this does not provide a permanent safeguard. In course of time, another loop channel starts improving, and ultimately the whole discharge of the River Basin may pass through it in which case similar flood damages will occur. Considering that all the rivers crossing this section of



the N E Railway and the Assam Access Road have several loop channels, breaches are likely to go on occurring, in the process of improvement of one loop channel and the consequent deterioration of another.

Vagaries of Rivers

The cause of these variations in a river channel may now be studied. Fig. 3 shows the several loop channels in the Manas Basin—Manas, Bholukadoba, New Hakua, Old Hakua, Beki, etc. At the time of railway construction in Assam in 1909, the main flow in the Manas River Basin was through the Manas Loop Channel. The bridges provided at the time over the three Loop Channels were:

- Manas 10 x 100'
- Bholukadoba 2 x 75'
- Beki or Mara (dead) Manas 4 x 12'

Between the years 1909 and 1945, more and more water started flowing through the Beki Loop Channel and consequently less and less water flowed through the Manas Loop Channel. It may now be examined why this happened.

The Manas had a more or less straight channel between A and K in 1948, (See Fig. 3). Below K, due to erosion of river banks, a tortuous channel K L M N developed, which continued below the railway bridge. The channel also became wider and shallower and had islands and sand banks. The greater length of the tortuous channel flattened the Slope of Water Surface (S W S), while the wider and shallower channel decreased the Hydraulic Mean Depth (H M D). Thus the velocity of flow and consequently the discharging capacity of the Manas Loop Channel gradually decreased.

As the Manas Loop Channel could not accommodate and drain away the discharge of the Manas Basin, there was backing up and rise of water level in the channel upstream, so that a part of the water found its way through the shallow but straighter Beki Loop Channel to its outfall at T (Fig. 1). A cataract action started at T, which dug back and back along the Beki Loop T S until it reached E, the railway crossing, and further upstream to A where a cut-off channel was established. More and more water flowed through this cut-off channel in the Beki Loop, which went on improving, while less and less water flowed through the Manas Loop, which went on deteriorating.

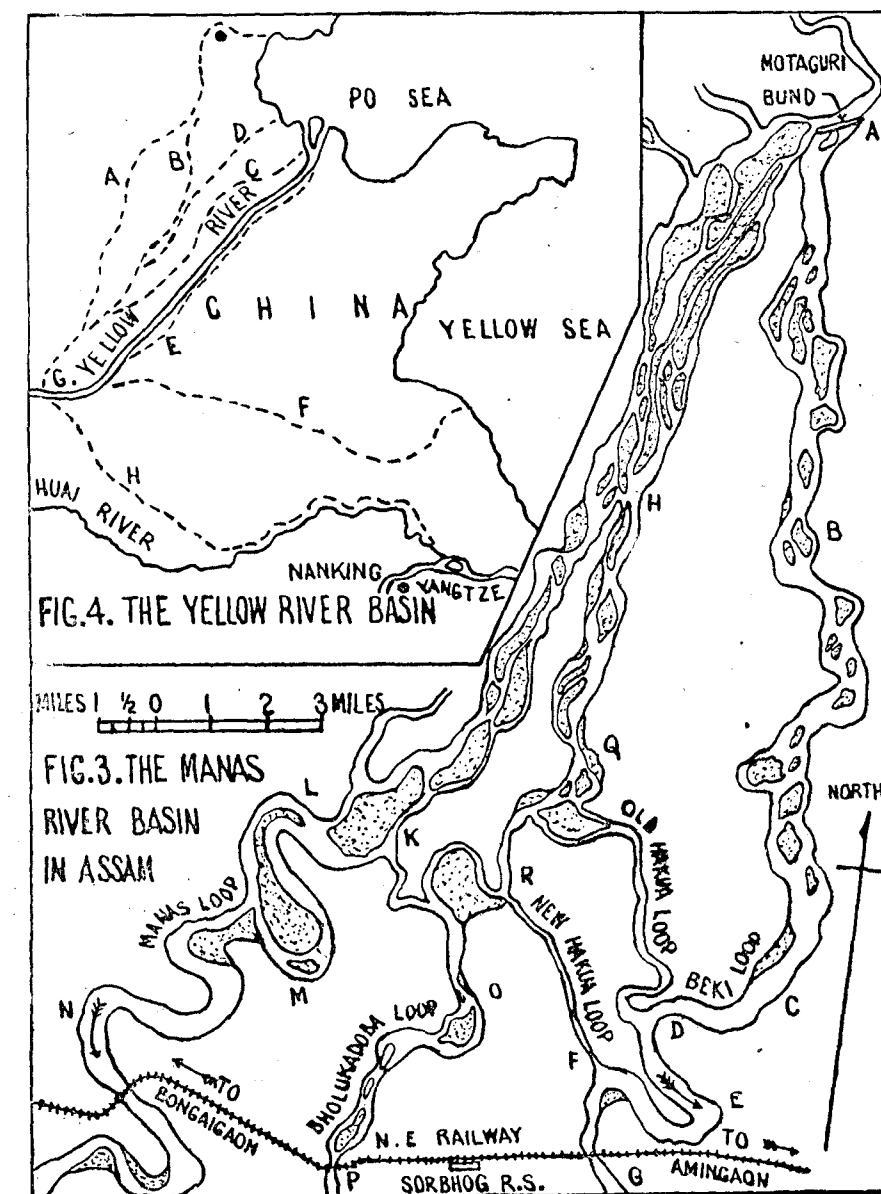
As the Beki Loop gradually improved, and its channel became deeper, the 4 x 12' span bridge with shallow foundation was undermined

and breached. Successive bridges with larger waterways were then provided over the Beki Loop Channel, from 1909 to 1945:

- (i) 4 x 12' (ii) 4 x 20' (iii) 9 x 20'
- (iv) 1 x 50', 1 x 30', 6 x 19' (v) 1 x 50', 2 x 40', 6 x 19' (vi) 2 x 40', 3 x 100', (vii) 7 x 150'.

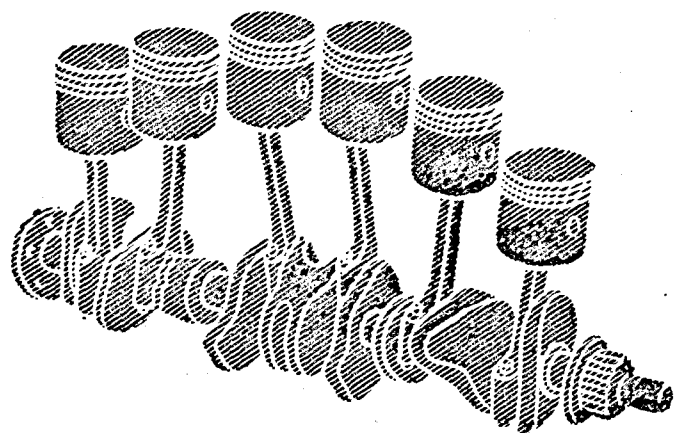
As a result of increasing flow through the Beki Loop, less and less water flowed through the Manas Loop, so that in 1945, water flowed through only 4 x 100' out of the 10 x 100' spans, while the river bed had risen 14 feet in the Manas Loop Channel.

In the Beki Loop Channel, there was also erosion of river banks and development of a tortuous channel C D E F G, lengthening its course and flattening its S W S while the widening and shallowing of its channel gradually decreased the H M D. With consequent decreasing velocity,



change today to

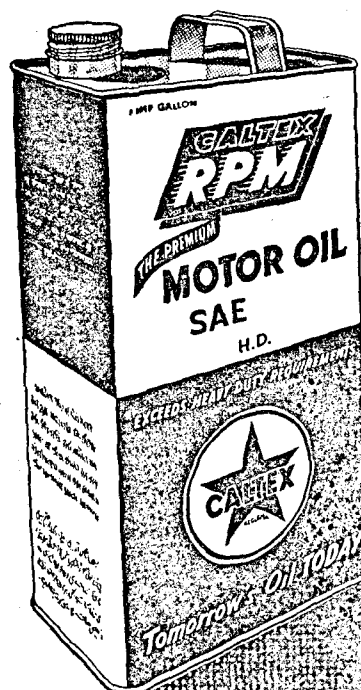
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the discharging capacity of the Beki Loop decreased, there was backing up and rise of water level in the Beki Loop Channel upstream, and water found its way through the Bholukadoba Loop Channel to its outfall at V (Fig 1). A cataract action from V upstreamwards gradually improved the Bholukadoba Loop, deepening its channel. Successive bridges with larger waterways had to be provided in the Bholukadoba Loop Channel:

(i) 2 x 75', (ii) 3 x 75', (iii) 1 x 250', 2 x 150'.

After the breaches in the bridges over the loop channels in the Manas River Basin, it was decided to stop the flow of water through the Beki Loop Channel, by the construction of the Motaguri Bund at A (Fig. 3). The aim was that there would be no flow through the Beki Loop Channel, so that the waters of the Manas River Basin would have to flow through the Manas Loop Channel, which had a bridge over it of 10 x 100' spans. As expected, the upper reach A H of the Manas Loop improved. But as the tortuous, wide and shallow length K L M N of the Manas Loop was not able to accommodate and drain away the increased flow, there was backing up and rise of water level, enabling it to find its way through the shallow but straighter channel of the New Hakua Loop, having an outfall into the Beki Loop, avoiding the tortuous part of the Beki Loop Channel C D E F (Fig 3). The cataract action at F dug back and back, improving the New Hakua Loop Channel. Manas water thus continued to flow through the Beki Loop Channel Bridge of 7 x 150' spans. The object of diverting the flow of water of the Manas River Basin through the Manas Loop Channel, having a bridge of 10 x 100' spans, was thus frustrated.

Belief in Undeveloped River Basins

This frustration gave rise to the belief that the Manas River Basin is still undeveloped and that vagaries of rivers in such a river basin cannot be stopped. This caused so much pessimism that there was a proposal to abandon the railway line between Bongalgaon and Amingaon, to have a diversion railway line from Bongalgaon to Joghghopa, to cross the Brahmaputra by a bridge, and to have a new railway line to Gauhati along the left or south bank of the Brahmaputra (Fig. 1).

That the belief in an undeveloped River Basin is unfounded, will be evident from the fact that Loop

Channels exist not only in the Manas River Basin, but also elsewhere.

Mention has already been made of Loop Channels in the Torsa and Kaljani River Basins in Bengal. Similarly in Bihar, there are several loop channels in the Kosi River Basin. Loop Channels also exist in the Yellow River Basin in China. Can all these River Basins be classed as undeveloped?

The Kosi River Basin

The Kosi has several loop channels (Fig 1). There is considerable erosion of river banks in the alluvial plains of Bihar, resulting in the development of a tortuous course and a wide and shallow channel. The velocity and consequently the discharging capacity in such a channel gradually diminishes. There is backing up and rise in water levels and overflow away from the channel, so that river-side lands are submerged and there is flood damage.

The choked up and abandoned eastern loop channels in the Kosi River Basin are not able to accommodate and drain away the overflow water. Hence practically the whole of the overflow water finds its way into a parallel western river. A cataract action starts at this point, which digs back and back, establishing a cut-off channel. More and more Kosi water flows through the western river, which goes on improving, while less and less water flows through the Kosi Channel, which is ultimately choked up and abandoned. The western river thus becomes the New Kosi.

Erosion of river banks continues in the New Kosi. The same process is repeated. Another western river is improved and becomes the Newer Kosi, while the New Kosi channel is choked up and abandoned. The westward movement of the Kosi has gone on in this manner.

It will be seen from Fig 1 that the Kosi now flows through the lower reach of the Tilajuga and Balan Rivers, and that there is no longer a parallel western river. With increasing deterioration of the present Kosi Loop Channel, in the process of erosion of river banks, with no western river to drain away the overflow water from the Kosi Channel, flood water level in the Kosi will become progressively higher, causing submergence of greater areas of river-side lands to greater depths and for longer periods. In this process, the higher level of Kosi water is likely to find its way through a former abandoned Eastern Kosi Loop Chan-

nel, which will improve and become the NEW KOSI.

The Yellow River Basin

It has been mentioned that in the Manas River Basin, a former abandoned eastern Loop Channel—the Beki or the Mara (dead) Manas—became the New Manas, while the Old Manas Loop Channel gradually deteriorated from 1909 to 1945.

Similarly in the Yellow River Basin in China, a former abandoned loop channel has at present become the main river. A careful record is kept of the many loop channels in the Yellow River Basin, as shown in Fig. 4. The water of the Yellow River Basin flowed through the loop channel A from 2278 B C to 602 B C, through B from 601 B C to 11 A D, C from 12 A D to 1048 A D, D from 1049 A D to 1194 A D, E from 1195 A D to 1494 A D, F from 1495 A D to 1855 A D, G from 1856 A D to 1938 A D and H from 1939 A D to 1946 A D. From 1947, the Yellow River is again flowing through its former loop channel G! Such vagaries of rivers are explained by uncontrolled erosion of river banks.

Erosion of River Banks

As already explained, erosion of river banks by the development of a tortuous alignment and by the widening and shallowing of channel, gradually decreases the velocity of flow, and consequently the discharging capacity of a loop channel gradually decreases. Overflow water finds its way into another loop channel, which is thus improved. If this improvement goes on, the latter becomes the main channel of the River Basin.

The flood damages from the rivers Gomti, Tons etc. in the U P are due to the deterioration of their channels, caused by the development of tortuous alignments and widening and shallowing of channel by erosion of river banks.

Similarly flood damages from the Teesta, Brahmaputra and other rivers in N. E. India are due to the very wide and consequently shallow channels developed by these rivers, as a result of erosion of river banks.

A Challenge to Engineers

The challenge to engineers from rivers cannot be met by building additional spans to the waterways in bridges in the Assam Rail Link, or in the Assam Access Road, or by having Watershed Management in Upper River Catchments by Afforestation etc. or by building check dams across the rivers in the hills.

A survey has to be made of all the Loop Channels, whether flowing or choked up and abandoned, in a River Basin. Action should be taken in the main flowing Loop Channel in the River Basin, so that its wide and shallow channel with a tortuous alignment is guided to a single, narrow and deep channel, having straight alignments, joined by flat curves. Such a channel maintains a stable alignment in good order.

This may be done by assisting a river to utilise the great force of its current of water—its power of transportation of silt and of erosion of the channel surface—to deposit silt to form new parallel river banks, having a single narrow and deep channel in between, with straight

alignments joined by flat curves. Such an improved flowing Loop Channel in a River Basin will then be able to accommodate and drain away quickly the maximum flood discharge through its channel. With adequate waterway, provided in the bridge over an improved Loop Channel, there can be no unexpected increase in discharge, likely to damage the bridge or the bridge approaches.

"Bandalling" has been used by Steamer Companies to maintain navigable depth in wide and shallow rivers in Northern India. As this type of "bandalling" is liable to be undermined in the flood season, an improved type known as "permeable screens" was used in 1949 by the author in the Beki River in Assam,

to straighten the river alignment upstream of the railway bridge, by assisting the river to reclaim an embayment 3000 feet long, with a maximum width of 1000 feet and a maximum depth of water of 40 feet, by laying a line of improved "bandalling". Fig. 5 shows photographic prints of "bandalling" used in the Beki River.

The challenge to Engineers by rivers in the Siliguri-Amingaon Section of the N. E. Railway can be met by assisting a flowing Loop Channel in a River Basin to improve its channel by the use of "Bandalling". The cost per running foot varies from Rs. 20 to Rs. 40 depending on the depth of water.

Agricultural Labour

I—Pattern of Occupation and Employment

(Continued from last Issue)

THE general rural occupational pattern and the employment status of agricultural labourers have been discussed in the last issue. An attempt is made below to analyse the findings of the Agricultural Labour Enquiry, regarding the extent of unemployment and self-employment among agricultural labourers and to examine how far these findings answer some of the issues posed earlier in the article.

Naturally, the most difficult part of the investigation was the measurement of the extent of unemployment and under-employment. The Enquiry does not go into conceptual difficulties. It takes the working day as the unit of measurement of labour time. Thus, variations in the hours of work during different agricultural seasons are ignored; but that is not so important as the distinction between employment and under-employment which the Enquiry found so difficult to measure precisely. Confining itself, first, to wage-paid agricultural and male labour only, it set out the number of days such labour was unemployed. That is to say, the information was collected only about visible unemployment which is defined as lack of wage-paid employment. It is recognised that unemployment defined thus also includes under-employment. But it is not quite clear whether this is always borne in mind; for instance, the opening paragraph in the section "Unemployment of men workers", reads as follows: "Data on the number of days during which the agri-

cultural adult male labourers were fully unemployed were collected month to month for a period of one year. In doing so, only those labourers were taken into account in any month who reported wage-paid employment for at least one day in that month" (emphasis ours). Here "fully unemployed" is deceptive as labour unable to secure wage-paid employment may yet get part-time work or be self-employed.

TABLE VI Unemployment Among Adult Male Labourers		
Month	% of Total employed on wages	No. of days unemployed per worker
March	86	7
April	84	7
May	83	7
June	85	6
July	87	6
August	86	7
September	84	7
October	83	7
November	84	6
December	83	7
January	80	7
February	78	7
Month average	84	7

An idea of the volume of unemployment, subject to above qualifications, can be gathered from Table VI which gives in the all-India averages. Zone-wise figures (Table VII) show wider variations, but even so, the most striking feature

of both the tables is the relative stability of unemployment from month to month. That is to say, in zones where a large part of agricultural labour is unemployed, quite a substantial part of it is unemployed during the whole year. The number of days in a month that labour is unable to get employment shows as great, if not greater stability. The picture of agricultural employment that emerges from these tables is quite different from the accepted picture of rural agriculture viz that of long spells of uninterrupted idleness alternating with short spells of brisk activity. The assumption, therefore, on which the case for supplementary rural industry is usually supported as part time occupation for agricultural labour as well as the basis of much of current thinking on agricultural problems would be seriously shaken by these findings.

Unemployment is well spread over the month. Where it is high, it is fairly high even in the peak employment period. Again, the number of days in a month that labour is unable to get job is larger in some states, and comparatively small in others. But whatever it is, it is the inter-zonal variations which are pronounced rather than the variation in the same zone as between one part of the year and another.

Equally striking is the extent of unemployment even at the peak period of agricultural activity. Taking India as a whole, 13 per cent

of the agricultural labour gets no employment at any time in the year. Subject to the qualification that allowance has to be made for sickness and other causes of absenteeism including self-employment, this hard core of unemployment indicates the magnitude of the man-power which can be withdrawn to other uses without any loss of productivity.

Monthly Variation

The highest percentage of labourers which finds employment any month ranges from 83 in South India to 97 in North India; there is similar disparity in respect of the period of wage-employment as between these two Zones: thus, while in North India an adult male worker finds employment for 27 days in a month, his counterpart in the South has work for only 20 days. Again, while the monthly variations in the demand for labour in the North is confined within narrow limits (from 93 to 97 per cent), in East India, the range is between 75 and 90 per cent and in West India, between 79 and 92 per cent.

In order to assess the extent of unemployment among agricultural labourers, one has to take into account not only the unemployment of those who have no employment whatsoever, i.e. the 13 per cent of agricultural labourers referred to above, but also the unemployment of those who have had varying periods of wage-paid employment during the months. And since absence of wage-employment may not signify complete idleness, the extent of under-employment has also to be considered. In the case of those who are partially employed, average annual unemployment amounts to 81 days in a year for All-India. While in North India, the average is lowest at 45 days in a year, it is very high in South and West India at 115 and 114 days respectively.

A comparison between casual and

attached workers shows that attached workers have more employment. Thus, for all India, 97 per cent of the attached workers reported wage-employment every month; and they were unemployed for only about 19 days in a year. The duration of unemployment among attached labour ranged from 11 to 16 days in North, East, West and Central India; it was highest in South India, where attached workers formed only 5 per cent of total agricultural labourers, being 64 days in a year.

Casual Labour

The problem of unemployment is essentially that of casual labourers, and since about 85 per cent of agricultural workers belong to the casual category, the trend of employment (and unemployment) analysed earlier for all agricultural labourers, may be said to reflect the position of casual labourers. For all India, on an average, 18 per cent of casual workers against 13 per cent of all agricultural labourers are unemployed per month and the average unemployment for casual labour during the year amounts to about 96 days as against 84 days for the average agricultural labourer, taking casual and attached together. These two components of unemployment, viz., percentage of workers employed and the duration of unemployment in any month, show considerable variations as between different Zones. Percentage of total labour unemployed is largest in East India (18 per cent) South India (20 per cent) Central India (22 per cent) and North-West India (25 per cent), while the average number of days in a year a labourer is unemployed is highest in South India and North-West India (120 days) and West India (132 days).

The most important reason for unemployment among casual labour is want of work, though sickness and other factors such as bad weather might also be responsible.

TABLE VII
Seasonal Variation in the Employment of Agricultural Labour
(% of total agricultural labour employed)

	Highest	Lowest	No. of Days Unemployed in a Month
North India	97 (Mar-Apr)	93 (Feb)	3-5
East India	90 (July)	75 (Feb)	5-7
South India	83 (Mar & July)	74 (Feb)	9-10
West India	92 (Oct)	79 (Feb)	9-11
Central India	86 (Mar & July)	81 (June)	4-5
North West	88 (Mar & Apr)	77 (Feb)	5-8
All India	87 (July)	78 (Feb)	6-7

On an average, want of work accounts for 77 per cent of the number of days unemployed. Among the other causes, malaria and other illness are responsible for about 7 per cent of total unemployed days. The percentage of days unemployed owing to want of work is the highest in West India (84) and lowest in North India (66).

Taking all the workers who worked for some time or the other during the year, though some of them may not have reported wage-employment, an attempt has been made to estimate the volume of employment, unemployment and self-employment among agricultural labourers (see Table VIII). It is to be noted that while data regarding unemployment and self-employment is available only for the 84 per cent of the workers who reported wage-employment at least for one day in a month; no data was collected for the remaining 16 per cent who did not report any employment. In the case of the latter, the Enquiry assumes that they were self-employed and unemployed in equal proportions.

TABLE VIII
Employment Status of All Adult Male Agricultural Labourers
(In days per year)

Census Zones	Employed on Wages	Self Employed	Unemployed
North India	289	26	50
East India	224	49	92
South India	181	71	113
West India	196	46	123
Central India	245	45	75
North-West India			
India	202	64	99
All India	218	49	98

Taking the whole of the Indian Union, an agricultural labourer is unemployed on an average for 98 days and self-employed for 49 days in a year. Unemployment is near about the All-India average in North West and East India, and West India shows the highest average (123 days).

As regards the States in the different Zones, unemployment is quite high and amounts to about four months in Madras (119 days), Travancore-Cochin (115 days), Bombay (118 days), Punjab (118 days) and Bihar (107 days), while it was comparatively low in UP (50 days) Orissa (58 days) and PEPSU (59 days). The incidence of unemployment, however, appears to have been mitigated to an extent

by a comparatively greater scope for self-employment in Mysore (131 days) and Rajasthan (82 days). The review of the employment position of agricultural labourers given in the preceding paragraphs indicates that the Agricultural Labour Enquiry has been able to establish for the first time in quantitative terms the extent of idle manpower in agriculture. This alone is sufficient to establish the chronic nature of agricultural unemployment. Since the Enquiry did not take account of those who did not report wage-employment even for a day in a month, the percentage of unemployed, viz. 13 per cent of the total, may not give the true picture of unemployment, and some allowance may have to be made for unemployment owing to self-employment or other reasons such as bad weather. And if all these allowances are made, the problem of statistical estimation becomes more and more difficult. In any attempt at seizing up the problem the idle days of the labourers who are regarded as employed have to be taken into consideration. If this is done we do not get any single firm estimate. But that is quite another story.

Around Bombay Markets

Technical Reaction to Lower Levels

Thursday, Morning

IN sharp contrast to the firm trend noticed last week, there was a general decline in values during the week under review. Partly, it was a technical reaction. The decline was initiated by bull liquidation on a large scale in Tata Ordinary, reflecting cautionary profit-taking following the recent high levels. The market tended to firm up a little, particularly after the budla session on Friday. In fact, the budla rates were thought to have provided the necessary shake-out prior to improving the technical position of the market. But this proved to be an incorrect reading of the pattern of trading. For, although the improvement was perceptible, it could not be sustained in the face of all round heavy bull liquidation towards the close of the week.

A notable feature of the market at the close was the persistence with which a leading bull in bullion was seen assiduously building up his long position in Tata Ordinary. Market circles credit the operator with holdings of 90,000 to 1,00,000 shares. The immediate future trend of the market may depend largely on how this operator behaves.

For the greater part of the week, Tata Ordinary remained fairly firm, recording a new high after the implementation of the conversion scheme. But, the loss suffered at the close erased all the earlier gains. The actual closing quotation at Rs 250-8 represented a net loss over the week of Rs. 3. The highest and lowest levels were Rs. 256-12 and Rs. 250, respectively.

In the case of Indian Iron, also, there was speculative support at the outset, leading to a rise of Rs. 1-3-6 over the week. But the Calcutta scrip did not suffer as much as Tata Ordinary and was able to close better at Rs. 38-15, as against the previous close of Rs. 38-8 although it represented a loss of Rs. 0-12-6 from the highest quotation for the week.

In the textile section, there was evidence of technical correction only towards the close of the week, the earlier part being particularly bright. Bombay Dyeing went up to a new high level of Rs. 520 at one time but closed at Rs. 503-2 as against Rs. 515 a week ago. The lowest

level for the week was Rs. 502-8. Centuries were the only bright spot in the textile group and closed relatively firm at Rs. 425-8, with a net gain of Rs. 4-12 over the week. Kohinoor suffered a decline of Rs. 14 to close the week at Rs. 342. Simplex and Swadeshi also lost considerably to close at Rs. 168-8 and Rs. 211-8, respectively.

With almost all the scrips in the miscellaneous section finding fresh low levels for the week, there was hardly anything to report. ACCs lost more than six points on heavy liquidation to close at Rs. 190-8. Belapurs, however, remained firm on higher dividend prospects, improving from Rs. 313 to Rs. 325, the closing quotation being Rs. 323. National Rayons, Premier Construction and Scindias closed lower at Rs. 215-4, Rs. 162-12, and Rs. 14-15, respectively. The decline in Scin-

dias and Premier Construction is to be explained by the reports circulating in the market that the freight earnings of Scindias during the current year have been adversely affected with consequent fears of lower dividend, if any.

Cotton

Export Quota Stimulates Activity

TWO important developments mark the performance of the cotton futures market during the week. The first was the prompt action taken by the Government of India in reducing the export duty on raw cotton by Rs. 75 per bale, following the devaluation of Pakistan rupee. This fillip alone enabled the market to rule firm throughout the week. Secondly, there was the extension of validity period of licences for export which further boosted up the export front.

BOMBAY MARKET LEADERS DURING THE WEEK

	August, 10, 1955	Week's Range High Low	Aug. 2, 1955
Steel Shares			
Tata Ordinary	250- 8	256-12 250- 0	253- 8
Indian Iron	38-15	39-11½ 38- 8	38- 8
Textile Shares			
Bombay Dyeing	503- 2	520 502- 8	515- 0
Century	425- 8	436 420-12	420-12
Kohinoor	342- 0	356 341- 4	354- 8
Simplex	168- 8	176 168- 0	173- 0
Swadeshi	211- 8	218- 8 211- 0	215- 8
Miscellaneous Shares			
Associated Cement	190- 8	196-12 190- 0	195- 8
Belapur	323- 0	325- 0 319- 0	318- 0
Burma Old	553- 2	568- 2 552- 8	561-14
National Rayon	215- 4	220- 0 212-12	217- 8
Premier Const.	162-12	167- 4 160- 8	164- 0
Scindia	14-15	15- 8 14-15	15- 3½
Tata Chemical	15-15	16- 4 15-15	16- 0
Bank of India	150- 0	150- 0 148- 0	150
New India Assc.	45- 4	46-12 44- 4	43-12

OILS AND OILSEEDS

	Aug. 10 1955	Week's Range High Low	Aug. 2, 1955
Seeds			
Castor Sept 1955 (per candy)	88-14	92- 2 88- 2	89-14
" May "	90-10	94- 0 88- 0	89- 0
Groundnut Aug. Sept. (per cwt)	23-12	25- 0 23- 3	23-10
Linseed Aug. Sept.	24-14	25- 4 24-12	24-14
Kardi Ready	15- 0	15- 0 14-10	15- 0
Nigerseed	25- 0	25- 0 24-12	25- 0
Oils			
Castor Oil Com. (per quarter)	9-13	9-12 9-11	9-10
Groundnut Oil R.R.	12-12	12-15 12-11	12-11
Linseed Oil	14- 8	13-12 14- 8	14- 8

4%
STATE GOVERNMENTS
LOANS 1967

(1) Government of Andhra	Rs. 250 lakhs Issue price Rs. 99- 8-0 per cent
(2) Government of Bihar	Rs. 150 lakhs Issue price Rs. 99- 0-0 per cent
(3) Government of Bombay	Rs. 600 lakhs Issue price Rs. 100- 0-0 per cent
(4) Government of Hyderabad	Rs. 200 lakhs Issue price Rs. 99- 0-0 per cent
(5) Government of Madhya Pradesh	Rs. 100 lakhs Issue price Rs. 99- 8-0 per cent
(6) Government of Madras	Rs. 700 lakhs Issue price Rs. 99-12-0 per cent
(7) Government of Mysore	Rs. 275 lakhs Issue price Rs. 99- 0-0 per cent
(8) Government of Saurashtra	Rs. 200 lakhs Issue price Rs. 99- 0-0 per cent
(9) Government of Uttar Pradesh	Rs. 600 lakhs Issue price Rs. 99- 8-0 per cent
(10) Government of West Bengal	Rs. 500 lakhs Issue price Rs. 100- 0-0 per cent

THE LOANS WILL OPEN FOR SUBSCRIPTION ON 16TH AUGUST 1955 AND CLOSE ON 31ST AUGUST 1955 OR EARLIER WITHOUT NOTICE AS SOON AS SUBSCRIPTIONS APPROXIMATE TO THE AMOUNT OF EACH ISSUE.

Each loan will bear interest from 1st September, 1955. Interest from the date of application to the 31st August, 1955, inclusive, will be paid to the applicants at the time of issue of new securities at the rate of 4 per cent. per annum on the nominal value of the loan applied for and accepted.

Subscriptions will be in the form of cash/cheque in respect of all the loans.

3% Bombay Government Loan, 1955, 3% Madras Government Loan, 1955 and 3% Madhya Pradesh Loan, 1955 will be accepted at par and 5% Mysore Government Loan, 1955 at Rs. 100-8-0% for conversion into the new loan of the Government concerned; interest on the securities of the respective loan tendered for conversion will be paid upto and including the 15th August, 1955.

Applications for all the loans will be received at the offices of the Reserve Bank of India, Bombay, Calcutta, Delhi, Madras and Bangalore.

Applications for any particular loan other than Hyderabad and Mysore Government loans will also be received at branches of the State Bank of India and at Government Treasuries and Sub-treasuries within the State issuing the loan as indicated in the relevant loan notifications. Applications for West Bengal Government loan will not be received at Government Treasuries and Sub-treasuries.

In the case of Hyderabad Government loan applications will be received at branches of the Hyderabad State Bank and at Government Treasuries and Sub-treasuries in the Hyderabad State. For Mysore Government loan applications will be received at branches of the Bank of Mysore Ltd., and at Government Treasuries and Sub-treasuries in the Mysore State.

N.B.—Copies of Notifications and Application Forms may be obtained at any Receiving Office.

The extension of the validity of licences resulted in a spectacular change in the spot market which had been ruling rather indifferent for some time now. Licensing period having been extended upto December 31, 1955, shippers were eager to exploit the comfortable statistical position and the spot market brimmed with activity, particularly on the export front. The undertone was further helped by the announcement of additional export quota for Zoda cotton to the tune of 5,000 bales.

These bullish factors were clearly reflected in the volume of transactions in the spot market. Thus, on Saturday sales were reported to the tune of 15,000 bales mostly in Vijay, the price ranging between Rs. 170 and Rs. 200. The release of export quota for 30,000 bales of Indian cotton for shipment to China kept the export demand pretty firm bright. It was reported on Tuesday that business had been concluded with China for 18,000 bales.

At the close of the week, sentiment was so strong that traders were even prepared to face US cotton export subsidy, in case it were to materialise. The argument held out

was that, Indian cotton could well face the competition from any country, as current prices were sufficiently low to attract overseas consumers.

Oils and Oilseeds

Smaller Groundnut Yield

WITH a modest decline in all sections, the oilseeds market presented a bearish trend. If groundnut was more or less steady, at the beginning of the week, it was because of the unfavourable weather reports, and the reported fall of about 10 per cent in acreage. It was generally believed that the total crop this season may be smaller. Yet traders were not inclined to take delivery in groundnut August-September as the seeds that were delivered were found to contain broken seeds. So longs had either to square up their outstanding business in August-September or transfer their business to December-January delivery. The long position in December-January delivery is reported to have gone up to 20,000 tons while that in August-September has been correspondingly lightened. This straddle helped December-January

delivery to remain firm relatively to the August-September contract.

There was also evidence of straddle business in Castor futures. A leading bear operator, holding huge stocks in the interior, was reported to be ready to effect deliveries in September. This led to large-scale transfers from the September to the May contract and as a result, May contract gained by 6 as. and closed at Rs. 90-10 while the September contract came down by a rupee, closing lower at Rs. 88-14. The highest levels touched in May and September were Rs. 94 and Rs. 92-2 and the sharp decline in both cases from these levels is to be attributed to weak advices from Brazil and reports that the Argentine crop movement would start by about November.

With practically no enquiries from overseas, and arrivals continuing to be on the high side, linseed was naturally depressed, the closing quotation for August-September being Rs. 24-14 as against the highest of Rs. 25-4 touched during the week. Linseed oil, however, remained steady at Rs. 14-8.

Around Calcutta Markets

Second Thoughts on Pak Rupee

Wednesday, Morning

IN the week following that of the devaluation of the Pakistani rupee, the Calcutta Stock Exchange seemed to have second thoughts on recent currency and fiscal happenings in India and Pakistan. Though the spurt in Jute shares has been halted, Clive Street is not pessimistic about Jute shares. In the latter half of the current week, equities have developed easiness as a sequel to the irregularly lower trend in Indian Iron and Jute shares.

In retrospect, the behaviour of Jute shares in the last two days would seem to be puzzling. Though the abolition of all export duties on Indian Jute manufactures neutralises the possible effects of the devaluation of the Pakistani rupee, the Pakistani Jute Board's decision not to lower the export minimum price for raw jute should have had a bearish effect on Jute shares on the local stock market. This partly explains why Jute shares lack buyers at the current high levels.

Unfulfilled Hopes

Devaluation of the Pakistani rupee encouraged hopes that the Indian Jute industry would now be assured of cheaper supplies of raw jute. It was argued that, with lower raw jute prices, it would be possible for the Indian industry to quote lower prices for jute goods; that, cheaper jute goods would stimulate exports. These expectations have not materialised. Raw jute and jute goods remain firm. There has been no sudden increase in the demand for Indian jute goods since the devaluation of the Pakistani rupee.

Raw jute and jute goods started moving up immediately as it became known that New Delhi had decided to abolish all export duties on jute goods. Both continued to remain firm as it became known that the Pakistani Jute Board had decided not to lower the export minimum price, quoted in pound sterling, for Pakistani raw jute. And yet, Jute shares continued to move up along with the spurt in raw jute and jute goods!

What Bulls Say

Those who are "bullish" about Jute shares are not without arguments, though some of them lack logic or basis. It is argued that Pakistan's decision not to lower the export minimum price, quoted in sterling, for raw jute means that Dundee and Continental jute manufactures reap no benefit out of devaluation of the Pakistani rupee. But it is conveniently ignored that India, similarly, is deprived of any possible advantages out of Pakistan's decision to devalue the currency.

Consider, next, the problem from the Pakistani angle. Foreign jute manufacturers will not be getting raw jute at cheaper prices. But the Pakistani manufacturers of jute goods will continue to have an advantage in export markets. This theoretical possibility is not denied. But it is argued that Pakistan has no sizable surplus of jute goods to export. That is how Clive Street argues. But IJMA is apprehensive of the rapid emergence of Pakistan as an exporter of jute goods. Such apprehensions alone can justify New Delhi's prompt decision to abolish all export duties on jute manufactures.

Tea Shares

Despite the improvement in equities in general in sympathy with the spurt in Jute shares, Tea shares remained dull and inactive in the last few days. For about a fortnight now, no tea dividend has been announced. More than a month will elapse before tea dividends for the first half of the current year will begin to be announced. That will be a crucial time for Tea shares. Meanwhile, Tea shares remain listless as the stimulus of dividend payments is no longer in operation.

There are other reasons why Tea shares are gently falling. In the last few weeks, tea auction prices have been falling. Nor is the export demand very active. As the season progresses, tea auction prices are likely to fall. Though the fall in tea prices in the current season may not be as heavy as pessimists apprehended a few months ago, even the most

robust optimist concedes that tea prices will fall further as the second flush of tea becomes available to the market.

More Burdens

Increasing imposts on the tea industry are also having an adverse effect on Tea shares. The Plantation Enquiry Committee is now investigating the problem of wage increases to tea workers in the Darjeeling gardens. Recently, the West Bengal Government has imposed a tax of one anna per lb. on tea entering Calcutta, Howrah and 24-Parganas for use, consumption or sale. This will, naturally, affect Calcutta tea auction prices and, therefore, earnings and profits of the tea industry.

Bonus Issues

Continued strength in Indian Iron is having a steadying effect on Miscellaneous and Engineering shares. Simultaneous improvement in Tata Steel and Indian Iron is due to identical reasons. Both the companies are expected to raise capital by issuing right shares to finance expansion projects. Though Indian Iron developed some easiness on the eve of the fortnightly settlement, the undertone remains steady.

Steadiness in Miscellaneous and Engineering shares is partly a reflection of strength in Indian Iron. In the last two days, sugar shares have suddenly become active. Cement shares have also shown a tendency to move up in the last few days. Favourites in these groups, such as Texmaco, Jessop and Richardson and Cruddas remain steady to firm.

An interesting market feature is the issue of right shares by some companies. Indian Paper Pulp moved up some time ago as it became known that the Company would raise capital by issuing bonus shares. Rohtas have been moving up because the Company is raising capital through issues of right shares. There are reports that Jessop propose to raise capital through issues of bonus shares. It is, therefore, not surprising that these shares have moved up in recent weeks.

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Weekly Notes Continued

Atomic Materials for Sale

FRATERNISATION among the atomic scientists at Geneva after the relaxation of tension following the summit talks almost reminds one of what was witnessed in the streets of Calcutta on the eve of 15th August, 1947, but let us hope the sequel will not be similar. At the international conference for the peaceful uses of atom that is still going on, blue prints have been freely exchanged, models demonstrated, exhibited and an immense volume of technical papers has been read. The reporting in the press, however, has not been such as to enable the average newspaper reader to get anything more than that. For those interested in the economics of it, however, the Chairman of the US Atomic Energy Commission has presented a poser in the shape of a price-list for atomic materials. These are the prices at which the US would be prepared to lease uranium enriched to 20 per cent for use in atomic research reactors, prices of normal uranium metal and prices of heavy water. Friendly nations can now have enriched uranium at \$25 a gram and normal uranium metal at \$40 a kilogram. Heavy water will be sold at \$28 per lb. How do these prices compare with those at which these materials were obtainable hitherto? Prices of shares of companies which have a stake in atomic development are now being regularly quoted both in London and New York. But prices of atomic materials are not yet within this range but the market reporter will soon have to find out or figure out as best as he can. Do these prices indicate an all-out attempt by US to capture foreign markets in this newest of tradeable goods? For uranium there is no price data available, but for heavy water, comparison is possible. When New Delhi was having its own little atom for peace conference in November last, the Prime Minister who is in charge of the department of Atomic Energy gave out some cost data. Norway, then the only supplier in Europe, was selling heavy water at Rs. 10 lakhs per ton but even at this price, it was difficult to get it in under a few years. India got some heavy water for the Atomic Energy Commission from the US, but that was an inter-governmental deal and the negotiated price, if any, would give no fair index of cost. During the

war years, US cost of production for heavy water was several times as high as that of Norway. As a result of improved processes it had come down to Rs. 7 lakhs a ton and was expected to go down still further to Rs. 5 lakhs. The price quoted now is equivalent to something like Rs. 3½ lakhs a ton. Does it mean that the US is making a bid for capturing the trade in atomic materials by selling them at "give-away" prices? This possibility has always bothered Britain which has been developing atomic resources with an eye to export markets.

C R and the Atom

RAJAJI has asked some searching questions on the peaceful uses of atom; he does not seem to be impressed or enthused by the fraternisation of atomic scientists at Geneva. What has been bothering him is the possible military potential of atomic development which is professedly for peaceful purposes. To this, of course, the answer is clear. No means can be devised by which anything which has any use at all can be prevented from being used for war. Atomic plants and piles can certainly be converted to war production in the same way as air-craft factories or chemical plants. Is the use of atomic energy for destruction more likely to be prevented if the development of such energy is restricted, by law, to the public sector? Pandit Nehru was very definite that it was "much too dangerous a thing" for private agency to develop. The US, however, has thrown it open to private enterprise and leading American industrial concerns have gone all out on some line or other of atomic development. It is now a pet theme in chairmen's speeches at all important company meetings.

Another question which Rajaji raised is about the deleterious effects of atomic radiation. This is rather a mild word to use when the effects could be so dangerous as to extend to the third generation of those who are exposed to such radiation. This is, however, a question to be dealt with on a high scientific level though one cannot but admire Rajaji's attitude and his assertion of the right of the layman to question the expert where human welfare is concerned. Idealists sometimes exhibit a streak of near lunacy. "The lunatic fringe" is a necessary background not only to the occasional religious genius who emerges from it but also to high principled and well

meaning people who continue to agitate against vivisection, vaccination or aluminium utensils. Does Rajaji's agitation against BCG or his present campaign against atomic radiation come under this category? The layman would not know for certain, until the scientist came to his aid and told him more about radiation.

Company Notes

JAYABHARAT INSURANCE

THE twelfth Annual Report of the Jayabharat Insurance Co. Ltd., for the year ending December 31, 1954, shows that profits before tax, despite the losses suffered by the Marine and Miscellaneous Departments, were substantially higher than in the previous year.

Net premium income of the Fire Department in 1954 amounted to Rs. 35.42 lakhs as against Rs. 33.21 lakhs in the previous year, and net claims paid and outstanding amounted to Rs. 11.56 lakhs. After providing for commission, expenses of management etc., and an allocation of Rs. 17.11 lakhs towards the Reserve for unexpired risks, the Department netted a profit of Rs. 4.92 lakhs.

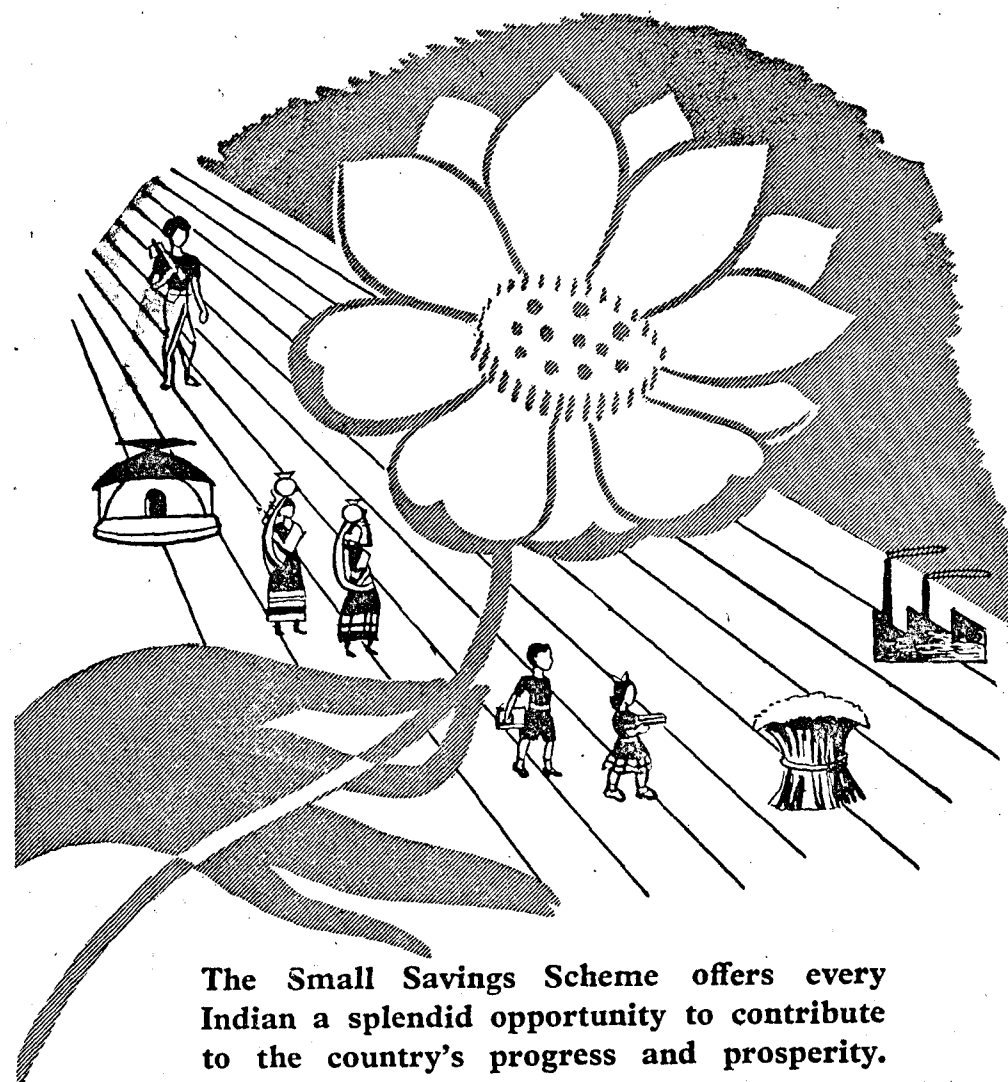
During the year under review, the Life Department received proposals valued at Rs 175.53 lakhs, of which proposals (including those pending at the end of 1953) amounting to Rs 140.36 lakhs (reassurances Rs. 11.19 lakhs), resulted into policies.

Premium income for the year less premium on reinsurance totalled Rs. 18.28 lakhs, as against Rs. 14.9 lakhs in 1953. Net claims during the year amounted to Rs. 1.16 lakhs of which claims by death accounted for Rs. 1.04 lakhs.

After adjusting the losses incurred by the Marine and Miscellaneous Departments (amounting to Rs. 2.36 lakhs) the Company made a net profit of Rs. 6.66 lakhs; if the profit brought forward from the last year is added, total distributable profits amount to Rs. 7.36 lakhs. Out of this, the Directors have recommended the utilisation of Rs 3 lakhs for the payment of a dividend of Rs. 6 per share of Rs 100 (Rs. 50 paid up) free of tax.

During the year under report, the Company purchased a large number of shares of the Sentinel Assurance Co. Ltd., and Sentinel has become a subsidiary. The Company has decided to take over the life business of Sentinel Assurance, and the necessary steps in that respect have been taken by the two companies.

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CURRENT STATISTICS

BANKING RETURNS					INDIA'S BALANCE OF PAYMENTS (Crores of Rupees)		
Reserve Bank	Rs. Crores				Jan-Mar 1955	Oct-Dec 1954	
	Latest Week†	Week Ago	Month Ago	Year Ago			
1. Note circulation	1305.80	1291.47	1321.64	1176.69			Imports c.i.f. values.
2. Rupee Coin	107.63	108.49	105.08	98.57			(a) Private
3. Deposits							(b) Government
a) Central Government's	76.71	80.24	84.07	116.55			Total Imports (a + b)
b) Banks'	48.51	54.46	46.87	42.65			Exports f.o.b. values
c) Other Governments'	10.88	20.19	17.67	23.84			(c) Private
d) Others'	15.74	15.06	14.90	35.92			(d) Government
4. Foreign Securities	637.04	637.04	652.04	653.15			Total Exports (c + d)
5. Balance held abroad	82.24	80.03	63.32	93.76			Trade Balance
6. Rupee Securities	543.65	543.65	543.65	421.22			(e) Private
7. Investments	61.66	61.47	61.24	91.29			(f) Government
8. Loans and advance to Governments	0.85	1.0	0.86	0.17			Total Trade Balance (e + f)
Scheduled Banks							Official Donations (Net)*
1. Demand liabilities (net)	587.55	592.43	593.03	539.29			Other Government invisibles (Net)
2. Time Liabilities	405.77	402.37	397.91	346.04			Private Invisibles (Net)
3. Cash on hand	31.91	33.38	35.59	29.62			Current Account (Net)
4. Borrowing from Reserve Bank	12.04	15.15	27.68	3.14			Errors and Omissions (Net)
of which against Usance Bills	11.58	14.55	22.42	0.91			Capital Account (Net)
5. Advances and Bills discounted	558.78	562.7	578.23	511.67			Imports: Quantity Index (1952-53 = 100)
of which State Bank's	107.51	109.47	116.97	104.60			Exports: Quantity Index (1952-53 = 100)
6. Investments	368.71	368.43	350.46	333.86			Imports: Unit Values Index (1952-53 = 100)
of which State Bank's	93.05	94.00	89.01	85.10			Exports: Unit Values Index (1952-53 = 100)
Cheque Clearance	114.73	124.03	135.41	120.20			Net Terms of Trade

†For Reserve Bank and Cheque Clearance week ended 5-8-55. Scheduled Banks week ended 29-7-55.

Bombay Money Rates	5-8-55	29-7-55	8-7-55	6-8-54
Inter-Bank Call Rate	1%	1%	2%	2%
3 months deposits	2%	2%	2%	2%
6 months deposits	2%	2%	2%	2%

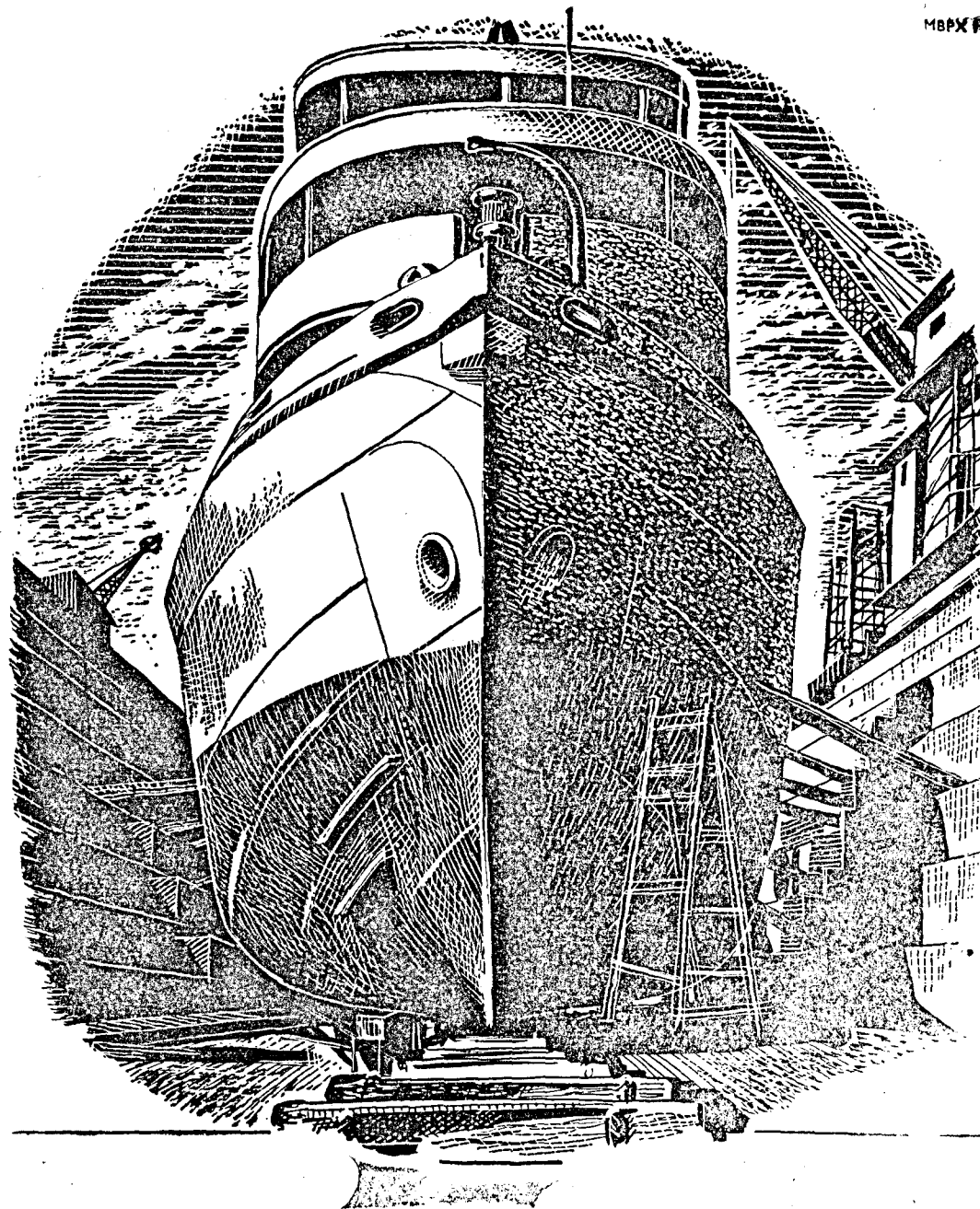
Bombay Bullion

	In Rupees & Annas			
	11-8-55	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	95- 0	94- 8	93-14	88- 8
Forward	92- 4	92- 4	92- 6	88- 2
Silver				
Spot	161- 0	162- 4	161- 8	154- 9
Forward	159- 4	159- 4	161- 4	155- 1

* Official aid received during the last quarter of 1954 and the first quarter of 1955, not available.

Regional Surplus (+) or Deficit (—) (Crores of Rupees)

	Jan-Mar 1955	Oct-Dec 1954
Sterling Area (Excluding Pakistan)	+ 28.5	+ 17.9
Pakistan	— 0.1	+ 1.8
Dollar Area	+ 11.0	+ 8.4
OEEC Countries	— 15.1	— 21.5
Rest of Non-Sterling Area	+ 3.9	+ 5.3
Total	+ 28.3	+ 11.9



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INDEX NUMBER OF WHOLESALE PRICES

(Base : Year Ended August 1939 = 100)

Group and Sub-Group	Week ended 23-7-55	Week Ago	Month Ago	Year Ago
I. Food Articles:	312.5	317.8	288.7	357.8
Cereals	364	368	336	401
Pulses	273	280	246	290
Others	246	252	229	308
II. Industrial Raw				
Materials:	407.7	408.3	389.9	426.1
Fibres	412	410	403	368
Oilseeds	397	398	358	470
Minerals	411	423	406	423
Others	418	420	417	403
III. Semi-				
Manufactures:	329.8	331.1	329.0	353.4
Leather	358	360	389	368
Mineral Oils	201	201	201	221
Vegetable Oils	399	406	368	450
Cotton Yarn	406	408	419	457
Metals	256	256	244	239
Oilcakes	332	327	338	418
Others	329	329	330	300
IV. Manufactures:	370.9	370.5	369.5	376.5
Textiles	407	406	406	420
Jute	419	415	416	424
Cotton	402	402	403	418
Rayon & Silk	474	474	467	470
Woollen	282	282	285	310
Metal Products	351	351	343	340
Others	286	286	286	286
V. Miscellaneous:	552.7	570.1	563.2	632.2
All Commodities:	356.3	358.8	344.5	382.7

FINAL ESTIMATE OF GRAM

	1954-55	1953-54	% Change
Area ('000 acres)	20,991	19,754	+6.3
Production ('000 tons)	5,125	4,775	+7.3

FINAL ESTIMATE OF RABI PULSES

	1954-55	1953-54	% Change
Area ('000 acres)	10,498	11,214	-6.4
Production ('000 tons)	1,977	2,089	-5.4

FINAL ESTIMATE OF WHEAT

	1954-55	1953-54	% Change
Area ('000 acres)	26,842	26,310	+2.0
Production ('000 tons)	8,539	7,873	+8.5

FINAL ESTIMATE OF BARLEY

	1954-55	1953-54	% Change
Area ('000 acres)	7,999	8,721	-8.3
Production ('000 tons)	2,786	2,904	-4.1

FIRST ESTIMATE OF SUGARCANE

	1955-56	1954-55	% Change
Area ('000 acres)	3,970	3,647	+8.9

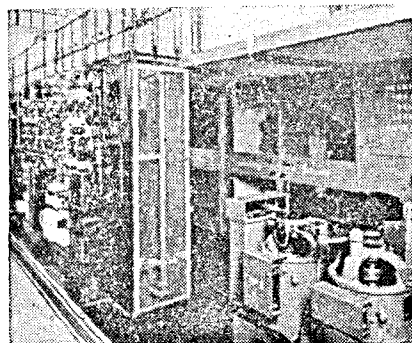
Source : Directorate of Economics and Statistics

INDUSTRIAL PRODUCTION

	Units	1955					1954		Monthly Average		
		May	Apr	Mar	Feb	Jan	Dec	Nov	1954	1953	1952
I Consumer goods											
1) Cotton Textiles	Crone yds	40.10	41.80	42.9	40.2	43.7	45.26	42.1	41.65	40.65	38.3
2) Woollen Manufactures	lakh lbs	—	24.67	26.56	20.44	20.27	16.80	18.25	15.63	16.04	13.82
3) Matches	'000 cases	—	—	48.5	50.6	51.0	50.1	48.5	45.0	51.5	51.6
4) Sewing Machines	Nos	8,401	8,207	8,087	7,100	6,478	8,130	7,126	6,683	5,202	4,170
5) Vegetable oil products	'000 tons	—	18.93	21.79	18.52	18.23	16.91	19.62	19.23	15.97	15.90
II Raw Materials or Intermediate goods											
1) Cement	'000 tons	375.4	364.8	380.3	363.7	376.8	398.1	368.5	366.5	315.0	294.8
2) Chemicals:											
a) Sulphuric Acid	tons	—	—	14,350	12,120	13,768	13,660	12,610	12,401	9,091	8,007
b) Caustic Soda	"	—	—	2,992	2,579	2,905	2,667	2,644	2,429	1,909	1,422
c) Soda Ash	"	5,509	—	6,955	5,907	5,948	5,258	3,497	4,024	4,739	3,694
3) Coal	lakh tons	—	32.33	33.04	32.49	31.53	35.03	33.23	30.64	29.87	30.19
4) Cotton Yarn	lakh lbs	1,250	1,300	1,350	1,250	1,350	1,421	1,349	1,301	1,255	1,208
5) Jute Manufactures	'000 tons	81.7	85.7	88.9	81.8	83.9	94.0	88.6	77.3	72.4	79.3
6) Non-ferrous Metals:											
a) Copper	tons	635.0	647.2	674.0	605.0	336.0	642.0	630.0	597.6	410.0	506.6
b) Aluminium	"	653.2	599.3	627.5	461.4	486.2	488.4	465.8	407.2	313.2	297.2
c) Lead	"	170.7	222.4	211.3	162.0	225.0	240.0	200.0	149.0	141.2	94.3
d) Antimony	"	75.0	80.0	80.0	30.0	5.0	46.0	51.5	44.9	10.9	15.1
7) Paints & Varnishes	"	—	—	2,623	2,616	3,413	3,412	2,860	2,956	2,671	2,681
8) Paper & Paper Boards	'000 tons	—	—	15.04	14.1	15.8	16.36	15.04	12.94	11.64	11.46
9) Iron & Steel:											
a) Pig Iron	'000 tons	—	152.7	150.2	137.9	155.7	162.0	155.1	149.4	137.9	140.4
b) Steel ingots & castings	"	—	144.6	149.1	138.3	157.4	152.8	145.6	140.4	125.6	131.5
c) Semi-finished Steel	"	—	124.0	129.5	115.0	134.5	132.3	129.0	121.0	102.5	109.0
d) Finished Steel	"	—	106.6	115.3	96.3	108.5	115.3	108.5	103.6	85.3	91.9
III Capital goods											
1) Machine Tools	'000 Rs.	435.5	—	432.8	544.6	479.7	540.5	291.5	416.9	367.3	369.8
2) Diesel Engines	Nos	801	893	914	747	887	1,047	876	721	310	354
3) Electric Motors	'000 HP	19.4	—	20.6	17.9	17.7	20.1	16.2	15.6	13.5	13.1
4) Power Transformers	'000 KVA	41.5	40.0	42.1	41.1	40.3	42.8	35.5	33.2	25.7	17.9
IV Transport Equipment											
1) Bicycles	'000 Nos	—	39.11	38.99	30.55	29.01	49.94	42.11	31.03	22.01	16.41
2) Automobiles	Nos	1,953	1,607	2,272	1,500	1,585	1,953	1,372	1,205	1,160	1,274

Source : (i) Directorate of Industrial Statistics.
(ii) Indian Trade Journal.

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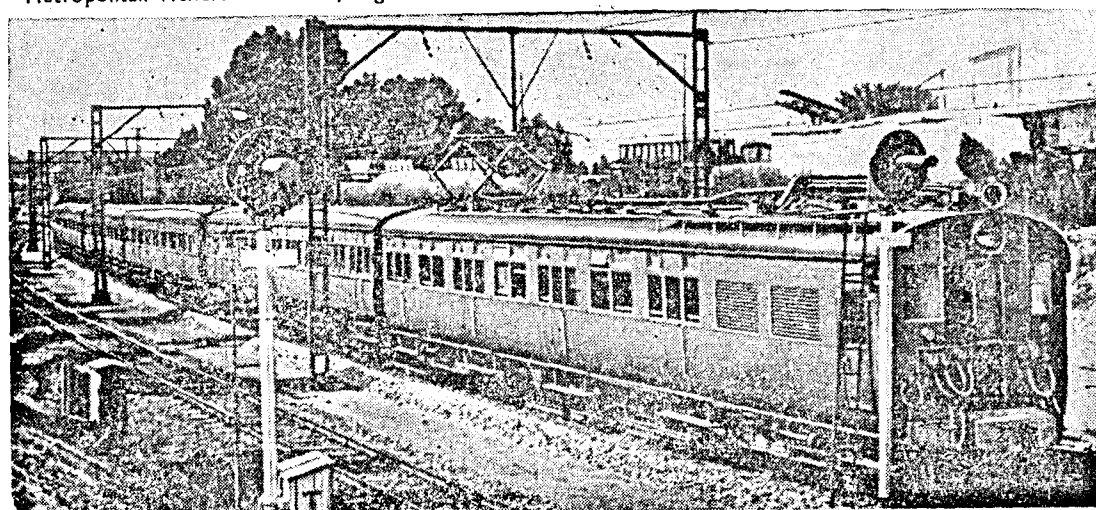
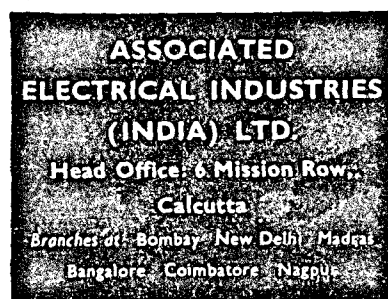
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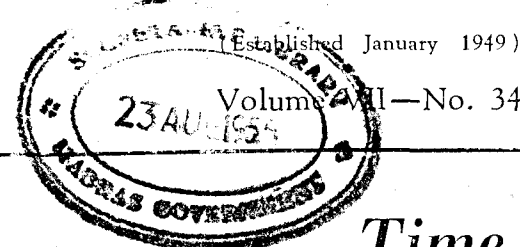


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August 20, 1955



Eight annas

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Time for Action

RARELY has the world been witness to a spectacle of heroism and sacrifice, so spontaneous, so inspiring and so pregnant with meaning as was seen last week in the Portuguese enclaves—Goa, Daman and Diu. Nearly three thousand satyagrahis, drawn from various parts of the country and from various parties and armed with nothing more than a burning desire for freedom and dauntless valour, marched into the Portuguese hide-outs to face alien bullets. They had no wishful illusion about the end they were to meet, for they knew the Portuguese tinpot dictators too well to expect anything but cold-blooded murder; nor had they any illusion that their action would immediately bring down the primitive structure of colonial rule there. It was meant to be no more than a moral gesture, an assertion of the right of all people to freedom on the part of those who had already become free, a vindication of the oneness of this country and the inalienable title of every bit of its territory to the freedom that had been wrested from other alien exploiters. And what a grand gesture it turned out to be in reality! It might have left the outward shell of Portuguese tyranny unaffected; but the core is mortally shaken. What is more, it has released forces of purposeful action in India and within Goa too which cannot but lead to an early end of Portuguese authority and insolence on Indian soil.

The only pity is that such grandeur of human spirit and sacrifice should have been exercised over so pitiful an object as a third-rate European power. But our Government's finical devotion to peaceful methods of liberation and its gingerly policy had left no alternative. It is true that to the philosophy of satyagraha, as taught and practised by Gandhiji, there can be no object too small for the highest suffering and sacrifice; and no cost can be deemed too great. It is the assertion of moral principles rather than the immediate outcome of such action that is the true concern of a satyagrahi, be the sphere of action big or small. And his faith is that his gesture will work in unaccountable ways and in its own good time to achieve its end. But this has always appeared and still appears as a counsel of perfection to the workaday world; and in this particular instance, the scepticism is deepened by the fact that the Portuguese authorities are lost to all sense of justice and decency and impervious to public opinion.

The common folk feel that methods of non-violence and appeals to the better instincts of man are simply wasted on the cynical exploiters of Goa. And it was this scepticism, grief over the cold-blooded murders in Goa and growing frustration over the uncertain policy of Government that combined to find expression in an unrestricted outburst of mob indignation all over the country, and particularly in Bombay, Calcutta, Madras and Delhi, in the course of the week. The demonstration might have had its crazy fringe; but there is no ignoring the disturbed state of the public mind that was behind it all. It is too much to expect a free and not-so-weak nation to bear with composure the sight of its unarmed volunteers being felled down by alien bullets—a sight most disconcerting to any civilised mind.

Even in the face of such provocation, Government has shown great restraint, which certainly does credit to its power of judgment and

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passionate adherence to the path of peace. But there is a point beyond which this restraint cannot go; and that point has already been reached. With the best of motives and the most thoughtful of policies, Government today finds itself in a position where instead of fighting alien intruders, it has to resist and even fight the rising popular feeling in this country both against the atrocities of the Portuguese and the hesitant policy of India's own Government. This is most embarrassing to be sure; but it is an embarrassment for which Government has to thank itself. And it is Government that has to find a way out of it. The stage has passed when public opinion could have been placated by a mere assertion of good intentions and a bland expression of the hope that the alien oppressors would have to quit the land sooner or later. That has been said too often to carry much conviction. Far from being forced into a mood to quit, the Portuguese must be deriving considerable encouragement from the sense of extreme rectitude that actuates our Government, a factor that has caused much bewilderment among the ranks

of freedom fighters both in this country and within Goa. There can be no neutrality as between what is wrong and what is right. And even if Government has advanced from its former stand of absolute neutrality to one of sympathy, that by itself is not enough in the present rapidly deteriorating situation.

By shooting down unarmed satyagrahis, wounding hundreds of others and committing unspeakable atrocities besides, and thereby putting themselves beyond the pale of humanity, the Portuguese authorities have provoked Indian opinion to a point where Government of India is left with no option but to take more positive measures than it has done so far. Whether the satyagraha in its present costly form continues or not, Government from now on can lose no opportunity to bring every manner of pressure on the Portuguese oppressors so as to force them out of their footholds. It has to be an all-out drive, and if in the process, a little distress is caused to the people living inside Goa and a little anxiety to their kith and kin outside, it is a price that they may be expected to pay in preference to the night-

mare of seemingly interminable Portuguese iniquity. Between the agony of the present state of affairs, which threatens to be endless, and the passing pressure of a total campaign to drive the Portuguese out, with a time-limit set if necessary, the people of Goa should have little difficulty in making a choice.

To keep playing for time, as at present, and then hoping that in the interval something might happen to facilitate a solution, something so far-fetched as a change of heart in the Portuguese or even a change of regime in Portugal, is to trust to chance and yearn for the seemingly impossible instead of putting robust faith in the strength and good sense of the Indian people and their fettered brethren inside Goa and giving them the right direction and the necessary encouragement to strive towards their common end. The spirit of the martyrs who laid down their lives in an unparalleled display of courage and love of freedom inside Goa cries out for nothing less. It is a spirit that has electrified free India. And it can neither be quelled nor hindered in its march to the ultimate goal.

put has to a large extent been corrected by increased production in the Western Hemisphere and, as an example, it may be noted that Japan, having lost her former access to supplies of Korea and Chosen rice, is now buying as much from the U S A as from Burma. Of Japan's 1954 imports of roughly 1.5 million tons, 340,300 tons came from the U S A, 321,800 tons from Burma and 373,700 tons from Siam."

The increase in production by countries which had not formerly grown much rice might be regarded as a temporary wartime aberration that would pass in due course. But more fundamental changes appear to have taken place in the rice economy, which can no longer be ignored. One is the disruption of the old pattern of trade resulting from the growing attempt of rice consuming and importing countries to attain self-sufficiency. The emergence of wheat in the place of rice as arbiter among food prices is another. Both these are important developments but quantitatively none can be established beyond doubt. How far has self-sufficiency been attained by rice importing countries, if allowance is made for the increasing population to alter radically the pattern of trade? Self-sufficiency is an elastic term and in the absence of accurate population statistics, which many of these countries lack, it is not possible to get a precise measure of their progress towards national self-sufficiency. Asia, however, is consuming more of food grains both imported and home grown than before the war. Imports of food grains into Asian countries from one another and from countries of the West during 1952 and 1953 were more than double the pre-war volume. Yet, the intra-Asian trade in rice has not kept pace with the rising consumption of other food grains, notably wheat, much of which has to be purchased from countries outside Asia. Here the dependence on Commonwealth countries has grown, because though the Commonwealth continues to supply only a quarter of the world's wheat as before, it accounts for nearly one half of the world's wheat exports. Of the export of all food grains, Commonwealth countries account for about two-fifths of the world total, against less than one-fourth before the war.

There is no evidence either to show that changes in food habits in

South-east Asia are responsible for the abrupt swing in favour of wheat. Acute shortage of rice is now a thing of the past and exportable surplus has now become something of an embarrassment. Therefore, there is no longer any urgency to substitute wheat for rice. The production of rice, inspite of grow more food campaigns and the drive for national self-sufficiency, cannot have added a great deal to the net rice resources of the deficit countries.

Could the contraction in intra-Asian trade, then, and the domination of wheat be accounted for by the price of rice? The suggestion has been strongly challenged, though rice exporting countries, with a much smaller export surplus than before the war, are finding problems of disposal much more difficult than was the case with a larger surplus under pre-war conditions of relative abundance. Has rice priced itself out of some of the most valuable Asian markets? Those who challenge this suggestion contend that rice prices have not risen any more than the general level of other prices. They concede that high prices in the immediate post-war years might have led marginal importers e.g., India, to strive for self-sufficiency but this is no longer a continuing phenomenon. True, there is evidence also to show that rice prices are out of parity with prices of wheat which has been an aggressive and powerful claimant for new markets. An indication of the inroads which wheat has made in recent years into markets traditionally served by rice is given by the fact that seven representative rice countries are now participating in the International Wheat Agreement. Despite the freer availability of rice, these countries are active purchasers of wheat.

But apart from prices, there are more fundamental factors which can be hardly ignored. One such, disrupting the old pattern of rice trade, arises from the recent political developments, as a result of the South-east Asian countries emerging from colonialism. The changing pattern of Indo-Burma trade is as good an example as any. In the fifty years from 1880 to 1930, the acreage under rice in lower Burma rose from 3 million to 10 million. Two-thirds of the crop were exported, the bulk going to India which, in return met the bulk of the Burmese demand for cotton goods—other manufactures coming from the U. K. Burma's annual shipment of rice to India which had

averaged 1,651,900 tons before the war dropped to 304,300 tons in 1951, 358,000 tons in 1952 and 150,000 tons in 1953. A small quantity was shipped to Pakistan in 1952 and nothing in 1951 and 1953. Unless Burma can regain her export of rice to India, her whole economy will have to develop on altogether new lines. This applies with some modification to many other countries of the region and emphasises the vital necessity for the Bandung countries to work out some form of co-ordinated development, to promote mutual self-interest. But this is a theme that has been taken up many times and need not be repeated here.

Rice Economy of Bandung Countries

COOLER countries are now getting much higher yields of rice than the tropics, where rice is mostly consumed. This is a fact; but do milder temperatures contribute to these higher yields or is it intensive and better methods of cultivation, wider use of selected seeds and fertilizers that are responsible for it? The contrast between the yield of rice in tropical and temperate regions has been brought out in the Review of World Grain Crops just issued by the Commonwealth Economic Committee in the following average returns per acre over the past five years.

Yield of Rice per Acre (in cwt.)

Italy	26.6
Australia	25
Japan	22.6
United States	14
Brazil	8
Burma	7.6
Thailand	6.8
India	6.1

Nearly one half of the rice grown outside China and Soviet Union is produced in Commonwealth countries, due to the fact that despite the

low yield per acre, there is greater out-turn in India and Pakistan.

A feature of the rice economy of monsoon Asia is the sharp fall in exports. The highest post-war figure of 4.8 million tons reached in 1951 was less than two-thirds of the pre-war average. Shipments subsequently show a downward trend. This is despite considerable increase in production. The acreage under rice in India and Pakistan has gone up substantially. The expansion in Thailand has been particularly marked; the area under rice is nearly twice that of pre-war. There has been further increase in the acreage in Indonesia, Philippines, Korea and Formosa but there has been little change in Burma, Indo-China and Japan. But exports from South-east Asia which before the war totalled over 5.5 million tons, representing three-fourths of the world trade, had fallen in 1953 to 2.5 million tons.

A striking change in the rice economy of South-east Asia is the increased production and export of rice in the Western Hemisphere. In fact, the post-war decline in South-east Asia's production and export

must be set against certain significant developments which have been occurring all over the world. The N. B. I Review, published quarterly by the National Bank of India, a comparative newcomer among bank journals, does just this in its latest issue. It points out:

"Annual production of rice in the U S A which averaged 941,000 tons in the period 1934 to 1939 had increased to 2,349,000 tons in 1953-54 and is provisionally calculated at 2,627,000 tons for the 1954-55 crop season. Italy's production rose from a pre-war annual average of 741,000 tons to 919,000 in 1953-54, whilst the countries of South America raised their production from 1,792,000 tons (average) to 4,714,000 tons over the same period. These are some of the high spots of a rising curve of rice cultivation in the Western Hemisphere. As a result of increased crops some of the smaller producers are estimated to have sizable exportable surpluses in the current year of which Italy (200,000 tons) and Spain (100,000) may be taken as examples. Thus, the disequilibrium caused by the shortfall in Asian out-

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Weekly Notes

Travancore-Cochin

THE immediate withdrawal by the Travancore-Cochin Government of all prosecutions launched by the previous Praja-Socialist Ministry, with the full support of the State Congress, against Travancore Tamil Nad Congressmen numbering about 500, including 12 of their 13 MLAs, should be viewed in the context of the impending meeting of the State Legislature and strength of the Congress in it. The meeting of the Legislature which was to have been called in the second week of this month was postponed to the end of the month on the plea that the Select Committee on the Land Reforms Bill had not completed its task. Looking back, the postponement was not so innocuous as it was made out to be. No party in the Legislature has an absolute majority. Though Congress has formed the ministry, it has only 45 members in a House of 118. The party affiliations of the rest are as follows—Communists 23, PSP 19, RSP 9, TTNC 12, nominated 1, other parties and independents 9. With the conditional support of the TTNC and a few independents, the Congress Ministry was able to survive the previous session with a precarious majority. When a direct question was put by the Opposition during the previous session whether Government had any such move under contemplation, the Chief Minister categorically denied it.

What has happened since then? No one will question the propriety of withdrawing political cases when the Government changes. If that were the case, they should have done it 8 months earlier when they came to power. But in this particular issue, there are certain extraordinary features. Congressmen should answer what their reaction would have been if Pattom had done this under similar circumstances? They would have made this an issue to oust the Pattom Ministry from office. The unsavoury aspect of it is that Pattom was made a scapegoat. There was no other way of bringing down the Praja-Socialist Ministry. One would have expected that after its recent resolutions on the purity of the organisation, the Congress would at least lay down a

certain code of conduct for Congressmen and strictly enforce the code.

Pattom's faithfulness and scruples cost him his office. Not only that; the issue of 'police firing' on unarmed Satyagrahis brought about a serious split in the all India PSP. It is quite likely that the Congress has not debased itself for the temporary gain of surviving the current session of the Legislature. The recommendations of the State Reorganisation Committee which is expected to be out in the course of two or three months may also have been an important consideration in arriving at the present decision.

Wage Commission

THOUGH the proposal for a second Pay Commission has been turned down, it has been announced that the appointment of a wage commission is under contemplation. The terms of reference are not known, but any wage commission will have to deal with fixation of minimum wages, standardisation of wages, wage differentials, equal pay for equal work and the working of the Payment of Wages Act. It will also have to resolve the long dispute about living wage and a fair wage, decide whether bonus is an ex-gratia payment or a deferred wage and settle the absorption of dearness allowance into basic wage etc.

The Minimum Wages Act was passed in 1948 mainly for the fixation of a minimum wage for agricultural labour and in sweated industries. Under this Act, minimum wages have been fixed for a number of small occupations in several States. Minimum wages in agriculture, however, remain to be implemented. The deadline for such implementation was extended on various occasions and is now altogether abolished at the request of the various States. The industrial courts and tribunals in the several States have also prescribed minimum wages for unskilled labour in a number of industries and industrial units. They have also prescribed graded scales of wages for different categories of skilled workers. The idea of enforcing a legal minimum wage is closely bound up with the idea that society has certain obligations to safeguard the living stand-

ards of its members. The evils of sweated labour first compelled governments to legislate for minimum wage rates. Another object of such legislation is to check industrial unrest. The principal difficulty encountered is that of determining a minimum which would safeguard the worker against privation and which, at the same time, is within the industry's capacity to pay.

Three different bases have been adopted in various countries for determining the minimum rates: (i) the living wage, (ii) industry's capacity to pay, and (iii) the level of wages obtaining in the locality. The various industrial courts and tribunals in India have more or less taken these considerations into account in awarding minimum rates of wages to labour unions.

Industry's Capacity to Pay

THE level of wages is necessarily conditioned by the capacity of industry to pay. Most of the minimum wage laws in fact acknowledge the importance of this factor, and try to harmonise it with the principle of a living wage. While the minimum is an elastic concept, there are certain limits to this minimum in a given community with a given productivity. A substantial increase in wages, unaccompanied by a corresponding increase in workers' efficiency and/or improved methods of manufacture, would certainly increase production costs leading to loss of markets which will, in its turn, lead to reduced production or even closing down of plant. The 'ability to pay' should, however, be construed as the ability of industry in general. The fixation of a minimum wage may result in the weeding out of inefficient individual establishments. It may also affect industries artificially propped up i.e. industries which are not suitable to the conditions of a country. Today, if a wage commission were to go into the question, productivity would loom large and labour's claims would have to be met for making it a co-sharer in the productivity of industry which has undoubtedly gone up substantially in the last two or three years.

(Continued on page 1011)

Managing Agency before Lok Sabha

FROM the discussion on the report of the Joint Select Committee on the Company's Bill, that has taken place so far in the Lok Sabha, including the opening speech of the Finance Minister, it is obvious that the controversial clauses relating to managing agencies are going to steal the debate. There appears to be general agreement that the conduct of managing agents has not been exemplary. No one has so far taken up the cudgels on their behalf, and defended their role as providers of finance and managerial talent to industry. While the deficiencies of the managing agency system are recognised, there is difference of opinion on whether the system should be ended or whether the deficiencies should be eliminated so as to improve the system and make it more useful. While it is difficult to foresee the final outcome of the debate, one would not be wrong in assuming that, at least for some time to come, no drastic step, calculated to end the system, would be taken.

Joint Select Committee

THE reform of company law was taken up for consideration in 1946, as it was felt that all was not well with company management. Though nearly a decade has passed since then and a number of changes have taken place in the country's economic structure, the basic aim of reform has remained the same, viz. that of "encouraging and reasonably safeguarding private investments in fields which are not marked out for the public sector," and it was with this end in view that the Companies Bill was put forward in 1953. The Joint Select Committee has made some drastic changes in the Bill, particularly in the clause relating to the managing agencies, but there is obviously scope for more changes, judging from the readiness with which Government yielded to the criticism regarding absence of any provision in the Bill to prevent relatives of managing agents being appointed as selling or buying agents. It may be argued, however, that the basic pattern of the Bill remains substantially unaltered, as more than 70 per cent of the 649 clause Bill has not been touched at all by the Joint Select Committee. Such a view would be misleading in the extreme, for it is unusual for a Bill to undergo such radical change in the Committee stage and still more unusual for Government to accept such changes.

The most controversial clauses are those relating to the managing agencies. Clause 323 gives power to the Central Government to notify that companies engaged, wholly or in part, in any specified industry or business, shall have no managing agents. In effect, this means that the Government will have blanket control over the form of corporate management in the private industrial sector. When any notified industry has managing agents, the latter shall cease to be so within three years from the date of notification or 15th August 1960, whichever is later.

An even more controversial clause in the Bill, is 329, which lays down that the term of the existing managing agents should expire on 15th August 1960, except in the case of re-appointments, which are, however, subject to Government's approval.

Another important stipulation made by the Select Committee is that relating to the remuneration of managing agents in those businesses where they are permitted to continue. While the original Bill (Clause 347) had provided a ceiling on the remuneration of managing agents (i.e. not more than 10 per cent of net profits), it

did not impose any restriction either on the total remuneration of a director or on the managerial remuneration of a company. The Select Committee has, however, changed this and laid down that not more than eleven per cent of net profits may be utilised for all types of remuneration to top management—managing agents, managing directors or managers. It is further provided that where a company makes no profit or earns inadequate profit, the maximum remuneration for all managerial staff should be Rs. 50,000 (Clauses 197 and 352). The Finance Minister, however, has agreed to qualify this provision in a subsequent amendment.

To Mend or to End?

SOME of the other provisions relating to managing agencies are those that provide (a) that a managing agency company cannot itself have a managing agent (324); (b) that all appointments and re-appointments of managing agents are to be approved by the Central Government (325 and 327); (c) that no person may be a managing agent of more than ten companies after 15th August, 1960 (331); and (d) that managing agency is not heritable.

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The discussion over the Select Committee's report in the legislature raises three main questions: (1) whether the managing agencies should be mended or ended, (2) what is the place of managing agents in the present corporate financial picture, and (3) are managing agents receiving remuneration out of all proportion to the contribution they make, and at the cost of the industries concerned?

As regards the future of the managing agency system, the trend appears to be against outright abolition. The Prime Minister himself has expressed the view that there is no point in fixing a target date for abolition, in view of the considerations arising out of the Second Plan. The lurking fear that the sudden termination of the system might disorganise industrial management and retard industrial development has tempered the critics.

Financial Contribution and Remuneration

FUNDS that managing agents provide for industry do not appear to be as important now as they were once. A study of Company Finances 1950-52, made by the Reserve Bank, goes to show that three-fourths of industrial finance is obtained from the internal resources of the industries themselves. Thus, for 746 public limited companies studied by the Reserve Bank, out of total capital resources of about Rs. 151 crores, during 1950-52, internal sources provided as much as Rs. 116 crores as against Rs. 35 crores obtained from external sources; of the latter, share capital and borrowings from banks provided Rs. 7.3 crores and Rs. 11.4 crores respectively. Managing agents do not appear to figure prominently in this scheme of corporate finance, their contribution being confined to the personal guarantees given by their directors, the value of which cannot be assessed from the small share of bank loans in the capital resources of the company. The managing agency system, however, it would appear, has to be valued as a source of corporate managerial talent rather than of finance.

As regards the remuneration received by managing agents, the ceiling (11 per cent of net profits) fixed by the Select Committee is a little less, but not much less, than what perhaps they are getting now. The study of the finances of 492 public limited companies made by the Taxation Enquiry Commission, for instance, shows that all forms of re-

muneration to managing agents in the period 1946-1951, amounted to about 14 per cent of profits before tax (including this remuneration). The Reserve Bank study of company finances referred to above, also shows that (for the 746 companies whose finances were studied) in the period 1950-52, managing agents' remuneration amounted to about 14 per cent of gross profits (after providing for depreciation). These figures are of course, derived from the published accounts of companies; the actual remuneration of managing agents, but it would be much more.

Bhoo dan — Collection But no Distribution

THE figures for land distribution under the Bhoo dan Movement made public recently brings to light how organisational inadequacy and lack of trained personnel hamper the progress of an otherwise inspiring movement. In an earlier issue, the progress of land collection was commented upon. As against the target of 5 crores of acres by the end of 1957, only 38,26,810 acres have been collected so far from 442,722 donors. Only 193,275 acres out of 38,25,810 acres received as

gifts, has been distributed so far to 52,134 landless families. That means that 95 per cent of the land collected is still lying with the donors. It is true that unless necessary legislative measures are brought forward by the State Government, transfer of title deeds would be difficult to effect.

But the delay cannot be attributed to legal difficulties alone. Even in a State like Bihar which has enacted the required land legislation, distribution does not appear to have made much headway. Out of the 23 lakhs of acres collected in Bihar, only about 3 lakh acres have been distributed. Moreover, as some portion of the collected lands, however small, has already been distributed in almost all the States, legal difficulties of the transfer cannot be the only reason for the delay. It is quite likely that one of the lands donated may be a waste and will require various investments to bring it into the plough. The landless labourers, whom lands are collected for, are in a position to bear the expenditure. The labourers for whom lands are collected will not be able to meet such initial wages by themselves around Vinayaka. Most explain this failure as part of the Movement.

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Off the Record

Will the Cottage Sector Deliver the Goods?

—Is it Intended to?

WHILE on the one hand the role assigned to the "household and hand industries" in the Draft Plan-frame has been criticised as a clog on progress, a deliberate turning away from efficiency in favour of antiquated methods of production and a dishonest concession to tradition, it has been criticised on the other as a mere stop-gap arrangement, to be scrapped as soon as the emergency passes. Dependence on household and hand industry as a temporary measure has not satisfied those who, for ideological reasons, want the major role to be given to this sector. Prof. Mahalanobis had recognised in his Draft Plan-frame that hand-made goods might be costlier than factory goods of comparable quality and had recommended appropriate excise duties on factory products to maintain "desired price parities". Regarding the future of household and hand industries, however, he had hinted at developments on two different lines. "Once mass unemployment has gone," he said, "the aim would be to provide cheap power and small machines to the household sector and hand industries to increase productivity per worker". This might point to a continuing role and an established position for the cottage sector in the national economy, through the progressive transformation of this sector in the direction of greater efficiency and productivity through mechanization. But he had stated that "at this stage (once mass unemployment has gone) the factory production of consumer goods would also be increased". Since the latter could take place only by displacing the products of hand industries, the future of such industries would not be as assured as some of their supporters might want it to be. The ideological differences on the question of technical improvements of those industries by introducing a degree of mechanization are irreconcilable. But if this measure of reform is accepted, and at least some of the Gandhians would not object to the use of electricity or improved gadgets, provided these could be made available to all the village industries, the position will be somewhat like that envisaged by the Ford

team. Conditions would be created in which those of the cottage industries which showed promise of economic potentialities could be helped to come up, while labour engaged in others, which had no such potentiality, could be gradually diverted to more efficient and productive uses. This would be possible, and the transition could be made painless, when employment opportunities were expanding as they should be in the Third Plan period. That the cottage sector would receive the attention it deserves and that maximum effort would be made to organise production in this sector so that it could deliver the goods and smoothen the way for the success of the second Plan—both these presuppositions lack any basis in fact. True, a committee has been appointed by the Government to report on small-scale industries and to find out what could be expected of them in the second Plan period, how far the investment targets in any of the small-scale industries were likely to be realised and how much of the expected production of consumer goods could be expected from them. The Government, it appears, is going to guide its policy by the findings of the Karve Committee and not go by the Draft Plan-frame. This decision has been communicated to the Congress Parliamentary Party's Standing Finance Committee by the Finance Minister, Shri Chintaman Deshmukh himself. The Finance Minister, it is reported, told the Congress Members of Parliament that if the Karve Committee found that production or investment targets in any of the small-scale industries could not be fulfilled, the production of consumer goods concerned would be entrusted to factories and mills.

This disclaimer will not come as a surprise to those who had taken note of the agitation that had been worked up in the country against the ceiling that the Draft Plan-frame had proposed to put on organised factory industries producing consumer goods. Nor would it come as a surprise to those who had followed the recent change in the ministerial set up which, by no stretch of imagination, could be viewed as a set-up to exploit to the maximum the

potentialities of the cottage sector. The preliminary to any organisational effort to mobilise the cottage sector should be the unification of policy and administration at the top. But far from making a move in that direction, village and cottage industries have been transferred to the Production Ministry, as a compensation to Shri K C Reddy for the loss of steel and Shri Nityanand Kanungo in the Commerce and Industry Ministry has been put in charge of handlooms and the newly constituted Board of Small-scale Industries. Those who had expected that the promotion of Shri Nityanand Kanungo to the status of a Minister of State would be the first step towards mobilising all the resources of the cottage sector must have been disappointed to learn that it meant no such thing. This has been confirmed subsequently, as can be seen from the miscellaneous assignments

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that Shri Kanungo has been lately given in Parliament.

The success of the Second Five Year Plan has been made to rest on the cottage sector in two ways. Hand industries have to supplement the supply of consumer goods coming from organised industry. In fact, it has to meet the bulk of the additional demand arising from increased public spending, for the expansion of organised consumer goods industries has been partially restricted in the second Plan. There is no general ban, however. In fact, for a number of products such as paper, sugar, vegetable oils and bicycles as well as woollen textiles, sewing machines and electrical goods, provision has been made for substantial expansion. It is only the expansion of factory production of consumer goods, which are likely to compete with and displace hand industries, that has been restricted.

In a mixed economy, physical balances could be very rough at best and uncertain. But considering the present organisation and character of cottage industries, planned production would be largely free from the uncertainties of response from innumerable small and scattered producers, which would have been unavoidable in a different, more highly commercialised set-up. The problem is administrative and colossal but not insuperable.

But by and large, the additional demand for consumer goods will have to be met from this sector and if it fails to deliver the goods, inflation will develop, deficit spending will have to be curtailed and the axe will fall first on construction industries and then on household enterprises on which the Plan depends largely for creating additional employment. In fact, of the total increase in employment forecast in the Plan period viz., 11 million jobs, as many as 3 million are expected to be provided by household enterprises and construction. This is by far the largest single employment creator in the plan. But of these two, supply of goods and creation of jobs, it is the first which is crucial. If it fails, the Plan will have to be slowed down, and employment in construction will have to be reduced forthwith. The employment aspect of household enterprises is not nearly so important. For if the cottage sector can keep up its supply of consumer goods, inflation will be checked and additional employment can be created in construction industries and in other sectors of the economy such as social services.

Congress has to its credit many years of village work, for what it is worth. The question has been discussed quite for some time and serious doubts have been raised about the ability of the cottage sector to meet the demand and interested propaganda has played upon these doubts and fears, and conjured up horrors of mounting inflation, fed on mounting deficit financing and shortage of consumer goods. Now

there is no reason to under-estimate the difficulties of organising this sector and of stepping up supply of goods fast enough and on the required scale. These present many problems. There is no reason, however, why it cannot be done. It is surprising, therefore, that no one in authority who commands respectful hearing has yet raised his voice and given the assurance that the country needs today.

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From the Calcutta End

West Bengal's Benevolent Despot

AUGUST 15 started well in Calcutta. But the day ended on a sad note. West Bengal's Pradesh Congress Committee had made plans to celebrate Independence Day on a grand scale. Throughout this week, Calcutta will be paying tribute to seven eminent living Bengalis. Calcutta responded to these plans in its traditional manner. Processions and meetings were bigger. There was great rejoicing. By the evening, the spontaneous outburst of joy and gaiety seemed to have ended all of a sudden. Tragic happenings in Goa cast a shadow over Calcutta.

Before the news spread about the barbarous atrocities perpetrated by the Portuguese on unarmed satyagrahis, Calcutta was gay and joyous. Its citizens seemed happy over India's achievements since independence. India's contribution to world peace had been substantial. Her first Five-Year Plan had succeeded beyond expectations. On Monday last, the people were celebrating these welcome happenings.

Shadows

Brutal behaviour of the Portuguese on the Goa border on Independence Day was not the only reminder to this writer of problems New Delhi will have to solve to make the people happy. At about 4 p.m. on Monday last, one was caught in a terrific traffic jam near about the Museum. One noticed a well-dressed elderly gentleman looking at the procession. There was something in that gentleman that made one feel like starting a conversation with him. What one heard was another tragic tale.

To start a conversation, one began by suggesting that it was good to see people celebrating Independence Day with such joy and abandon. He looked at this writer for a few seconds as if to size up the person who had started a conversation with him. And then he replied, without emotion, without any trace of anger or resentment, in a matter-of-fact voice, "It's good, and it isn't. We left our homes and hearths so that India could be free. We live here as refugees from our homeland". He stopped suddenly. We two kept

standing together for a while, not talking to, or looking at, one another. And then one silently sneaked away.

He was not bitter. That was what he must have been thinking while watching the Independence Day procession. He just shared his thought and feeling with a sympathiser. One cannot live in Calcutta without being constantly reminded of the East Bengal displaced persons and their problems. They are not without blame for their incapacity to adapt themselves to new surroundings. But blaming them will not solve their problems. Plans will have to be made to help them fit in with new environments..

Successful Chief Minister

On Monday last, at 7 p.m., the West Bengal Pradesh Congress Committee presented a copy of his biography to Dr B C Roy, the State's Chief Minister. "He has grown", Pandit Nehru writes in a foreword to the biography, "into an institution, not only in Calcutta and Bengal, but in India". Dr B C Roy is the successful Chief Minister of a problem State. He has many qualities. He has grown in stature as he has grown in years.

West Bengal's Chief Minister is not a professional politician or an economist. He is an eminent physician. He became an all-India figure as Mahatmajai paid him the handsome tribute that, as a patient, he felt safe in Dr B C Roy's hands. As a physician, he has assuredly become a legendary figure for his sixth sense in diagnosing and curing diseases. It is a logical deduction that he is a good psychologist.

Like all successful men, Dr B C Roy thinks he knows everything that is worth knowing about everything. He has also developed a social philosophy of his own. In Bombay recently, he enunciated the principle of **Pran Dan**. West Bengal's Chief Minister is not, and does not claim to be, a Mahatma or an Acharya Vinoba. But those who know him intimately admit his Bombay claim that he has adopted **Pran Dan** as a principle of life. He works hard. He works for the people.

But there is a difference. He works for the people as he thinks

he should work for the people. This is where his social philosophy comes in. Age seems to have mellowed him. He acquired his social philosophy long ago. But it has changed its nuances as he has grown in years. It is probable that he retains his faith in aristocracy, not of birth, but of the intellect. But it is probable that he, now an old and mature man, believes in aristocracy not for the benefit of the aristocrats, but for the good of the masses.

Capital-Power

He has had the good sense not to propound any theory of social philosophy. But his social philosophy is apparent from his occasional obiter dictas. On Saturday last, he was discussing his Plan-frame for his State with the City's industrialists and business men. Readers of this page are familiar with West Bengal's second Plan. They also know the West Bengal Chief Minister's differences with Professor Mahalanobis. His address before the business community was interesting if only because of his revealing definition of capital.

Capital, as defined by Dr B C Roy, represents power. It may take the form of the power of the brain, the muscle, of money. Capital, which is the same thing as power, can be abused. If a man utilised the power of his brain for self-aggrandisement, the power was being wrongly used. But if the power of the brain was being used for the benefit of others, this use of capital, this exercise of power, could not be condemned.

For those who are naive enough not to understand the implications of the West Bengal Chief Minister's philosophic interpretation of the capital-power equation, it is necessary to add what Dr B C Roy really means. Dr B C Roy has brains. He utilises his brain power for the benefit of the community. He, which, in political terminology, means his Government, has assumed large powers. But that does not mean that he is a dictator. He is not a dictator because, by his definition, he is using his dictatorial powers for the benefit of the State.

Capital may take the form not only of brain power but also of money power. Dr B C Roy men-

tions a third form of capital, muscle power, only to reject it. Now, capital in the form of money power can also be properly used or abused. Dr B C Roy's dissertation on money power has some close relation to Mahatmaji's conception of the trustee relationship between millowners and workers. When an industrialist uses his capital to enrich himself or to crush his competitors, it becomes reactionary capital. When

he uses his capital for the development of the country, it becomes national capital.

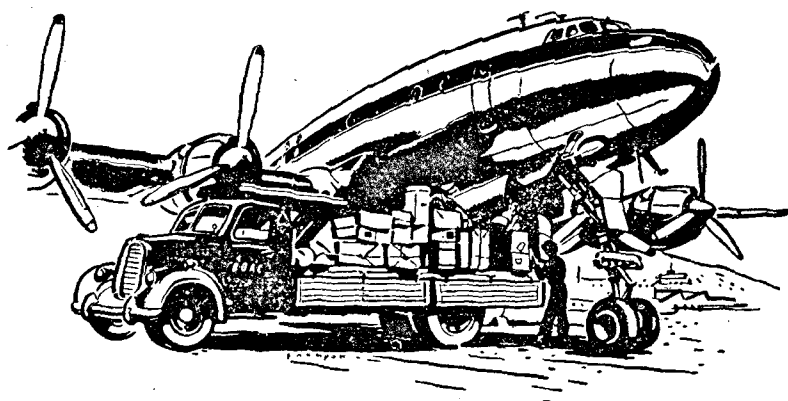
West Bengal's Chief Minister is inclined to the view that to distinguish between private and public capital is to make a distinction without a difference. Both public and private capital can be properly or wrongly used. When properly used, both public and private capital can further the good of society. Dr

B C Roy has been accused of association or affiliation with private capitalists. So, now one knows Dr Roy's defence against the allegations made against him. West Bengal's people may not have the knowledge or the education to appreciate Dr B C Roy's theory of capital. But Calcutta's economists and City Editors seem to endorse enthusiastically the West Bengal Chief Minister's sophisticated economic philosophy.

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Economic Study of a Malabar Village

Thomas Shea

MORAZHA village and the surrounding area constitute one of the chief strongholds of the Communist Party in Malabar. The Kisan Sangham (the peasant organisation sponsored by the Communist Party) has a large branch office there with 400 members. Morazha became famous in 1940 as the scene of what was referred to in the courts as the Morazha Conspiracy Case, in which a large number of persons were sent to prison, and a prominent Communist leader was sentenced to death. (He was subsequently released when the Congress came to power.) In September 1940, a Sub-Inspector of Police who was known to be a virulent anti-Communist left the area of his jurisdiction, which lay outside of Moraza, with a party of armed constabulary to smash up a Communist meeting being held there. On his arrival, he ordered the crowd of over 3000 which had gathered in the square to disperse instantly on threat of opening fire. The crowd became unruly, and in the ensuing period of confusion, the Sub-Inspector was murdered. Morazha has ever since been regarded popularly as a centre of turbulence and discontent. The following study of the economic causes of unrest in this village was carried out during the months of February and March, 1955.

Morazha Desam

Morazha desam is situated about 13 miles north-west of Cannanore in Chirakkal Taluk, Malabar District. It lies about 1½ miles from the main road to Taliparamba which has recently been converted into a national highway. It can be reached by a subsidiary road constructed by the Madras Government for military purposes during the period of widespread agrarian unrest which upset this part of the district following independence. It is one of the four desams which make up Morazha amsam, which in Malabar is the revenue village over which the authority of village officers extends.

The outline map shows the configuration of the village, and the location of paddy flats, garden lands and dry lands. Wet holdings (paddy flats) occupy 338 acres, or 21.9 per cent of the assessed lands in the village and account for nearly half of the total land revenue assess-

ment; garden lands comprise 443 acres or 28.7 per cent of the assessed area and pay 42.9 per cent of the revenue assessment.

Population and Land Use

The total area of the village is 1,591 acres and the population is, according to the 1951 census, 3,036—this gives a density of roughly 2 per acre, or about 9 per acre of paddy land. On the very extravagant assumption that each acre of paddy land in the village produces on an average 1000 lbs of paddy per year, this would provide just over 100 lbs of paddy, or 60 lbs of rice per person per year. On the equally extravagant assumption that each acre of garden land was planted with the optimum number of coconut trees per acre, 120, and each tree yielded the district average of about 25 nuts per tree per year, there would be 443 nuts per year per person, or 9 per week. There are, according to the census, 1316 persons classified as engaged primarily in agriculture, a density of almost four per acre of wet land. If the same assumptions regarding village production are used for purposes of calculation, each agriculturalist produces 250 lbs of paddy per year, or 150 lbs of rice—a daily allowance of less than 8 ounces per

person—and 1000 coconuts per year, or less than 20 nuts per week.

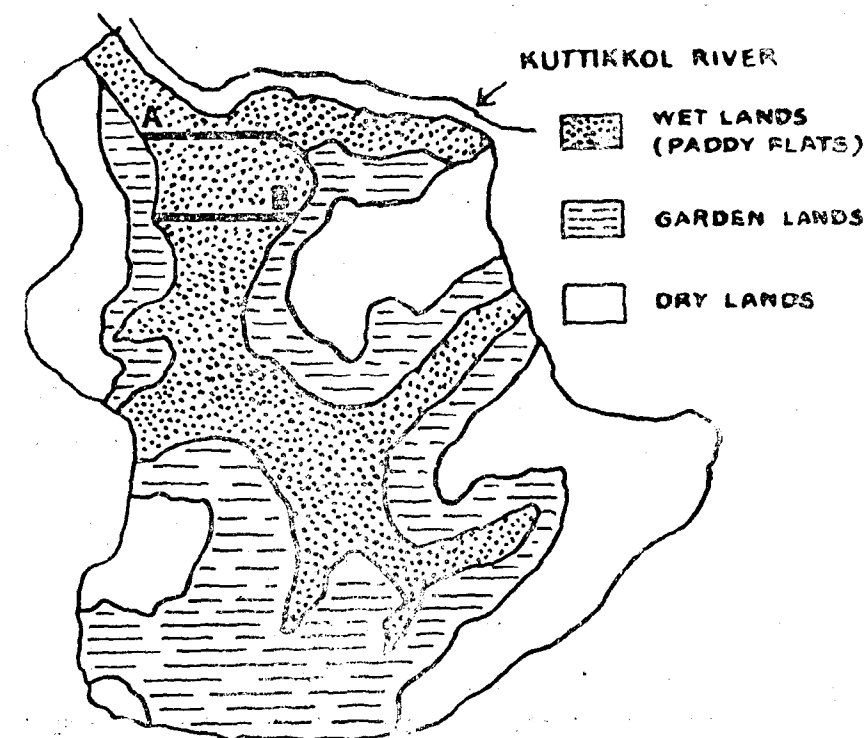
Not Producing Enough

These figures show that the village is not producing enough paddy and coconuts—the staple crops of the village—to feed itself. At one time 150 families were wholly or partially maintained on the earnings of those villagers who worked in the nearby Aaron spinning and weaving mills. This factory, one of the largest in Malabar, closed down about two years ago owing to mismanagement and the villagers who formerly worked there have been unable to find alternative employment. Apart from paddy and coconuts, the village produces several hundred lbs of cashew nut, and there are a few vegetable gardens, but in the aggregate this contributes little to village income. Some paddy is imported from Coorg; this is bought with the proceeds which a few families receive from members who earn money outside. The bulk of the inhabitants of Morazha are slowly starving to death.

Salt Water Damage

Natural causes are partially to blame. On the north, the desam is bounded by the Kuttikol River, a branch of the Taliparamba River;

MORAZHA DESAM



this river, which is really a back-water, is at Morazha, only four miles from the ocean, and is mainly composed of sea-water. Each year, during the monsoon it overflows its banks and submerges 1/3 of the paddy lands of the village in a foot or two of brackish water. Two dams have been built by some of the larger landlords to restrict the overflow of the brackish water, but one of these has in recent years been allowed to fall into disrepair, and each year, this brackish overflow spreads to new lands. Last October (1954) the Madras Government opened an extension service block in this part of North Malabar as part of the Community Project development scheme, and has in connection with this sanctioned 25,000 rupees for the construction of an improved bund. The bund chosen for improvement (B on the map) lies far south of the original bund (A). While it will prevent further encroachment on lands lying to the south, it will increase drainage problems for those lying between it and the river which amount to nearly 100 acres of paddy land. The villagers fear that the Government's plans, if carried out, may render the whole of this area uncultivable and force more than 100 cultivators to abandon their holdings.

Special Type of Cultivation

This annual overflow of salt water is responsible for a peculiar type of paddy cultivation found only in North Malabar in areas similarly situated near the coast, called Kaipad. In February or March, toward the end of the dry season, when the backwaters have receded

and the fields have become dry, mounds are raised on the fields at intervals of about one every two square feet. After they have been built up, during the month of April or May, water from nearby channels is allowed to enter the fields through sluices in order to decrease the salinity of the soil, for following the evaporation of the flood waters during the dry season, the soil is often coated with a layer of salt. In June, seeds which have been allowed to germinate are sown on top of the mounds. After a month or six weeks, when the seedlings have sprouted and the onset of the monsoon has further decreased the salinity of the water in the fields, the mounds are levelled over the fields, which then take on the appearance of ordinary paddy flats. The crop is harvested in October, when the floodwaters have temporarily receded. From then until February, the fields remain almost continually submerged by the channels and backwaters which are replenished by the north-east monsoon.

Cost Lower But Crop Precarious

This type of cultivation is slightly less expensive than ordinary cultivation. Although labour costs are substantially more, only 1/3 of the seed necessary in transplanted crops is required in Kaipad cultivation; this usually more than cancels out the increase in labour costs. However, the crop is an exceedingly precarious one; slight but unexpected variations in the level of water during the seedling stage can, and frequently do, destroy the entire crop. Moreover, much of this Kaipad land could produce two

instead of one crop yearly, were it possible to regulate the flow of water from the river.

However, the plight of Morazha is due chiefly not to the vagaries of nature but to the inefficient organization of agricultural production and this is, in turn, an outgrowth of the prevailing land tenure structure. The following picture may be duplicated in any one of Malabar's 2,222 desams and is largely responsible for low standards of agricultural production throughout the district.

Concentration of Holdings

Eight devaswoms, or temples, hold the janmam, or proprietary right to half of the land in the village. They pay more than 25 per cent of the land revenue, and hold 1/3 of the wet lands. Four of these devaswoms are managed by two of the five largest landholders of the village. Only one of the temples, however, is managed by a resident of the desam. All hold lands scattered through other villages as well. The largest proprietary holder, or janmi, in the village, one of the eight devaswoms, holds nearly 1/4 of the wet lands, and pays 13 per cent of the total land revenue. The five largest janmis hold 47.5 per cent of the wet lands, 49 per cent of all lands, and pay more than 40 per cent of the total land revenue. Janmam title to the remainder of the lands is held on more than 250 pattas by approximately 200 individuals*.

None of the large janmis hold their land in compact blocks. Like the holdings of the devaswoms, their

lands are scattered throughout this and other villages in haphazard confusion. Only one, the manager of one of the temples, who is also the village headman or adhkari, has any precise knowledge of the extent of his lands. Even he is unable to give detailed information concerning the actual cultivators, for the temple account books show only the names of the immediate lessees; as there is no restraint on sub-letting, it is impossible in most cases for janmis to say whether or not their immediate lessees are cultivators or intermediaries. No records are kept of yields, and no interest is ordinarily taken in raising standards of cultivation.

*For a discussion of the meaning of the term "patta" see my article "Travancore-Cochin Land Tenure Reform" in the *Economic Weekly* of September 18, 1954. In Malabar District, unlike in Travancore-Cochin, the janmi is the patta-holder; tenants, if they hold pattas, hold them jointly with the janmi. See also the Malabar Land Registration Act, 1895, as modified up to May 1, 1948, Madras, Government Press, 1948.

Janmi's Powers Restricted

The janmi is no longer the omnipotent landlord he was a generation ago. Successive tenancy legislation has curtailed his power to evict and to raise rents. He may evict tenants for the purpose of taking to direct cultivation himself, and this device has been resorted to frequently in recent years by janmis desiring to augment their incomes by appropriating the full economic rent. As a large number of leases are oral (of the leases of all types which I examined in this village, I found 85 to be oral and 94 registered) eviction, especially from wet lands, should normally be an easy task. Most janmis would be discouraged from evicting tenants from garden lands because of the fact that they would usually be obliged to pay heavy compensation for improvements made by the tenant during his period of tenure, such as newly-planted trees and buildings. In the case of paddy lands, however, no compensation need ordinarily be paid, because the only "improvements" ordinarily made on paddy lands are the annual routine tasks of bunding and levelling of the fields. My enquiries concerning evictions in Morazha village brought to light only four incidents, all of which involved evictions of sub-tenants by an intermediary.

Although the janmi is no longer a social menace, it is difficult to see what positive contribution he makes to agriculture as it is carried on today in Morazha. This, of course, is not true of the smaller janmis, who are often themselves cultivating tenants (see Table V); but it does apply to the five largest ones who own half the land in the village. Only one is a resident; none have ever taken any interest whatever in agricultural operations. Had they ever chosen to do so, they would have found the task of management staggering, since their lands are scattered in the most indiscriminate manner over the countryside. It is true that the rents which they charge for many of their holdings are nominal. Yet many of the cultivators examined by me who held leases direct from them were as bad-

ly rack-rented as those holding leases from intermediaries. The janmi, still called the "absolute proprietor of the soil" in the Malabar Tenancy Act as it stands today, has been shorn of much of his power. His very existence as a passive rent-receiver is, however, along with that of the non-cultivating intermediary, symptomatic of a misuse of economic resources.

Data on Concentration of Holdings

N.B.—The data showing concentration of holdings on the janmam level is the only portion of this enquiry not based on contemporary (1955) evidence. It was compiled from the village register which was prepared in connection with resettlement operations in 1936. Since that time, there has been a substantial change in the pattern of janmam holdings. I found it, however, impossible to keep track of

TABLE III
WET LANDS IN POSSESSION OF LARGEST TENANT,
MORAZHA DESAM, 1955

Total wet lands held	Acres
as janmi and directly cultivated	7.24
as tenant and directly cultivated	15.00
Total wet lands directly cultivated	22.24
as janmi but leased to tenants	3.55
as intermediary	47.00
Grand total of wet lands held in Morazha Desam	72.79
% of wet lands of desam held	21.9
No of landlords under whom lands held	
in same desam	2
in other desams	3
No of tenants to whom lands are leased	
in Morazha desam	40
Rent paid to 2 landlords for wet lands in Morazha Desam	appx. 6,450 lb. of paddy plus 450 lb. paddy and Rs. 150 perquisites.
Rent received from tenants	appx. 8,000 lb. of paddy
Yield from lands under direct cultivation	appx. 17,000 lb. of paddy
Net income (less rent paid & costs of cultivation)	appx. 18,000 lb. of paddy

TABLE IV
KAIPAD HOLDINGS OF SUB-TENANTS OF
LARGEST TENANT*
MORAZHA, 1955

Lease No	Area (Acres)	Gross* Field (Lbs. Paddy)	Labour Costs (Lbs. Paddy)	Seed (Lbs. Paddy)	Net Yield (Lbs. Paddy)	Rent (Lbs. Paddy)	Surplus (Lbs. Paddy)	% of Gross Revenue
1	2.10	1200	420	70	710	623	+ 87	52
2	1.28	900	256	43	601	495	+106	55
3	1.28	675	256	43	376	420	— 44	62
4	.45	450	90	15	345	180	+165	40
5	.45	450	90	15	345	180	+165	40
6	.78	420	156	26	238	233	+ 5	55
7	.54	398	108	18	272	161	+111	40
8	.45	300	90	15	195	240	— 45	80
9	.42	225	84	14	127	105	+ 22	47
10	.35	225	76	13	136	150	— 14	67
11	.38	195	76	13	106	113	— 7	57
12	.59	45	18	3	24	23	+ 1	51

*See note to Table VII

TABLE I
LITERACY AND OCCUPATIONAL STATISTICS, MORAZHA DESAM, 1951

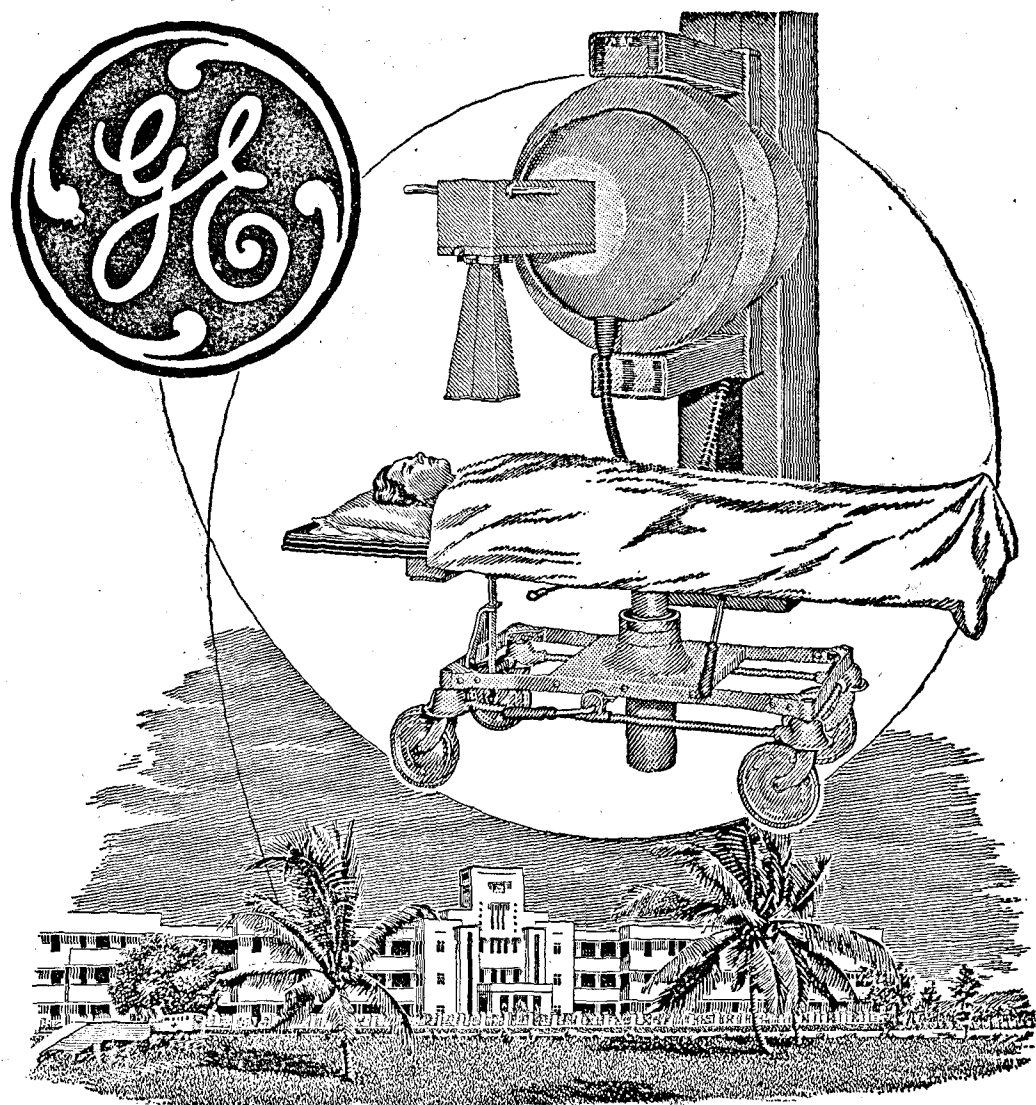
				% of total cultivators
Population :	3036	Cultivating owners:	85	7
No literate:	885	Non-cultivating owners:	37	3
%literate	29	Tenants	597	45
No of households	424	Agricultural labourers	597	45
No of persons per household	7			
		TOTAL AGRICULTURISTS	1316	100

Source: Census Handbook, 1951, Malabar District. Madras, 1953, Government Press

TABLE II
CONCENTRATION OF JANMAM HOLDINGS, MORAZHA DESAM

	Wet land (acres)	% of total wet land in desam	Total land (acres)	% of total land in desam	Total land rev. in desam	% of total land revenue
1. Total of 8 devaswoms	111.75	33.1	647.02	49.9	741	27.7
2. Largest janmi	79.82	23.6	222.39	19.2	352	13.2
5 Largest janmis	160.29	47.5	770.55	48.9	1130	41.4
Total Lands,	337.65	—	1543.91	—	2673	—

Source: Descriptive Memoir of Morazha Desam. Madras. Govt. Press, 1937



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the enormous number of sales, partitions, and re-combinations of janmam property which have taken place over the intervening 19 years, for many of the changes have never been entered in the village records. The first permissive legislation enabling partition of property belonging to Hindu joint families in Malabar to take place was first passed in 1933. It was several years before people generally began to take advantage of its provisions. Since 1936, when the register was prepared, however, courts in Malabar have been swamped with partition suits. When families often numbering two dozen or more sub-divide and partition holdings which even before partition were diminutive and fragmented, individual holdings often become too small to be workable and are sold. Partition has gone on not only the janmam level, but among all categories of tenants as well, and it further complicates a set of land tenure patterns already complex in the extreme. Two of the five largest janmis shown in Table II are devaswoms, whose property is impartible. One of the remaining three still holds an unpartitioned estate; partition proceedings are now in progress for the second and that estate has been placed in the hands of a receiver. The last of the three has lost virtually every scrap of his land either through litigation or sale during the past 19 years.

Subinfeudation

Table VI illustrates the prevalence of subinfeudation in the holdings studied. It is based chiefly on enquiries into paddy holdings of cultivators. At first glance, it would appear that tenure patterns in the village were on the whole quite simple, at least for paddy lands. In 63 per cent of the lands studied the janmi either held his land directly, or leased it to a cultivating tenant. In only 5 per cent of the lands studied were there two or more intermediaries between the janmi and the cultivator. However, 42 of the 67 cultivators whose holdings were studied in detail held some land in Morazha desam as subtenants. There are a few fields in the village—by no means the most productive or desirable lands—which have been parceled out by intermediaries into tiny fragments which are leased out on exceedingly high rents to an enormous number of petty cultivators. One such field, 16 acres in extent with an approximate yield of 750 lb per acre, was

let by the janmi to an intermediary, by the intermediary to two subtenants, and by these two subtenants to about 30 cultivators. Rents paid by these cultivators averaged 80 per cent of the gross yield. The two second intermediaries paid about 50 per cent of the gross yield to the first intermediary.

Extreme concentration

Extreme concentration of holdings prevailed not only on the janmam level, but in the case of lands held by intermediaries as well. The largest intermediary tenant resident in the desam held in all 22 per cent of the total wet lands in the village. Not all of this was held, however, as an intermediary, as Table III will show. In Malabar, a significant fraction of agriculturalists hold land in more than one capacity. Even the poorest cultivator may hold land under half-a-dozen landlords and be himself the landlord of one or two tenants. As is the case with the larger janmis, his holdings as a janmi, as an intermediary and as a cultivating tenant were not confined to the village. He held leases under two janmis in

this village, and had holdings in another revenue village as well under three other landlords. Forty per cent of the intermediaries holding lands in the village which were subjected to enquiry were non-residents, and others presumably had holdings in other villages as well. Seventy per cent of the 11 resident intermediaries of these lands held land in other villages. And all of the resident intermediaries examined held land in some other capacity—i.e., as janmi or cultivator—as well.

Type Case of an Intermediary

In his capacity as janmi, this intermediary had three tenants under him, and as an intermediary, 37 more. As his paddy holdings alone were studied, and only those held in Morazha Desam, a full statement of all land held by him would reveal an even more complicated pattern. Although his total janmam holdings in this desam aggregated only 11 acres, they were held under 5 patta numbers. In the annual jamabandi, or statement of revenue collection, frequently cited by Government officials as an indication of

TABLE V
PARTICULARS OF LEASES EXAMINED, AND TENURE STATUS OF CULTIVATORS INTERVIEWED, MORAZHA DESAM, 1955

Total No. of leases of all categories of tenants examined	179	
No of oral leases	85	
No of registered leases	94	
No of cultiv. who are also intermediaries	6	
No of cultivators who are also janmis	11	
No of cultivators who are both intermediaries and janmis	2	% of total cultivators interviewed*
Total No of cultivating tenants holding other lands in other tenure categories	19	29
Total No of cultivating tenants having lands leased out to other tenants	11	15
Total number of tenants holding lands in other desams or amsams	29	43
Total number of cultivators interviewed	67	

*These three entries are not mutually exclusive; for example, many of the cultivators holding land in other desams are also included in the list of cultivators holding lands in other tenure categories.

TABLE VI
PREVALENCE OF SUBINFEUDATION, MORAZHA DESAM, 1955

		% of total lands studied
No of lands directly cultivated by janmi	59	17
No of lands with janmi and tenant only	161	46
No of lands with one intermediary	115	32
No of lands with two intermediaries	17	5
Total no. of lands for which undisputed information obtained	352	100

N. B. Definition of "land": a specific survey no., subdivision no. or portion thereof held by a cultivator. It corresponds to the item in a lease document. In most lease documents in Malabar, each holding in a distinct survey field or subdivision thereof is listed separately.

landholding patterns on a janmam level, he would thus appear as five separate "pattadars." The reason why his janmam holdings are not all listed under one patta number is that since the last revenue settlement in 1935, he has purchased land from several janmis who held it under other patta numbers, and continues to pay revenue in their names, or rather under their numbers. The difficulties of expressing the degree of concentration of holdings in Malabar in any meaningful form is amply illustrated by this case. In any statement showing concentration of holdings on a janmam level, he would appear to be a small janmi; only about 65 per cent of his land is held as an intermediary; the rest he holds as a cultivating tenant. However, neither he nor his family themselves work in the fields. The actual physical labour of cultivation is carried out by hired labourers. Unlike most intermediaries or cultivators, most of his land in this village is held in a single compact block, and is located near his residence. It is thus possible for him to exert effective supervision over lands in his direct possession. He has, however, made no attempts to introduce improved methods of cultivation. His best lands he has retained in his own possession; for the most part, the lands leased out are inferior. The bulk of his lands are located in the zone devoted to Kaipad cultivation. Most of them are held under one janmi, a devaswom, the largest janmi in the village.

Rent Paid to Temple Deity

To this janmi he pays a rent of 6,450 lbs of paddy a year which works out at 104 lbs per acre (very roughly 1/7 of the total yield) plus another 450 lbs of paddy and Rs 150 as perquisites. These perquisites, not mentioned in the lease document, are annual offerings to the temple deity which have been made for generations by his ancestors, who have been tenants of the devaswom from time immemorial. He receives a rent of about 8000 lbs of paddy from his 40 tenants, and another 17,000 lbs from holdings under his direct cultivation. From this 17,000 lbs gross yield, he must pay the wages of agricultural labourers, at most about 6,000 lbs in the aggregate. He obtains, therefore, a net income of approximately 18,000 lbs of paddy per year, provided the yields are normal and rents are paid in full, which is not often the case. At the pur-

TABLE VII
WET HOLDINGS OF CULTIVATORS INTERVIEWED IN MORAZHA
WHO HOLD NO LAND OUTSIDE DESAM, 1955

Tenant No.	No. of land-lords (wet lands)	No. of blocks	Total area (acres)	Gross yield (lbs. paddy)	Gross yield less rent	Rent as % of gross yield	Cost of cultiv. (at 417 lb. per acre paddy)	Cost of cultiv. (at average local rate: 210 lb. per acre paddy)
1	3	5	5.10	4050	1328	67	2126	1275
2	5	6	3.60	3375	1369	60	1501	900
3	5	4	2.51*	2490*	578	71	1044	628
			1.46†	600†	600	—	610	365
4	4	5	3.00	2160	384	82	1251	750
5	7	9	2.42	1929	444	78	1019	605
6	3	5	2.48	1680	188	89	1034	620
7	2	4	1.50	1148	405	65	626	375
8	3	3	1.13	1013	337	67	471	283
9	3	3	1.86	938	18	102	776	455
10	3	3	1.50	815	395	52	626	375
11	3	2	1.43	795	233	71	597	358
12	2	4	1.53	720	338	53	638	383
13	1	4	1.26	675	255	62	524	315
14	2	1	1.50	675	0	100	626	375
15	2	4	.83	600	105	83	347	208
16	3	3	n.i.	488	220	54	n.i.	n.i.
17	2	2	.60	488	120	75	251	150
18	2	2	.44	473	192	60	184	110
19	2	1	.45	450	282	40	188	113
20	3	2	.84	345	173	50	350	210
21	2	2	.42	225	120	47	175	105
22	1	1	.30	135	30	78	126	75

*As tenant

†As janmi

n.i. (no information)

Block refers to separate holdings

Gross yield refers to the "anticipated" yield of the lands concerned—i.e., what informed persons in the locality expect the land to yield normally. It is not an average yield; as neither landlords, village officials, nor cultivators keep records of yields, mathematical averages cannot be constructed. As yields do vary greatly from year to year, it is not correct to speak of a "normal" year; hence I have chosen the more neutral term "anticipated" yield. All of the wet lands studied, and most of the lands in the village are single-crop lands.

TABLE VIII
WET HOLDINGS OF CULTIVATORS INTERVIEWED IN MORAZHA
WHO HOLD NO LAND OUTSIDE DESAM, 1955

Tenant No.	Net yield (lb. paddy)	Rent (lb. paddy)	Surplus (lb. paddy)	Fair Rent (lb. paddy)	Surplus (lb. paddy) if Fair Rent paid	Whether or not agricultural labour employed
	10	11	12	13	14	15
1	2775	2722	53	1388	1387	Works & employs labour
2	2475	2006	469	1238	1238	do
3	1862	1912	-50	931	931	do
4	1410	1776	-366	705	705	do
5	1324	1485	-161	662	662	do
6	1060	1492	-432	530	530	Empl. labour, does not work (has tea shop)
7	773	743	30	372	372	Works & employs labour
8	730	730	0	365	365	do
9	483	1056	-573	241	241	do
10	440	420	20	220	220	do
11	437	562	-125	219	219	Employs no labour
12	337	382	-45	169	169	No information
13	360	420	-60	180	180	Works & employs labour
14	300	675	-375	150	150	Employs no labour
15	392	475	-103	196	196	Works & employs labour
16			n.i.			No information
17	338	368	-30	169	169	Works & employs labour
18	363	281	82	182	182	do
19	337	169	168	169	169	Employs no labour
20	135	172	-37	68	68	No information
21	120	105	15	60	60	do
22	60	105	-45	30	30	Works & employs labour

chase price of paddy in Morazha in March 1955 of 3 annas 4 pies per lb, his net income from paddy lands would thus be Rs 3,750 per year, or slightly over Rs 300 per month.

Income from Fishing Rights

He derives, besides this, income from lands in another village, and from another source as well. The Kaipad lands, during flood periods, teem with fish, which together with toddy, were formerly the staple diet of most of the villagers. Two years ago (1953) the above-mentioned intermediary, who holds on lease most of the Kaipad lands in the village, leased for a 5-year period fishing rights over these lands, which were hitherto free to all villagers during flood seasons, to a Syrian Christian from Cochin on

payment of Rs 5000. This Syrian Christian has made a substantial capital investment in sluices, certain improvements in one of the dams, nets and drying arrangements and is now exporting most of the fish which was formerly an important component of the local diet.

Rents from Cultivating Tenants

Table IV is based on direct enquiries into rents paid by cultivating tenants for leases of paddy lands held under this intermediary. The 12 statements included in the table were carefully checked and were the most reliable that could be obtained. All of the leases in the table are of Kaipad land. Cost of cultivation was computed at a uniform rate based upon local en-

quiries; labour charges per acre for all operations were on an average 47 man-days at 3 lbs of paddy per day, and 40 man-days at 1½ lb of paddy per day, or a total of about 200 lb of paddy; seed rates were 1/3 the usual rate prevailing in the village of 100 lb per acre. Four of the 12 cultivators paid virtually their entire surplus as rent. In no case did rents conform to the rate laid down for Kaipad lands in the Malabar Tenancy Act of 1954, S. 6 (25 per cent of the gross produce)! Rents for this category of land were on the whole lower than rents prevailing generally, as reference to Table VII will show. This is, however, explained by the greater risk involved in this type of cultivation.

(To be continued)

Export of Electric Power from Yugoslavia

(Contributed)

ELECTRIC power as an export product has been a special concern of the Economic Commission for Europe. The subject has been touched upon in many of its publications but mostly in passing. Some sale of electric power across the national frontiers takes place in Europe even now; thus in 1951, total exports of electricity formed 1.6 per cent of total production as compared with 1.4 per cent in 1950. But this international trade has so far been in the nature of an exchange between hydro and thermal power. Schemes for expanding international trade in electric power are no longer a novelty. The proposal for laying transmission cables across the English channel for connecting the grid systems of Britain and France has been in the air for sometime. The scope of international trade in power, as in other things, rests on mutual advantage and depends largely on the seasonal variations in demand and supply. To the extent that natural conditions influence the latter in a favourable direction, there is scope for profitable trade. If two countries do not have peak demands at the same time and in addition, supply conditions also differ, one country may be in a position to spare power just when the other passes through its peak demand and also experiences, because of the freezing of its water-supply for its hydro-electric stations, for example, a decline in its power supply.

Export Prospects Unique in Europe

In this respect, the prospects of

exporting electric power from Yugoslavia are perhaps unique in Europe and it is not surprising that they should be studied by the E.C.E. The Committee of the E.C.E. on Electric Power appointed a group of experts for making this study on a request by the countries which are most likely to benefit from the export of power from Yugoslavia. This inter-governmental body, known as Yugelexport, carried on its study of the technical, economic, financial and legal aspects of the project during 1954. The final text of the study was approved by the liaison Group of the Committee on Electric Power at its meeting in Geneva on December 14, 1954. This is now a priority project.

The decision on it was taken by the Committee on Economic Power at its seventh session, confirmed at its tenth session and amplified at its twelfth session. The resolution adopted at the last session of the Commission reads as follows:

"Now that the technical, economic, financial and legal study of the prospects of exporting electric power from Yugoslavia has been approved, establishment at the inter-governmental level of a Co-ordination Committee consisting of two representatives each of Austria, the Western zone of Germany, Italy and Yugoslavia was agreed, with the following terms of reference:

"To study, in the light of developments in the situation, the various arrangements which might be con-

templated for the execution of the scheme;

"To facilitate the negotiation of inter-governmental agreements to match the bilateral contracts concluded between the undertakings of the countries concerned; and

"Generally, to co-ordinate the study and execution of the several stages".

Yugelexport Study

The Yugelexport study, it may be noted, was not only taken up by the United Nations Economic Commission for Europe on its own; it had been drawn up jointly by experts of the Governments of Austria, Germany, Italy and Yugoslavia, —countries which have a vital interest in the success of the project. For two full years, these experts had been successfully co-operating on a relatively complicated task, elaborating not only the technical side, but also the economic, financial and organisational—legal aspects of exporting electric power from Yugoslavia.

The study has established:

(a) That export of considerable quantities of electric power from Yugoslavia is technically possible;

(b) That such export could go on for decades; and

(c) That the export of power will not only benefit Yugoslavia, but will also help the economic development of the neighbouring states which purchase winter current from Yugoslavia.

The study goes into details and

is well illustrated graphically. Its thoroughness is guaranteed by the authority of both the Governmental experts, who are responsible for its contents, and of prominent technicians from United Nations Technical Assistance Programme, who solved the necessary geological construction and electro-technical problems. It was fortunate that these Technical Assistance technicians were from the countries which will in the future buy electric power (Italy, Western Germany, and Austria), for their positive conclusions make the study even more convincing.

Market Value of Power

The Yugelexport study consists of an introductory chapter and four sections—economic, technical, financial and organisational-legal. The economic section deals with the possibilities of exporting electric power from Yugoslavia separately to Austria, Western Germany and Italy. It also gives an analysis of the market value of power to be exported, on the assumption that winter current (from the beginning of October to the end of March) would flow from Yugoslavia at full capacity for 16 hours a day, with somewhat reduced capacity during the night hours, and the price of the winter power arrived at ranges from 0.82 to 1.62 US cents per kwh, the average being 1.20 US cents per kwh.

The technical section gives a survey of the potential power of Yugoslav waters and of the available fossilised fuels. It also gives the plans of four new projects and of the Perucica plant, which should be built quicker and on broader lines than necessitated by the present rate of increase in home consumption of power. Foreign credits, if granted in time to speed up the construction of the Perucica plant, would enable the export of several hundred million kwh. of power yearly from the 1957-58 winter onwards, which would improve the chances of realising the Yugelexport plans. This part of the study further gives plans of the necessary net-work of transmission lines, together with the preliminary expenditure for the construction of all projected installations.

Financial Section

The total expenditure for the five projects amounted to 309 million dollars for Plant and 70 million dollars for transmission lines.

The financial section deals with matters connected with the finan-

cing and amortisation of the projects, assuming that the necessary expenditures would be secured through long-dated credits, such as those granted by the International Bank (at 4% interest and with a moratorium of 5 to 7 years), through commodity credits and through re-investments of a part of profits from the sale of power.

Inter-governmental Corporation

The organisational-legal section of the study deals with the various possibilities for the realisation of the Yugelexport plans, considering them primarily from the viewpoint of international law. The proposed solutions are the concluding of ordinary contracts for power supplies between companies from the countries concerned and the possible setting up of an international enterprise on the basis of a multilateral inter-state agreement, which would finance the construction of the plants and transmission lines and conduct the selling and buying of power. That enterprise, which could be organised as an international corporation and in which the interested governments would be equal partners, owners and managers, could seek credits on the international money market, not only in the countries which would import power, but also in other places where favourable terms could be obtained as well.

In this way it would be possible to draw a clear line between the credits granted to Yugoslavia for the development of her own economy and those given to such an international enterprise which is to use them only for the construction of projects—in Yugoslavia and in the importing countries—which would serve their intended purposes, i.e. to enable to find, through the exports of winter electricity from Yugoslavia, the best possible solution to the serious power problem encountered in a number of European countries. Since the realisation of the Yugelexport idea would be of equal interest to Yugoslavia and to her neighbours, it is clear that what is involved is a real international project, whose financing should not prevent Yugoslavia from obtaining credits on its own account.

Bilateral Contracts

The Yugelexport Organisational-legal Committee suggested that the concluding of bilateral agreements should be entrusted to a special body, which would be set up for the purpose. This means that it would be possible to form an international

enterprise as explained above and, at the same time, organise another internal body, so that both of them could see that the export of electric power from Yugoslavia is carried out in a proper manner. One of the tasks of this special body would be to turn all bilateral contracts into a single workable system, and to couple them with multilateral inter-state arrangements, which would guarantee the continuation of supplies and the facilities of making payments, paying due attention to taxes and other duties which the concerned countries might impose on the imports and exports of electric power.

That effective and successful international co-operation took place during the drafting of the Yugelexport study, it is hardly necessary to mention. To overestimate its value would be going too far, but to underestimate the prospect thus opened out would be thoughtless, for it will be no exaggeration to say that it is possible to discern in the Yugelexport study the beginnings of a new system of integration covering the basic sectors of the economies of a number of neighbouring countries.

Yugelexport has completed its task, but its idea has not yet been realised. It is now up to the governments of the interested countries to do something if they wish to realise a plan which would be of interest to their countries. So as to reach practical results as soon as possible, the ECE Committee for Electric Power has unanimously adopted a resolution, recommending to the Governments of Yugoslavia, Austria, Italy and Western Germany the formation of a mixed Commission composed of two delegates from each country, whose duty would be to follow developments, to study various possibilities for the realisation of the Yugelexport plans, and to facilitate the concluding of inter-state agreements, which would serve as a basis for bilateral arrangements between companies concerned, and, generally, to co-ordinate both the study and the realisation of individual stages in exporting winter electricity from Yugoslavia.

At the session of 'Yugelexport' to be held in September in Geneva, Yugoslav experts will submit documentary material concerning the building of a system of water power stations in the Trebisnjica drainage area (in Yugoslav province of Hercegovina). On the basis of studies carried out in 1952 and 1953, this system was finally included in the

'Yugelexport' plan for the construction of water power stations in Yugoslavia for export of electric energy. The water power stations in the Trebisnjica drainage area would give in a medium year about 1-5 milliard kwh and would constitute the most important and most powerful plant in the 'Yugelexport' system.

At the recent consultation of experts at Trebinje, interesting data were given out about the geographical and other conditions under which this system is to be created. The Trebisnjica drainage area covers about 2000 square kilometres and receives a very large quantity of waterfall—from 1600 to 5000 mm annually. Trebisnjica itself, one of the most remarkable rivers for its underground currents, flows through Popovo Polje, and there is an accumulation of about 400 million cubic metres of water during the October-May period. The area is rich in vegetation and green with crops in the summer. Trebisnjica has an average flow of 100 cubic metres of water per second or about 3.3 milliard annually. Its total fall of 400 metres would be utilised by two water power stations. For ensuring water for the first power station, a dam 110 meters high would be erected in front of which an accumulation basin of about 1.3 milliard cubic metres would be formed. The power stations would be about 200 MW. The second water power station would be erected on the seashore near Plata, between Cavtat and Mline, and its power would be about 650 MW. Water would come to this power station through a tunnel 17 km. long.

The whole system of water power stations at Trebisnjica could be used, in the opinion of experts, both for meeting domestic needs and for the export of electric energy. At the same time, it would put an end to the flooding of 5000 hectares of the most fertile land around Trebinje and the Popovo Polje area, while 12,000 hectares of land would be irrigated—land which yields two or three harvests per year. The value of the increased yield from irrigation alone has been estimated at US \$185 mm. Yugoslav hydro-electric potential is estimated at approximately 60 billion kwh electric power annually, and export of 4.3 billion kwh annually to Austria, Italy and Western Germany are considered feasible. One of the first concern of the Yugelexport was to ascertain the potential export mar-

ket. It was found that Austria, Italy and Western Germany lack sufficient sources of electric power and that their requirements will exceed four billion kwh by 1960. It was also established that such export would be concentrated during the winter months.

To develop the above potential, it has been proposed to construct five giant hydro-electric plants and

a transmission net-work. This will be a six-year programme and cost \$380 m. (US). Yugelexport has selected four new projects which would harness the waters of Zeta, Trebisnjica, Lika-Gacko and Idrijca. Apart from this, the extension of the Perucica hydro-electric plant on the Zeta river which is currently under construction has also been suggested.

The basis data for the projects would be as given below

Project	Installed capacity (in MW)	Possible output (in Mil. kwh)	Cost of construction (in Mil. \$)	Time required for construction (Years)
Cetina	530	2,250	94	6
Lika Gacko	242	920	42	5
Trebisnjica	840	2,300	116	6
Idrijca	112	340	46	4

The expansion of the Perucica plant by new generators with a capacity of 144 MW necessitating a total outlay of 11 million dollars will enable the export of about 450 mn. kwh of winter current.

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Moderate Optimism

Wednesday, Evening

UNLIKE the people, who were in a mood to celebrate the Independence Day because of the success of the first Five-Year Plan beyond expectations, the stock markets were not jubilant. From the current level of equity prices, it is clear that stock markets are not unaware of the economic progress made so far. But it is equally evident that investors are apprehensive of the shape of things to come.

Certain facts are beyond dispute. Though the Mahalanobis Plan-frame is likely to be amended, it will be the basis of the second Plan. It is, therefore, clear that heavy industries will receive top-most priority; that, these industries will be developed within the public sector; that, small-scale village industries will be expanded to supply consumer goods. Investors seem inclined to the view that such a pattern of development may lead to economic progress but not to buoyant markets.

Basic Factors

There is something in this argument. Industry in India mainly produces consumer goods. If factory production of consumer goods is to be discouraged, industrial equities are not likely to be supported by investors. Recent developments, however, are not unencouraging. There are indications that the second Plan, as it finally emerges, may provide for larger investment in the private organised sector than assumed hitherto.

Equities today are higher than they were immediately after the publication of the Mahalanobis Plan-frame. It is now better appreciated that large-scale expenditure, as envisaged in the tentative estimates for the second Plan, must necessarily increase employment and money incomes. As deficit financing gathers further momentum, money supplies will increase further. These factors are responsible for the moderate optimism now visible in stock markets.

Although the economic implications of the second Plan are now better appreciated, stock markets remain apprehensive of the Government's attitude to the private sector. At the moment, stock markets are anxiously following the deliberations in Lok Sabha on the Companies Bill,

1955. Proposals of the Union Ministry relating to worker-directors and to the formation of a Wage Commission are also affecting stock markets adversely. It was not without significance that last week's stock market developments partly reflected New Delhi's relenting attitude to the managing agents.

This is the wider background against which the market outlook has to be assessed. It is, of course, natural that particular factors should affect certain groups of shares. For instance, continued improvement in Iron and Steel shares are due to the belief that both Tata Steel and Indian Iron will issue bonus shares. Steadiness in Paper shares, again, is due to the issue of right shares by two manufacturing companies.

Tea Shares Better

Clive Street is now revising its attitude to Tea Shares. Auction prices were falling. But both demand and prices improved at this week's export auctions. A reputed firm of tea brokers expresses the opinion in its monthly report that tea auction prices may revive hereafter. It is argued that tea prices may rise from the end of August. Flood damage to communications are delaying arrivals of tea into Calcutta. This is a temporary influence.

But there are reasons to believe that the world supply of tea this year may not be, as anticipated earlier, much in excess of the world demand. Tea output in Ceylon has been affected by excessive cold weather rains. North Indian output to date is brighter this year. But, the firm argues, it is too early to gauge the trend of output of tea in north and north-eastern India. Possibilities are that the Indian output will not be as large as expected earlier.

Burdens on Tea

Though export duties on jute manufactures have been abolished and the duties on export of raw cotton have been reduced following devaluation of the Pakistani rupee, the export duty on tea has not been reduced. It is, therefore, a legitimate inference that the tea industry can bear the burden of export duties. Nor is it without significance that the West Bengal Government's proposal to levy a tax on arrivals of tea

into Calcutta, Howrah and 24 Parganas has had no "bearish" effect on Tea shares.

Tea shares, on the other hand, have remained steady in the last few days partly because of the withdrawal of demands for higher wages by tea workers of Doors and Cooch Behar plantations. Even so, it would be unwise to ignore that tea workers have not withdrawn their other demands, including the claim for bonus payments because of the fantastic profits made by the industry last year.

Jute Shares Hesitant

From the recent behaviour of jute shares, it would seem that Clive Street is inclined to the view that the abolition of export duties places the Indian industry at a slight advantage over the Dundee and Continental manufacturers. Non-Pakistani jute manufacturers will not be able to buy raw jute at cheaper prices. This is a common disadvantage. But the Indian industry now enjoys some advantage because of the abolition of the export duties on jute goods. Besides, the belief persists that Dacca may lower the minimum sterling price for the export of raw jute.

Firmness in raw jute is partly due to delay in arrivals from Eastern Pakistan. Jute goods remain steady mainly because of the continued strength in raw jute. Expectations, however, are that raw jute prices will gradually fall as the bumper crops in both India and Pakistan become available to markets. In this week, jute goods have developed an easier trend. This is a development which is not unwelcome.

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Bonus Share Expectations Lift up Rates

Thursday, Morning

ALTHOUGH trading during the week was confined to just three days, Friday, Saturday and Wednesday, the sentiment remained steady to firm, with the closing quotations on Wednesday touching the peak in all the leading counters. True, earlier in the week, the market had turned bearish on reports of a fresh impost on cotton textiles for the development of handlooms and of labour representation on the board of management of industrial concerns. The scheme proposed for a bonus equalisation fund on the lines of dividend equalisation fund was another depressing factor. But there was a surprising change for the better later in the week, initiated by a spell of buying by a leading operator which, along with bear covering, halted the declining trend. The leading bull in bullion who was supposed to squeeze the bears has not entered the market yet. But persistent Calcutta support in Indian Iron and reports that certain companies, as for instance Srinivas and Belapur, might issue bonus shares free of tax did the trick. The trend was made firmer when Bombay Burma and National Rayon found buyers on yield considerations. Other shares moving up in sympathy, there was an all round improvement all the leading scrips closing at their peak levels.

Tata Steel Ordinary opened at Rs. 250-8 and after being taken up to Rs. 254-4 closed firm at Rs. 253-8. Indian Iron also closed firm at Rs. 39-8 as against the opening rate of Rs. 38-15 and the highest of Rs. 39-10-6 on the last day.

In the textile section, Bombay Dyeing closed at the highest level touched viz. Rs. 506-4 though at one time the scrip had gone down as low as Rs. 495-10. Century, Kohinoor, Simplex and Swadeshi closed a trifle lower than their highest rates for the week at Rs. 427-8, Rs. 343, Rs. 170 and Rs. 214-12, respectively. Srinivas Mills improved from Rs. 240 to Rs. 258 while Kaiser-i-Hind, which had been quoting below par only a couple of days ago at Rs. 95, found buyers on the last day of the week at Rs. 106, as these shares are now virtually cum-dividend.

In the cash section, bank shares

attracted considerable investment enquiry. Bank of India moved up from Rs. 150-9 last week to Rs. 151-12 and Central Bank from Rs. 50-8 to Rs. 51. Uco Bank improved, despite an early decline, to Rs. 49-8. New India Assurance went up to Rs. 45-12 at one time but fears of nationalisation brought them down to Rs. 43-12.

The electric section witnessed selective buying. Ahmedabad Electrics improved from Rs. 108-12 to Rs. 109-1 while Tata Hydros were fully steady at Rs. 146-8. Tata Power, however, declined on liquidation from Rs. 1495 to Rs. 1485. Andhra Valleys also were weak at Rs. 1375.

In the miscellaneous section while cement shares continued to remain fully steady, sugar shares were actively bid up by speculators. Belapur gained Rs. 15 and shot up from Rs. 322 to Rs. 335-8 on reports that the company might be permitted to issue bonus shares, tax free. Walchandnagar were taken up to Rs.

215-10. There was persistent enquiry for Phaltan Sugar on yield considerations. Bombay Burma Old which are to be quoted ex-div from today were bought up by shrewd speculators in order to take advantage of the dividend. As a result, they recorded a rise of Rs. 20 from Rs. 547-8 to Rs. 567-8. National Rayon was another favourite and closed about four points higher at Rs. 215-12. Scindia and Tata Chemical closed firm at Rs. 15-3-6 and Rs. 16-1 respectively. Calcutta showed interest in equities like Indian Copper, BIC and BB Petrol.

Cotton

Spot Market Active

AN event of importance to the cotton trade during the week was the announcement of the US cotton policy. The announcement made no mention, however, of export subsidy about which there has been so much speculation, leaving it to be inferred that the ques-

MARKET LEADERS DURING THE WEEK

	August 17, 1955	Week's Range		August 10, 1955
		High	Low	
Steel Shares:				
Tata Ordinary	253- 8	254- 4	249-12	250- 8
Indian Iron	39- 8	39-10½	38- 7	38-15
Textile Shares:				
Bombay Dyeing	506- 4	506- 4	495-10	503- 2
Century	427- 8	428- 0	418- 0	425- 8
Kohinoor	343- 0	344- 0	338- 0	342- 0
Simplex	170- 0	171- 0	167- 0	168- 8
Swadeshi	214-12	215- 0	208- 8	211- 8
Miscellaneous Shares:				
Associated Cement	191- 8	192- 4	188-12	190- 8
Belapur	335- 8	335- 8	322- 0	323- 0
Burma Old	567- 8	567- 8	547- 8	553- 2
National Rayon	215-12	216- 4	212- 0	215- 4
Premier Const.	163- 8	164- 8	159- 8	162-12
Scindia	15- 3½	15- 5	14-13½	14-15
Tata Chemical	16- 1	16- 2	15-10½	15-15
Bank of India	151-12	151-12	150- 8	150- 0
New India Assc.	43-12	45-12	43-12	45- 4

OILS AND OILSEEDS

	Aug. 17, 1955	Week's Range		Aug. 10, 1955
		High	Low	
Seeds				
Castor Sept 1955 (per Candy)	84-12	88- 0	84-10	88-14
May "	87- 8	89- 8	87- 2	90-10
Groundnut Aug-Sept (Per cwt)	23- 8	24- 0	23- 8	23-12
Linseed Aug-Sept (")	23-10	24- 4	23-10	24-12
Kardi Ready	14- 0	14-12	14- 0	15- 0
Nigerseed	24- 8	23-12	24- 8	25- 0
Oils				
Castor Oil Com. (per quarter)	9- 7	9-10	9- 6	9-13
Groundnut Oil R.R.	12-12	13- 6	12-12	12-12
Linseed Oil	13-14	14- 8	13-14	14- 8

tion may be taken up in the near future. As the cotton futures market remained closed on the day of the US Policy announcement and had but a short session on Wednesday, there being no trading in the intervening period, fuller implications of the US cotton policy disclosure are yet to manifest themselves.

ICC February which reached the peak figure of Rs. 632 on Saturday, closed fairly steady at Rs. 626-12. The maturing August contract fared slightly better and closed at Rs. 613.

Tenders against the August contract were fairly heavy, aggregating 7,650 bales thus far.

The spot market at Sewri has been showing marked improvement. There has been persistent demand for cotton above 20s counts particularly from mills. Vijays, naturally, were the centre of attraction and jumped by over Rs. 50 per candy over the week from Rs. 210 'on' to Rs. 265 'on'. Continental shippers appeared to be keen on making the best of the recent reduction in export duty and bought freely. Rates for other styles also rose appreciably.

The release of a further 10,000 bales of cotton of 25/32" staple for the same destination, following the release of 30,000 bales of 13/16" for China only in the previous week, was warmly welcomed by the market. If the present rate of offtake by China continues for long, it is not unlikely that good quality cotton may become scarce enough for the bases of such varieties to harden.

Oils and Oilseeds

Indian Shippers Quoting Lower

TRADING in the oilseeds market was also confined to three days in the week. Following the announcement of export quota for groundnut oil for about 10 to 12 thousand tons for the period to October, the market opened firm but gave way later in the week and closed with the lowest quotations all round. Sentiment seems to have been affected adversely by Indian shippers quoting lower in overseas markets for Indian oil. This apart, Bombay shippers have not so far received any encouraging response to the quota announcement even though Madras has been reported to have received some. The question of stock in the country is also another contributory factor to the bearish trend. Delayed rains and the con-

sequent late movement of crop are undoubtedly bullish factors. But their effects are more than offset by the general belief that there is no fear of scarcity of stock. Hence the late monsoon was not only discounted but there was a scarcity of buyers as well, with the result that all the seeds and oils recorded sizeable losses over the week.

Castor futures September came down from Rs. 88-14 to Rs. 84-10 to close at Rs. 84-12. May futures lost Rs. 3-8 but closed slightly better at Rs. 87-8. The weakness in castor futures was particularly pronounced on the last day after the declaration of option at Rs. 85-10.

Groundnut August-September de-

clined from Rs. 24 to the lowest level of Rs. 23-8. Goundnut Oil R/R lost 10 as. to be placed at Rs. 12-12 at the close. Linseed August-September lost more than a rupee over the week to close at Rs. 23-10. Kardi and Niger seed also closed one rupee to eight annas lower. Linseed oil closed 10 as. lower at Rs. 13-14 for lack of export enquiry.

Bullion

Normalcy Returns?

Although the market remained closed throughout the week, a semblance of normalcy has been imparted with the compromise arrived at between the contending parties. The new by-laws framed by the Association in respect of the six-



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monthly settlement with a fortnightly clearing have already been sent to the Government for approval. But the authorities have yet to grant their sanction. It is thought in market circles that the Government will take some time before they are convinced of the need for the change from monthly to six-monthly contract and hence the tempo of speculation in this market is expected to mount up in the days to come. Meanwhile, traders are busy receiving and paying out slips against Shravan settlement.

It is highly unlikely, however, that the Bhadarva settlement will commence before the end of August.

Company Notes

BONUS ISSUES

AMONG Miscellaneous shares, Rohtas had been moving up, in the last few weeks on two considerations. Sometime ago, it was hoped that Rohtas would be included in the expanded list of forward shares. This hope has not materialised. The authorities of the Calcutta Stock Exchange decided some weeks ago not to include Rohtas in the clearing list. This decision had a temporary adverse effect on Rohtas, but the scrip started moving up again as it

became known that the Company was contemplating an issue of right shares.

Last week, it became known that Rohtas proposed to double the capital by issuing ordinary shares at par to the existing shareholders on the basis of one for one held by them. Rohtas have since steadied up, and these shares are being talked up further.

The Company's expansion and modernisation projects will cost Rs. 3 crores. Capital is being expanded through issues of right shares to the present holders in order to finance the cost of modernisation. The directors are hopeful that the Company's earnings will improve as a result of modernisation. Figures disclosed by the directors are encouraging. As a result of improvements already implemented, the monthly output of paper now exceeds 2,000 tons.

Shareholders will welcome this year's increase in output. In the nine months to July last, the production of paper and boards amounted to 12,800 tons, compared with 9,520 tons in the corresponding period of the previous year. In issuing right shares, the directors explain that output data indicate a substantial increase in the earnings and profits

for the current year. Existing shareholders have thus an assurance that, besides the benefit of the right share, this year's dividend on the expanded capital will, at least, be maintained if not improved.

INDIAN PAPER PULP

BESIDES Rohtas, some other paper manufacturing companies have decided to raise capital by issues of bonus shares. Indian Paper Pulp received the sanction of the Controller of Capital Issues to raise the capital to finance expansion plans.

Indian Paper Pulp now produce 6,800 tons of paper per year. The Company intend to raise production capacity to 15,000 tons of paper per year. The cost of the expansion scheme is estimated at Rs. 1.60 crores. Completion of expansion projects will increase output capacity to 10,000 tons three years hence, and to 15,000 tons two years later.

A portion of the needed finance will be advanced by managing agents. Another portion will be secured through issues of debentures. At present, the Company propose to raise Rs 66 lakhs through an issue of ordinary shares—330,000 new ordinary shares of Rs 10 each will be issued at a premium of Rs 10 per share.

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Utility of Windmills in India

THE impression had persisted, until recently, that pumping sets driven by wind power were unsuitable to Indian conditions. Lately, however, the Ministry of Natural Resources has taken a hand in it and an expert committee has found that properly constructed windmills are not only suitable to India but a necessity, for ensuring an abundant and cheap supply of water to the many villages which are beyond the reach of the benefits from any of the big projects.

The reason for the change, of course, is a result of the studies carried out by the Wind Power Committee of the Council of Scientific and Industrial Research, which has convinced the Government of India that not only are windmills suitable to India, they are also the cheapest means by which power for operating pumps can be readily made available to the remotest villages.

There is sufficient wind almost everywhere in this country to operate a modern windmill. For a windmill can be set to work by the gentlest of breezes, a breeze which is so light as to be hardly perceptible, that is to say by wind which has as low a velocity as 2.5 miles per hour. If the lightest breeze can turn them, the strongest gale will not over-turn them—so well are the modern mills constructed.

The greatest advantage of a wind operated pumping set is that the wind is harnessed to operate it—and therefore its motive power is free. Neither does a modern windmill need any attention beyond periodical inspections, mainly for lubrication—and this only once every 4 to 6 months.

Among modern windmills operating in India today is one of METTER—Australian manufacture, which was installed at the village of Jatheri, Delhi Province, at the end of October 1954. The best well in the village was chosen for it, the well was cleaned and sealed off before the windmill was erected on it. The result of this installation has been a decrease of 50% in the incidence of dysentery in Jatheri and the inhabitants of this particular village used to suffer badly from dysentery in the past.

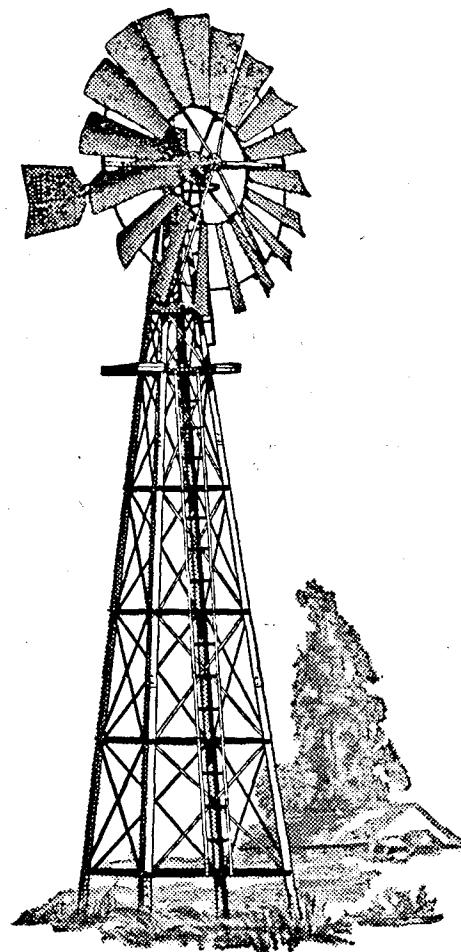
From the actual data of its operation, we find that this METTER windmill supplies up to 3,500 to 5,000 gallons of water per working day of

10 hours, and it costs no more than Rs. 30 and that is inclusive of 4 gallons of gear oil.

The Government's policy, therefore, of installing windmill pumping sets all over the country is to be wel-

comed. For, when most villages have windmills, not only they get water for their fields at little or no cost, but like Jatheri, they will get drinking water that is clean and free from germ, which will bring down the incidence of disease.

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Indian Central Cotton Committee Annual Review of Work

INDIA recorded a great stride in cotton production in 1953-54 and she was well on the way to attaining self-sufficiency in regard to her requirements of cotton of less than 1-1/16" in staple, says the Annual Report of the Indian Central Cotton Committee for the year ending August 31, 1954, just published.

The Report adds that the area under cotton in 1953-54 was 17.0 million acres against 15.7 million acres (revised) in the previous year. On the basis of the official estimates, the production of cotton in the country during the year under report was 39.4 lakh bales of 392 lbs each against 31.3 lakh bales (revised) in the previous year.

Production of Longer Staple

This increase had been mostly under long and medium staple varieties. The production of long and medium staple varieties increased from about 14 lakh bales or 64 per cent of the total production in 1947-48 to about 30 lakh bales or 76 per cent in 1953-54. The production of long staple cotton (7/8" and above) was over 13 lakh bales in 1953-54 against 3 lakh bales in 1947-48.

Target for Second Plan

The Indian Central Cotton Committee at its meeting in July, 1954, considered tentative proposals for the Second Five-Year Plan for cotton and recommended a target of 55 lakh bales to be achieved by 1960-61.

During the year, the Indian Central Cotton Committee made serious efforts to develop its publicity work. A number of popular charts have been prepared depicting the important results of research and progress of cotton extension work in India. A small show-room has been put up in the Committee's office wherein samples of improved varieties of cotton and suitable charts, maps, graphs etc. are displayed.

Research on Better Strains

Research on the improvement of cotton, is one of the major concerns of the Committee which has to its credit several improved cotton strains in different States which have helped to improve the quality of Indian cotton. The results of the crop improvement work financed by the

Committee are carried to the cultivators through the agency of various seed distribution and extension schemes that function in different States.

Seed Distribution

During the year under review there were 17 seed distribution and extension schemes in operation. Departmental arrangements also exist in the various States for the multiplication and distribution of improved varieties of cotton not covered by the Committee's schemes. The total area under improved varieties of cotton during the year 1953-54 was of the order of 10.7 million acres or 62% of the total cotton acreage.

The additional income that accrued to the growers of improved varieties during the year is estimated at nearly Rs. 22 crores.

Grow More Cotton

The production of cotton in the country during the year under review was 39.35 lakh bales according to official estimates and 46.78 lakh bales according to trade. Production during the year exceeded the Planning Commission's target of 37.3 lakh bales.

Wage Commission

(Continued from page 990)

The industrial tribunals in the Bombay State have accepted the position that bonus is a deferred wage. This is based on the contention that the present wage level is below the living wage level although the latter has nowhere been clearly defined. The continuation of dearness allowances will be equally difficult to defend since dearness can no longer be regarded as a temporary phenomenon. It is really absurd to go on paying a low level of wages supplemented by a dearness allowance. Apart from considerations of formal propriety, the question is of real significance to the overall earnings of labour. Payments of provident fund contributions, gratuities, pensions, etc., are based on basic wages excluding dearness allowance. When, therefore, basic wages are kept low and are supplemented by dearness allowance, the employees are virtually deprived of a part of provident fund contributions, gratuities, etc. Therefore, the determination of the level of basic wages has come up as an important issue in industrial relations.

The Indian Standard Wagon Company Limited

NOTICE is hereby given that the Thirty-Sixth Ordinary General Meeting of the Company will be held at the Registered Office, 12, Mission Row, Calcutta, at 11 a.m. on Monday the 5th September, 1955, for the purpose of receiving and considering the Directors' Report and Audited Accounts for the year ended 31st March, 1955, and to transact any other ordinary business of the Company. Subject to the Shareholders' approval the Directors have recommended payment of the dividend on the Preference Share Capital of the Company and payment in respect of the Ordinary Share Capital of the Company of a dividend of 25% or Rs. 6-4-0 per share.

The Share Registers of the Company will be closed from the 24th August, 1955, to the 5th September, 1955, both days inclusive.

Calcutta,
16th August, 1955

By Order of the Board
MARTIN BURN LTD
Managing Agents

NOTE—The dividend, if sanctioned will be paid only to Shareholders whose names appear in the Company's books on the 5th September, 1955, or to their mandatees. No application for dividend warrants is necessary.

CURRENT STATISTICS

BANKING RETURNS					JUTE STATISTICS				
Rs Crores					Production ('000 tons)				
Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago	June 1955	May 1955	April 1955	July to June '54-55	
1. Note circulation	1307.13	1305.80	1310.85	1158.31	Hessian	34.2	32.2	33.0	399.2
2. Rupee Coin	107.73	107.63	106.07	102.65	Sacking	47.9	46.2	49.3	567.5
3. Deposits					Others	3.6	3.3	3.4	36.6
a) Central Government's	75.02	76.71	81.74	124.32	TOTAL	85.7	81.7	85.7	1003.3
b) Banks'	53.74	48.51	52.27	50.96	Total Production in the corresponding months of:				
c) Other Governments'	9.44	10.88	20.05	12.28	1953-54	74.6	71.3	75.0	865.7
d) Others'	15.66	15.74	14.81	36.27	1952-53	72.8	72.5	74.3	891.5
4. Foreign Securities	637.04	637.04	652.04	623.15	Stocks:† ('000 tons)				
5. Balances held abroad	81.94	82.24	64.36	108.87	Hessian	48.6	40.6	39.0	—
6. Rupee Securities	543.69	543.65	543.65	421.22	Sacking	46.1	53.1	62.9	—
7. Investments	62.02	61.66	61.21	93.93	Others	1.4	1.2	1.5	—
8. Loans and advances to Governments	3.57	0.85	0.80	1.89	TOTAL	96.1	94.9	103.4	—
Scheduled Banks					Stocks at the end of the corresponding months of:				
1. Demand liabilities (net)	590.79	587.55	583.94	536.56	1953-54	86.9	86.5	91.4	—
2. Time Liabilities	410.41	409.78	399.58	347.58	1952-53	133.8	138.8	137.3	—
3. Cash on hand	34.37	31.91	34.37	29.95	Despatches:† ('000 tons)				
4. Borrowings from Reserve Bank of which against Usance Bills	8.99	12.04	31.82	5.49	Hessian	26.9	30.2	28.3	388.2
5. Advances and Bills discounted of which State Bank's	602.16	558.78	576.08	509.62	Sacking	54.6	56.6	45.3	573.6
6. Investments of which State Bank's	369.91	368.71	358.55	336.12	Rope, twine, etc.	2.5	2.8	2.4	26.6
Cheque Clearance	109.79	114.73	123.72	95.69	TOTAL	84.0	89.6	76.0	988.4
†For Reserve Bank and Cheque Clearance week ended 12-8-55. Scheduled Banks week ended 5-8-55.					Total despatches in the corresponding months of:				
Bombay Money Rates 12-8-55	5-8-55	15-7-55	13-8-54		1953-54	82.8	76	76	908.7
Inter-Bank Call Rate 2	1%	2%	2%		Raw Jute Consumption:				
3 months deposits 2%	2%	3	2%		(lakh bales of 400 lbs each)				
6 months deposits 2%	2%	2%	2%		1954-55	4.94	4.72	5.08	57.92
Bombay Bullion					1953-54	4.08	4.10	4.32	50.24
In Rupees and Annas					1952-53	4.18	4.15	4.39	51.96
11-8-55	Week Ago	Month Ago	Year Ago		IJMA Mills' purchases of raw jute (lakh bales)				
Gold (per fine tola)					Pakistani	1.26	0.95	1.0	10.8
Spot	95- 0	95- 0	93- 0	88-13	In corresponding periods of:				
Forward	† 92- 4	92- 0	89- 1		1953-54	0.9	0.80	1.49	9.35
Silver (per 100 tolas)					1952-53	1.77	1.55	0.90	14.19
Spot	161- 0	161- 0	160- 8	155- 6	Indian	3.09	1.79	2.19	44.19
Forward	† 159- 4	159- 2	155-15		In corresponding periods of:				
† No trading					1953-54	3.23	2.54	2.90	37.87
					1952-53	3.08	4.81	4.02	42.50
					* Stocks at the end of the month				
					† Despatches include exports and sales for internal consumption				
					Source : Monthly Summary of Jute and Gunny Statistics issued by the Indian Jute Mills Association				

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-Group	Week ended 30-7-55	Week Ago	Month Ago	Year Ago
I. Food Articles:	313.3	314.8	299.0	357.6
Cereals	364	364	349	401
Pulses	278	273	256	289
Others	246	251	236	307
II. Industrial Raw Materials:	415.7	407.7	398.7	416.3
Fibres	427	412	407	395
Oilseeds	393	397	375	459
Minerals	422	411	422	408
Others	418	418	413	420
III. Semi-Manufactures:	325.7	329.8	329.7	352.8
Leather	316	358	388	373
Mineral Oils	201	201	201	221
Vegetable Oils	390	399	386	442
Cotton Yarn	406	406	407	458
Metals	256	256	255	239
Oilcakes	339	332	321	409
Others	329	329	330	300
IV. Manufactures:	371.8	370.9	369.9	375.1
Textiles	408	407	405	417
Jute	429	419	408	417
Cotton	402	402	402	418
Rayon & Silk	474	474	474	456
Woollen	282	282	282	310
Metal Products	351	351	351	340
Others	286	286	286	286
V. Miscellaneous:	550.9	552.1	568.0	620.3
All Commodities:	357.3	357.2	350.1	380.3

FOREIGN SEA AND AIR-BORNE TRADE OF INDIA

(Rs crores)

	Exports*	Imports	Balance of Trade
1950-51	606.81	581.17	25.64
1951-52	751.56	862.84	-147.28
1952-53	556.78	632.95	-76.17
1953-54	515.39	541.87	-26.48
1954-55†	573.40	590.57	-17.17
April	30.43	46.33	-15.90
May	38.07	49.53	-11.46
June	42.31	43.87	-1.56
July	46.21	53.22	-6.01
August	44.94	44.27	-0.67
September	49.35	46.66	2.69
October	46.75	51.91	-5.16
November	65.11	57.76	7.35
December	59.65	46.74	12.91
Jan	54.04	51.03	3.01
Feb	49.85	46.46	3.39
March	46.69	52.79	-6.10
1955-56†			
April	39.07	49.73	-10.66
May	43.93	49.06	-5.13
June	46.57	49.33	-2.76

* Includes re-exports

†Provisional

WAGON LOADINGS (IN TERMS OF 4-WHEELERS) ON BROAD AND METRE GAUGES—APRIL-MARCH 1954-55

	Broad Gauge		% Increase (+) or Decrease (—)	Metre Gauge		% Increase (+) or Decrease (—)
	1954-55	1953-54		1954-55	1953-54	
Revenue Earning Traffic:						
1. Coal and Coke—						
(a) for public	968,849	880,462	+10.0	179,951	150,600	+19.5
(b) for non-Government Rlys.	2,925	5,017	-41.5	318	15	+2020.0
2. Grains and pulses	312,828	316,095	-1.03	259,130	266,810	-2.88
3. Oilseeds	59,855	48,468	+23.5	63,575	56,458	+12.6
4. (a) Cotton, raw	35,362	33,864	+4.42	26,891	24,062	+11.8
(b) Cotton, manufactured	23,995	23,999	—	13,675	13,036	+4.9
5. (a) Jute, raw	56,836	54,269	+4.73	40,818	43,748	-6.7
(b) Jute, manufactured	4,653	5,971	-22.1	3,791	3,665	+3.44
6. Sugar	48,421	54,758	-11.6	60,750	80,599	-24.6
7. Cement	147,020	131,997	+11.4	103,045	79,895	+29.0
8. Iron and Steel—						
(a) Pig iron	10,850	10,218	+6.19	3,406	5,199	-34.5
(b) Others	129,166	113,312	+14.0	22,990	18,101	+27.0
9. Tea	13,485	12,318	+9.47	19,649	21,995	-10.7
10. Metallic Ores—						
(a) Manganese ore	56,162	76,277	-26.4	15,391	22,437	-31.4
(b) Iron ore	170,744	164,115	+4.04	30,904	28,309	+9.17
(c) Others	5,156	4,456	+15.7	7,096	5,596	+26.8
11. Miscellaneous full wagons	1432,752	1332,385	+7.53	1153,879	10,82,009	+6.64
12. Miscellaneous smalls	410,255	355,071	+15.5	361,715	356,998	+1.32
Non-Revenue Earning Traffic:						
13. Free hauled coal & other materials—						
(a) Coal for home line	2,38,207	235,580	+1.11	181,659	186,100	-2.39
(b) Coal for other Govt Rlys. and manufacturing units	289,220	289,222	+0.07	8,875	12,494	-29.0
(c) Other stores	151,341	1302,255	+14.4	74,570	64,039	+16.4
TOTAL	4568,058	4279,909	+6.73	2632,078	2522,174	+4.36

Source: Railway Board

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Bank Award

THE decision of the Government of India to accept in full the recommendations of the Bank Award Commission on the substantive items of the Bank Award will be widely acclaimed as providing a workable and enduring basis of settlement of a dispute that has been pending for nearly a decade. The main recommendations of the Commission are:

(1) the restoration, with retrospective effect from April 1, 1954 and subject to certain modifications, of the Labour Appellate Tribunal's decision in the case of all Class A and B banks (except the Bank of Bikaner and the United Bank of India) and eight Class C banks; and

(2) the retention of the Government modification, also subject to certain modifications and exceptions, in the case of the remaining Class C banks and Class D banks.

Thus in effect neither the original decision of the Appellate Tribunal nor its modified version are retained in their entirety.

The following are some of the main modifications recommended by the Commission:

In the case of medical relief, the provision for accumulation provided for by the Appellate Tribunal is to be replaced by the corresponding provision in the Sastry Award. (The Government Press Note does not refer to this particular modification, which, however, forms part of the Recommendations of the Report).

While Area IV, as created by the Government Modification, together with its prescribed wage and dearness allowance structure, is retained, the total exemption from the Award granted to Area V, i.e., places with a population of 30,000 or less in Part B and Part C States (other than Delhi, Ajmer and Coorg), is altered so as to limit the exemption to such areas in Travancore-Cochin for a period of two years.

According to the Appellate Tribunal's decision, the quantum of dearness allowance was fixed as a certain percentage of the basic wage plus house rent allowance. This has been modified by the Commission on the lines that any increase or reduction in the dearness allowance for a rise or fall of 10 points should be worked out on the basis of a fixed percentage of dearness allowance admissible at the index level of 144 (1944:100).

Besides, the Commission has also made specific recommendations in the case of seven banks which have arrived at agreements with their employees. The United Bank of India which had been exempted under Government Modification will now have to implement the Sastry Award as a Class B bank with effect from August 1, 1955, subject to certain conditions. A noteworthy recommendation is the appointment of a special commission to review the entire banking situation in the Travancore-Cochin State. The precise nature of all these recommendations, however, will be known only after the necessary legislation is introduced.

The Commission has also made some pertinent observations on allied issues such as the excessive emoluments of higher executives, the possibilities of concerted action by banks to enforce floor rates on some categories of advances as well as ceilings on deposit rates. It should, however, be emphasised that the Commission is of the view that it should be possible for the banks concerned to meet their commitments following

its recommendations on the basis of their current paying capacity and without recourse to additional sources of income.

It would, of course, be a rare industrial award that satisfied both the disputing parties and the recommendations of the present Commission are no exception. Though no official pronouncements have been made on behalf of either the banks or the bank employees, it would appear as though the banks, judging from the statement of Shri C H Bhabha, have decided to accept the Commission's findings and recommendations with good grace. The individual press statements issued by some office-bearers of the All-India Bank Employees Association go to show that employees are likely to take exception to the implementation of the Award 'with cuts', to the retention of the Government Modification in the case of the remaining banks, and the total exemption granted for the next two years to banking offices in Area V in Travancore-Cochin. The overwhelming number of bank employees, however, will be beneficiaries of the increased emoluments under the terms of the recommendation. It is an inevitable incident of the implementation of industrial awards that a small proportion of employees should suffer some cuts in emoluments. Besides, a limited safeguard is provided for by the Commission's recommendation that the time for exercising the right of option to existing terms of service should be re-fixed and extended to three months from the date of pronouncement of the Government's final decision on the report of the Commission.

It should also not be overlooked that the wage structure of Indian banking is a legacy of past years of laissez faire and as such is not self-consistent or rational. The present Commission was not concerned with the rationalisation of the basic wage structure of bank employees but only with the feasibility of restoring in part or whole the Appellate Tribunal's Decision or the Government Modification. In fact, both the Decision and its Modification postulated the same basic wage and consequently, from one point of view, the present inquiry related essentially to the merits of the principle and quantum of dearness allowance admissible to bank employees.

The retention of the Government Modification in the case of the smaller banks appears to have been gov-

erned by the financial incapacity of these units, and consistently with its obligations under the terms of reference—"due regard should also be paid to the desirability of avoiding widespread closures of banking companies or their branches, to the necessity to promote development of banking in the country generally"—the Commission could not in all conscience have enforced a structure of emoluments beyond the reach of the smaller units. Admittedly, the problem of small banks is not wholly the negative one of economising establishment expenses but the more positive and fundamental one of attracting adequate deposits and securing remunerative outlets for employment of funds. Presumably, the employees' contention refers to banks whose financial incapacity is due not to shortage of working funds but to mismanagement in the use of these resources, and to this extent, their case appears to be well founded. Are employees to be deprived of a fair wage for the faults of the management? This is the familiar refrain of wage disputes in many industries. In the case of banks, in fact the Commission has proved decisively that there is no simple correlation between the size of working funds and the capacity to pay. On the other hand, it is difficult to visualise an alternative short of liquidating the units unable to pay a fair wage, and perhaps even a low wage is preferable to unemployment, a proposition which bank employees would find it difficult to refute. It is also up to bank employees in this country to avoid allegation of special pleading to claim a better start than that of comparable categories of white-collar employees in Government service or commercial concerns, even though there are a few precedents in other countries.

The Report of the Bank Award Commission raises several other important issues. Should the fixation of wages be wholly entrusted to Industry Tribunals which are not representative of all types of expertise and do not have access to all the relevant data? The Bank Award Commission, being a fact-finding body, had access to data such as secret reserves etc. which are not available to Tribunals. More immediately, there is also the problem alluded to by the Bank Award Commission, viz., the propriety of executive modifications of judicial decisions of properly constituted tribunals. In the specific case of the

Government Modification of the Appellate Tribunal's decision, the actuating principle was stated to be the maintenance of the solvency of the banks. This apprehension has been shown by the Commission to be wholly unfounded in the case of A and B Class banks as also some of the C Class banks. If the Government did not have the necessary data for an adequate assessment of the paying capacity of difficult classes and units of banking companies, the proper course would have been to appoint a Commission before rushing to modify a decision given by a tribunal. Besides, blanket relief to all banks irrespective of their status and financial capacity was hardly called for. Thus, whatever the legal and juridical merits of executive modification in this dispute, even in point of fact the action of Government was not justifiable.

On the purely economic plane, there have been apprehensions that if rates on advances are levered up as a consequence of a rise in the wage-bill of banks, it would amount to introducing an artificial element in the determination of interest rates. This reasoning appears to be based on the assumption of a perfectly competitive money market in which there are no institutional rigidities. Even in the absence of extraneous factors such as a rise in wage-rates, the structure of interest rates is not wholly dependent upon the fine adjustments of the demand for and supply of loanable funds, but is affected by a host of non-competitive factors. It is institutionally determined even in the most developed money markets.

The recommendations of the Bank Award Commission, it may now be hoped, will be accepted by the parties concerned with good grace and that the doubtful distinction which this country has enjoyed along with Eire of having almost perpetual labour-capital disputes in the sphere of banking will thus come to an end. There is, however, room for a Banking Commission which should undertake a complete examination of banking from all points of view even as the present Commission dealt with the specific issue of wage-disputes. It is more than two decades since the monumental labours of the Central and Provincial Banking Enquiry Committees were concluded.

Politics by Police Action

VIOLENCE breeds violence. This we can preach with a clear conscience to foreign powers. But what about substitution of force by more acceptable methods of political action at home when disputes have to be resolved, and opposition has to be overcome, whether such opposition is fair or not and based on justice and equity or not. The Indian flag was kept flying from the Bombay secretariat on Goa day, but the mass demonstration in front of the Secretariat was hardly handled on approved Gandhian lines of appeal to the moral sense of the people. No leader came forward to win over the opponents to his way of thinking. In Patna a small incident led to a police reprisal which is unfortunately not without parallel in the records of free India. What he saw and heard impelled Shri Jaiprakash Narayan to say that the British Raj was Police Raj and the police force was cast in that mould, and that the same mould was seen continuing till today.

But even in the face of such provocation as Jaiprakash had to face, it is not fair to castigate the police. The police merely carry out orders. The temper and conduct and the spirit of the police force are those of the administration, the tone of which is set by the Government. Jaiprakash was convinced that in Patna, "under the very nose of the topmost officers of the State and of Cabinet Members," grave excesses were committed. It pained him, however, that all the people of the State should treat the entire police force as their enemy. Such estrangement, he bewailed, bode no good to the people. The only silver lining was that a judicial enquiry had been ordered. But without waiting for the results of the enquiry, Pandit Jawaharlal Nehru has lashed out against the unruly mob. It is a poor specimen of a popular government that knows no other way of quelling mobs except by police action and by bullets. Patna is no isolated example though it was bad enough.

Demonstrations of mass discontent and protest should not be taken to mean that the Congress is losing the support of the people. Far from it. To-day, Congress is politically more powerful than at any time, perhaps, since it took office. It is the political opposition to the Congress which is disintegrating. Defection from opposition parties

to the ranks of the Congress goes on apace. So none of the accepted remedies of parliamentary government can possibly apply to these cases of popular discontent. The results of the series of by-election cannot tell the Government which

way the wind has been blowing and induce or force the Government to change its ways. Nor can mass discontent find a voice through dissenters within the Congress camp on whom party discipline has put a gag. What the Congress members say, or

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EW/551/143

how they vote, never escapes the whip. But why go so far? How many Congress legislators would risk their chances of office, or even of membership of committees or delegations, by championing causes that are frowned upon? Even the Prime Minister has no other advisers except the official bloc in the Congress which is one and the same as the

Government on which naturally he leans heavily. The fact is—and why should it be considered unfortunate?—there is no divine dispensation according to which people in this country have to be born either Congress or anti-Congress; and because of the position which it holds, if for no other reason, Congress has to be

responsive to the wishes of the people. The Congress Government has to apply in day-to-day working the very same techniques of meeting opposition in which it is supposed to believe firmly and which it holds up so confidently to others. Let no one take umbrage unto his soul that he alone is right.

Weekly Notes

State Loans — Consolation Issue

THE State Government loans, which in retrospect had been better called the first issue, were a thumping success. To say that, however, is not to say enough. In Bombay, there was a regular scramble for these loans leading unfortunately to unseemly bickerings. The loans were to open for subscription on the 16th, the day of hartal in protest against Goa. And the Reserve Bank insisted that behind closed shutters, it had carried on "business as usual". The list was closed as soon as it was supposed to have been opened. But how and when could the Reserve Bank have got so many applications since none, not even the Reserve Bank, could have kept its doors open and carried on business as usual on Goa day? Well, some applications had been received on telephone. This was given out in a press report. And some had been tendered on the previous Saturday by knowledgeable brokers in anticipation of the rush.

Those who could not submit their applications on the due date for reasons beyond their control were not prepared to be left out. The Reserve Bank was not prepared to deviate from the letter of the notification either. The disgruntled applicants, leading banks and insurance companies, could not be put off so easily. The situation could have been tackled with a little tact, but public relations have never been the strong point of the Finance Ministry, and people not used to being talked across the counter did not take it the way high officials wanted them to do. Applications for Bombay loans were the most numerous, but these loans having already been over-subscribed a way out could be found by diverting the applicants to the other

State loans. But when the Bank opened on Wednesday and applicants poured in, intimation came from its other centres that West Bengal, Punjab and Saurashtra loans had already been over-subscribed and no more applicants could be received. Hence the fix.

In Madras there was a different kind of fix. There was a small clause in the loan notification, which had escaped many, that all applications up to a lakh could be allowed in full. Now such applications amounted to Rs 7 crores, as against the Rs 7 crores in all for which Madras had entered the market. Applications above a lakh could not be rejected in toto; even such applicants were entitled to a pro-rata allotment. This was a curious situation but Madras got away with it, bagging a total of 9 crores in all. Actually instead of pro-rata, all applications above a lakh were allotted a lakh each. Madras netted 9½ or 10 crores out of a total of 14 crores for all the States put together.

Now when a loan proves such a thundering success, it is right and proper for the Government to capitalize on it. There have been successful floatations in the past but probably there is no precedent for a loan being followed in a matter of days by another, just because the first had been such a success and that, too, within a period during which the first loan was intended to be kept open. Madras, however, dropped out of the second issue because it had got enough; but so did Bihar, because the response to its first offer had been so poor.

Deshmukh Trips

HOW did the Finance Minister trip so badly over the remuneration of managing agents in the

debate on the Companies Bill in the Lok Sabha? What penance do the scriptures prescribe for such lapses on the part of the Finance Minister?

Shri Chintaman Deshmukh sought to establish that it would be a great sacrifice on the part of the managing agents to accept the cut in their remuneration provided for in the Bill. According to a Reserve Bank study, he said, managing agents received about 27½ per cent of the profits of the companies they managed in the three years 1950, 1951 and 1952. In the Companies Bill, this has been reduced to 10 per cent. For managing directors the ceiling has been put at 5 per cent plus salary and 7½ per cent for secretaries and treasurers, who will replace the managing agents if and when Government exercise their power to terminate managing agency in 1960.

Now 27½ per cent to 10 per cent would be a big enough fall in all conscience, if that was the intention of the Select Committee. The same Reserve Bank study, which the Finance Minister quoted, actually shows, as maintained in these columns last week, that if the Joint Select Committee's recommendations were accepted and the amended Bill were passed into law, the remuneration of managing agents under the new dispensation would certainly be lower compared to what it was in the three years for which Reserve Bank carried out its study of company finances, but it would not be very much lower, the actual decline being from 14 per cent to 10 per cent. Shri Deshmukh wants us to believe that the cut is much bigger, from 27½ to 10. But 27½ per cent of what? The Finance Minister says 27½ per cent of the profits but does

not stop to define what he has in mind—whether profits before tax but after the deduction of all expenses and depreciation, or profits net of tax. When the Reserve Bank says that managing agency remuneration was 14 per cent of the profits, it refers to profits after the deduction of depreciation and other expenses but before the deduction of tax. If net profit, that is net of taxation, is the basis of comparison, the Reserve Bank finding is that remuneration of managing agents was equivalent in those three years to about 27½ per cent. The comparison has to be either with profits before tax or with profits net of tax. It cannot be with net of tax in one case and with tax in the other. If the comparison is with profits net of base, the remuneration of managing agents would be about 27½ per cent in one case and about 20 per cent in the other, i.e., under the new Bill. Or the comparison should be with profits before tax, in which case the percentage fall will be from 14 to 10. In fact, in the Reserve Bank study, the percentage is worked out broadly on the same definition of profits as that of the Joint Select Committee when it recommends a ceiling of 10 per cent.

"Not Cowasji, but PT is my friend"

SOME one very close to Sri T T Krishnamachari, Minister of Commerce and Industry, has drawn attention to the Weekly Note "Don't Rob Policyholders" in the issue of August 13 in which TTK was quoted as saying that nationalisation of insurance would rob policyholders. This correspondent "understands that some statement was ascribed to (TTK) in the Bombay papers one day, but a correction was made the next day indicating that the word used was 'mutualisation' and not 'nationalisation'."

Now, no such correction appeared in the Bombay papers to the best of our knowledge; if it did, it must have escaped our attention and for this we are sorry, for it is unfair to hold anyone, not to speak of a Minister of the Government, responsible for a statement which he did not make. But does TTK really authorise this correction? Of course if he wants to jump, with eyes open, from the frying pan into the fire, no one can stop him. Having passed through the ordeal of fire in the struggle for independence, Ministers probably become fire-proof.

But what does it come to? Nation-

alisation will not rob the policyholders, but mutualisation will? Mutual Life Insurance Companies have no share-holders and are run by directors elected by the policyholders. There are critics of mutualisation who maintain that companies are not run any better because policy-holders own them for interest in company affairs and management and control fall into the hands of a small group who run the company the way they like. It is share-holders who take more interest in the working of the companies in which they hold shares, being more conscious of their interest. Into this dispute it is not necessary to enter here for the Commerce and Industries Minister could not have been thinking of the relative merits of mutual and share-holders' companies. So if mutualisation can rob policy-holders, it can do so only in the case of a company which is about to be mutualised and in which there is a dispute about the sharing of assets between its policy-holders and share-holders. With a battle royal going on between Sir Purushotamdas Thakurdas on the one hand and Sir Cowasji Jehangir on the other hand, surely it is not left to guess which company it is? Surely TTK does not want to back the one against the other in so blatant a fashion? If the discussion of public issues in public by Ministers, when the views expressed are not of the Government, is liable to create misunderstanding and confuse the public, what is one to say about Ministers openly taking sides in a dispute between the shareholders and policy-holders of a company which involves no question of public policy and which, besides, is under the examination of the Controller of Insurance?

Land Redistribution

A PROPOS of the note on Bhoo-dan in the last issue, a correspondent asks: What happens to land which is received as gift but has not yet been given away to the deserving? The question is of some interest, considering the amount of land which must be lying with the Bhoodan Samiti, for many years now, pending disposal. Perhaps the Samiti will throw some light on the question and dispel doubts which naturally arise and put an end to speculations. Without knowing all the facts it would be idle to speculate but the correspondent suggests that since, pending final disposal,

the land given away as gift cannot be lying idle, why not let it out to those who had already been cultivating it or to others more deserving, collect rent from such land and put into a fund? Such a fund could certainly contribute towards reclaiming the waste land among the collections which can be reclaimed at modest cost, and effecting other improvements. Before the land in the hands of the Bhoodan Samiti is allotted, it has to be divided into suitable plots for distribution. Perhaps the Samiti would be no party to renting out in any form, but what does it do then with the land in its charge?

It would also be interesting to know the attitude of the State Governments in this matter. Are they willing to co-operate not only in the matter of transfer of title deeds but in organising cultivation by the landless of the donated land? Perhaps the Samiti might not care for such help even if it is offered, and prefer, as a matter of principle, to rely on the self-help of the people concerned. It would be good to know, if that is the case.

The snail's pace at which redistribution is being effected robs the movement of a vital impelling force. For according to many, the real test of Bhoodan is: how far does it enable the peasant himself to participate actively in improving cultivation. Those who not only advocate a ceiling on land holdings but also insist that the ceiling should be fairly low, so that more land could be distributed to the landless, have this abiding faith in the good sense and co-operative spirit of the peasant that once they get land, in whatever tiny fragments, they will, of their own accord, evolve a workable system of cultivation. This is how the claims of social justice are reconciled with the requirements of productivity and economic utilisation. Whether in thinking thus, the advocates of land redistribution are flying in the face of facts and going against history, can no longer be answered on purely a priori grounds, if only because the claims of social justice are so pressing and so widely conceded. On the other hand, no measure of social justice can prevail for long, if it proves to be economically unsound. The final arbiter will be experience; hence the wide interest aroused by this social experiment which can put this faith to the test and also perhaps vouch for an answer.

An Error of Judgment?

JURISTS have a reputation for their austere verdicts on the frailties and hasty judgments of men and authorities. One can imagine Mr Justice Gajendragadkar taking judicial pride in his admonition to the Government for its interference with the Labour Appellate Tribunal's Bank Award. He questions New Delhi's legal right to modify this Award. Contrary to partisan criticism, Mr Justice Gajendragadkar does not question the Government's right to interfere with the Labour Appellate Tribunal's awards on grounds of public interest. On the legal point at issue, Mr Justice Gajendragadkar is not as much interested in denying the Executive's right to interfere with the Judiciary as in establishing his verdict that the Government's modification of the Appellate Tribunal's Bank Award under Section 15 of the Industrial Disputes Appellate Tribunal Act lacks legal justification. Even on the assumption that the Award was not as sound as it should have been or was otherwise capable of improvement in material particulars, the Government had no right, Mr. Justice Gajendragadkar contends, to take action under section 15 of the Act. It is Mr. Justice Gajendragadkar's contention that, instead of modifying the Award "straightaway", the Government should have taken action under certain other provision of the Act whereby the duration of the Award could have been limited. It does not require any expert legal knowledge to appreciate the legal point stressed by Mr Justice Gajendragadkar.

Mr Justice Gajendragadkar is convincing in his admonition to the Government on the double count of illegality and faulty judgment. It is where the learned jurist combines these two separate charges into a single count that he is devastating in his logic. While students of the law will appreciate his emphasis on the rider to the Government's legal right to modify or reject awards on public grounds, those who are familiar with the state of the economy and of the banking system at the time of the Government's decision to modify the Award will endorse Mr Justice Gajendragadkar's sequence of arguments against New Delhi. He quotes statutory provi-

sions to establish his thesis that the Government is justified in modifying an industrial award only if it is satisfied that the public grounds which may make the the implementation of the award inexpedient are "present in the immediate future". Was it the Government's considered opinion, he asks, that the implementation of the Appellate Tribunal's Award would be inexpedient on public grounds "in 1954 or in any subsequent year"? Mr Justice Gajendragadkar questions the validity of any such assumption. This is one of the main reasons why he recommends restoration of the Appellate Tribunal's Bank Award in its major aspects.

New Delhi's decision to modify the Bank Award was taken in August, 1954. This decision was unduly influenced by the bankers' pessimistic views about banking developments in 1953. Monetary and banking statistics up to August, 1954, clearly indicated an improving trend. It might be of interest to note that Shri G. D. Birla concluded his annual address, delivered long before August, 1954, as Chairman of the United Commercial, by taking comfort that developments since the last quarter of 1953 encouraged the hope that the falling trend in bank deposits might have been halted. Although the Government relied on a sample survey conducted by the Reserve Bank in its decision to modify the Bank Award, banking statistics up to August, 1954, made it abundantly evident that the falling trend in bank deposits had not only been halted by the end of 1953, but that bank deposits were expanding. Mr. Justice Gajendragadkar proves himself to be a sound economist by his emphasis that the Government's decision to modify the Award did not seem to take into consideration the inevitable effects of the first Five-Year Plan on the economy and on the banking system, and that a second Plan was in preparation. All those familiar with banking statistics were aware long before August, 1954, that bank deposits were expanding. The annual currency and banking reports issued by the Reserve Bank invariably stress the expansionist trend in bank deposits. In these reports, the opinion is confidently expressed that

the growth in bank deposits is only to be expected with the implementation of the series of Five-Year plans. This view was endorsed by all bank chairmen in their annual addresses a few months ago. It would, therefore, be wrong to make the criticism that Mr Justice Gajendragadkar is wiser by events.

In their review of events in 1953, bank chairmen were loud in their lament that the operation costs of banks were not only unduly high, but were rising. Elaborate data were furnished to show that operation costs of banks in India were higher than those in America or Britain. Bankers were combative in their criticism of Industrial Tribunal's awards which intensified the rigidity in the cost structure. Impartial observers were aware that a comparative analysis of operation costs between India and some advanced countries could not be pushed beyond certain limits. It was evident that in complaining against rising wages of bank employees, bankers were deliberately ignoring the other factors which were causing a rise in operation costs. It was equally evident long before August, 1954, that the rising trend in bank deposits and incomes should enable all sound banks to bear the burden involved in the Appellate Tribunal's Award without any undue financial strain. Besides these valid reasons and assumptions, Mr Justice Gajendragadkar relies on the willingness of a large number of banks to implement the Appellate Tribunal's Award in recommending its restoration. In accepting the Bank Award Commission's recommendation, New Delhi deserves to be congratulated on its honesty to admit its past error of judgment.

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Business Manager

Events and Actions

FOR once the British summer threatens to be nice—indeed the country has had almost two months and a half of uninterrupted sunshine, and under the influence of this merciful event, everything has taken on a summery garb. Even the raids of the Irish Republican Army on two munition arsenals in this country has been taken with the light-heartedness highly unusual of the British state in such matters. More and more, the dry warnings of British Ministers and Treasury spokesmen that the economic situation spells crisis fall on deaf ears. And why not?—the holiday season with all the brightness and gaiety which English and Continental resorts can provide make such Government statements utterly unpleasant. Many ask—and with considerable justification, your correspondent thinks—why the authorities do not choose the English winter for their exhortations for economy, increased productivity and all those other things which come from the Treasury.

The New Statesman and Nation has, however, reminded us that "events are events" and thus need comment. And if that journal as also others like the Economist, should labour on two developments which, in their view, have a consequence of some magnitude, then there appears to be little alternative but to "comment".

Conclusion of Atoms for Peace Conference

In a recent despatch from Geneva, the Scientific Correspondent of the News Chronicle, Richard Calder, asked the 60-dollar question about the Geneva Conference on the peaceful uses of atomic energy. He enquires "where are the men of the M. I. 5, the F.B.I. and the NKVD?" That such a question should be asked surely indicates the fundamental turn which international relations have taken since the Geneva Conference of the Big Four Powers. If from the point of view of enquiry an assessment of the atoms for peace conference is required, then there can be little doubt that the most significant features of the conference were the three disclosures, each of which came from one or other of the participating countries at the conference. There was, first, what now everyone regards as the 'calculated indiscretion' of Professor Homi J. Bhabha, the Indian President of the

Conference. He said, knowing full well that the question he was moot-ing was outside the confines of the agreed agenda, that he ventured to predict.

".....that a method will be found for liberating fusion energy in a controlled manner within the next two decades. When that happens the energy problems of the world will have been solved for ever for the fuel will be as plentiful as the heavy hydrogen in the oceans."

To introduce the H-bomb into discussions was in itself a risky matter, and Professor Bhabha's statement has apparently caused considerable speculation that some important "break-through" in harnessing the fusion process had taken place recently. But, of course, India with its prestige and its reputation can very well afford to make speculations into the unknown when others know full well that both the Russians and Americans have placed this matter on their classified list.

In spite of this, the British apparently admitted that they were working on controlled fusion energy while the Americans were forced to follow the Russians in stating that they had gone some way in solving this fundamental problem. The second disclosure came from the British delegation. The principle of 'breeding' in reactors is fairly well known. What was, however, surprising and, indeed, startling, was that British research had already accomplished the task of 'breeding' two atoms for one. In other words, the British had ended up with twice as much plutonium as they started with.

The third disclosure related to what the scientists called "photosynthesis". This is a biological process by which a growing plant compounds the various elements of the air, water and soil into food on which both men and animals depend. If artificial photosynthesis were possible, food from growing plants could be supplemented to the extent that 'Malthus's ghost would be finally laid.' The Americans have gone some way in this field of nuclear research, but what surprised everyone was the Russian advance in photosyntheses and protein-syntheses with the help of radio-active traces. It needs little imagination

to acclaim the significance and far-reaching importance of this development.

Wages and the Balance of Trade

Recently your correspondent had the opportunity of examining in a despatch the contention unofficially advanced in various British circles that wage advances in the United Kingdom should be linked with the level of wages in Britain's export-competing countries. The Treasury's Bulletin for Industry has now directed its attention to the problem of labour costs in relation to exports, and notes that between 1948 and 1954 labour costs per unit of output in the economy had risen by about 27 per cent. The increase over the six years was, however, concentrated in the years 1950-52. Retail prices were forced up by the post-Korean rise in import prices, and quite significantly, 'wages rose in pursuit'. The increase in labour costs as a whole, therefore, took place largely between 1950-52. Since 1952 the wage advances won by British trade unions had all been in line with high productivity in British industry.

In spite of all this, the Economist has come round to suggest that "an impasse" between wages and prosperity has been reached. To quote from this journal, "so long as present circumstances in the labour market persists, Britain is faced either with eventual bankruptcy through inflation or with early near-bankruptcy through widespread strikes. The prospect is for a steady depreciation of the currency . . . The only sensible conclusion is that present circumstances have got to be changed and the present definition of full employment with it."

This interpretation is certainly disingenuous. The absolute increase in wages cannot by itself prove anything. The Treasury figures, however, show with remarkable clarity that labour costs per unit of output since 1952 have maintained a pace within that reached by productivity. In manufacturing industry, for example, output rose by 18 points between 1952 and 1954 while labour costs rose by only 2 points. For all industries, output increased from an index of 114 to 129 between the last two years (1948 = 100). In the same period wages and salaries per unit of output increased from 118 to 121.

From the Chair

The Tata Iron and Steel Company Judgment?

Speech of the Chairman, Mr J R

THE following is the speech delivered by the Chairman, Mr. J. R. D. Tata, at the 48th Annual General Meeting of the Shareholders on Thursday, the 25th August, 1955:

Ladies and Gentlemen,

Since I last had the pleasure of welcoming you at this annual gathering, much has happened of special interest to our Company and to industry generally. Important policy pronouncements have been made, significant legislation has been passed, plans have been formulated, a report on taxation has been published, all of immediate or potential significance to us.

As our annual report and accounts are so detailed, there is no need for me to elaborate on them at this meeting except in answering questions from shareholders. I propose, therefore, to devote my speech today to two main subjects, namely, the pattern of Government's economic policy which has emerged from their statements and actions during the year and the proposed expansion of our plant to two million tons per year.

The Economic Pattern

At the last two annual general meetings, I referred at some length to the subject of a Mixed Economy and the role of the private sector in it, and took some pains to set forth what I felt was a fair and sound case for better opportunities to Free Enterprise to enable it to fulfil its task under the series of Five Year Plan.

We all appreciate that bold planning and determined execution of large schemes of development are essential if we are to raise living standards, relieve unemployment, give opportunities to all and ensure a reasonable degree of social justice. Everyone, I believe, is agreed that the principal means of achieving these objectives is to increase the total production of the country as rapidly as possible since, without an increase in total wealth, there will be nothing to distribute but poverty. We realise that the task is a formidable one by any standards and that it requires the united effort of all and dynamic action by the State. I have thus welcomed the policy of

creating a Mixed Economy in which both State Enterprise and Free Enterprise will, side by side, play their important roles.

It would seem, therefore, that there was little room for disagreement on general economic policy and that the stage was set for fruitful co-operation between Government on the one hand and industry and business on the other. Indeed, several pronouncements by spokesmen of the Administration have appeared to confirm this fundamental identity of sentiment and approach. No less a person than the Prime Minister has, on more than one occasion, held out the assurance that Free Enterprise would have an important place and effective role in the country's development and deprecated the outmoded idea that Socialism means nationalisation. Speaking to the Congress Parliamentary Party in May this year, he said: "I think there is really no choice before us between having a private sector and allowing it and encouraging it to function, and not having it at all. It is foolish to have a private sector and then undermine it and prevent it from functioning. I personally think that even for the proper functioning of the public sector it is desirable to have a competitive private sector."

Equally reassuring was the statement made in July this year by Mr. T. T. Krishnamachari, the Minister for Commerce and Industry, at the last meeting of the Central Advisory Council of Industries, that there would be no nationalisation for the sake of nationalisation. The Minister went on to say that the State could and would enter the field normally reserved to the private sector only if the latter was unable to develop certain industries. At the same time, the State might invite the private sector to co-operate in industries in the public sector.

Still more recently, in the course of the current debate in Parliament on the Companies' Bill the Finance Minister made this encouraging observation on the role of the Industry:

"Having decided that we shall have the private sector, and having come to the conclusion that we

the growth in bank deposits is only to be expected with the implementation of the series of Five-Year plans. This view was endorsed by all bank chairmen in their annual addresses a few months ago. It would, therefore, be wrong to make the criticism that Mr Justice Gajendragadkar is wiser by events.

While giving In their review of events in 1953, encouraging bank chairmen were loud in their would be unrealistic that the operation costs of note of certain events were not only unduly high, but year such as the recession rising. Elaborate data were to the Constitution, shed to show that operation amendments to the Co of banks in India were higher the fiscal policy of those in America or Britain. ticularly in relation to this were combative in their the Taxation Enquiry Co of Industrial Tribunals' some aspects of the proposals which intensified the rigidity Second Five Year Plan, angost structure. Impartial in which the Avadi resolution were aware that a socialistic pattern of analysis of operation costs sought to be interpreted an India and some advanced mented. Let us take them in limits. It was evident

Constitutional Amendment

There is little doubt that bank employees, bankers Fourth Amendment to the Constitution ignoring the other tion, by denying to the citizen were causing a rise course to Courts of Law, has costs. It was equally ously undermined the right to ; before August, 1954, perty, which has been recognising trend in bank depositions through the ages as one of the fmes should enable all damental human rights and who bear the burden in the United Nations has solemr Appellate Tribunal's affirmed in a declaration to what any undue financial the whole world including India is ; these valid reasons party. While it is reassuring to not, Mr Justice Gajendragadkar that the present Government has on the willingness every intention, as stated by the of banks to im- Prime Minister, of paying a fair price Appellate Tribunal's for any undertaking they may decide mending its restoration to take over, there is every reasoning the Bank Award to fear that such sweeping powers, commendation, New once acquired, may, some day, be to be congratulated come an instrument of oppression to admit its past in the hands of future governments. nt.

In addition, the passing of this amendment is bound to shake the confidence of industrialists and investors and thus adversely affect the ability of the private sector to fill its allotted role.

Companies Amendment Bill

The Companies Amendment Bill is now under discussion in Parliament. Since it was first introduced it has undergone in the Joint Select Committee important changes, some of which go much beyond the original scope of the Bill and would, if adopted, place serious impediments in the

From the London End

FOR once the British summer threatens to be nice—indeed which country has had almost two months and a half of uninterrupted sun—im- and under the influence of this to a ciful event, everything has a root of a summery garb. Even enterprise, of the Irish Republican have been two munition arsenals in the House, the try has been taken with these being heartedness highly Minister whom British state in such We may thus and more, the dry agent will refrain tish Ministers and the Statute Book men that the would permanently spells crisis for otherwise capable of why not?—th the country's economic all the bright

English and Commission's Report provide not an occasion on which statements the Report of the Taxation—ask—and the Commission under the tion, you shed leadership of Dr. John why the ; but I may say that I am English, ngst those who can see no for ecor,ood in the Commission's re- and all ndations. There are, in fact, come the point of view of the private

There, some recommendations in the has, rt as, for instance, in connection "even the development rebate which com clearly beneficial to Industry. also the other hand, certain recommendations would lead to unfavour- in le consequences, notably those in sorspect of Section 23A of the Income to ax Act which may lead to a serious mpletion of resources hitherto available for development purposes. What I am more concerned about, however, is the effect which the high level of taxation proposed and the emphasis laid on the need to restrict incomes and consumption in the early years may have on production. In Chapter 8 of their Report the Commission have themselves repeatedly stressed the need to avoid adverse repercussions on private productive effort and enterprise. I fear, however, as do many others directly concerned with the working of the private sector, that the abnormally high levels of individual taxation recommended will in fact act as a serious disincentive to productive effort and enterprise. This, coupled with the diversion of an undue proportion of total savings to Government, will impair the private sector's ability to meet the targets allotted to it.

Second Five Year Plan

A preliminary outline of the framework of the Second Five Year Plan has recently been released by Gov-

ernment for purposes of public discussion. This is a healthy move on which the Government of India are to be congratulated.

While the necessity for bold planning is unquestioned, for the needs of the country are both great and urgent, some of the proposals are such as to raise doubts in one's mind. For instance, considering the resources likely to be actually available, can the proposed targets be attained without recourse to a much higher degree of deficit financing than at present contemplated, with the consequent risk of inflation which would deprive the mass of the people of the fruits of their toil? Will the large scale development of heavy industry at one end and cottage industries at the other, without an adequate development at the same time of secondary consumers' goods industries in between, not lead to a lop-sided pattern of development which may result in inflation, scarcity of consumer goods, and also in a substantial part of the capital investment in heavy industry remaining unproductive for some years for want of a market? Is it wise to attempt to reverse the normal historical process by which the establishment of capital goods' industries has followed and not preceded the development of consumer goods' industries? Has the argument that the position can be rectified by the development of secondary industries at a later stage any validity, considering that, owing to the continuing increase in population amongst other factors, there is bound to be a large amount of unemployment at the end of the Second Five Year Plan, and the same arguments will inevitably be used then as now for restricting the development of manufacturing industries? Will the consumer in urban and industrial areas be willing to pay the necessarily higher prices of goods produced by household and cottage industries, even when the quality is satisfactory? Finally, is it realistic to assume that household industries can be developed fast enough to provide all the additional consumer goods necessary to meet the increased demand and, more particularly, that the widespread organisation and the necessary financial-cum-marketing facilities can be built up in so short a time? I would urge, while there is still time, that these important aspects of the problem be considered before the Second Five Year Plan takes final shape.

Socialistic Pattern

Finally, we have the goal of a "so-

cialistic pattern of society" set before the country. If it means a society in which all have equal rights and opportunities, the underprivileged are protected and helped to a better life, economic activities are harnessed to constructive nation-building purposes and controlled by the State for the common good, and selfish abuses and anti-social acts are checked, then we should all support it. But if the means adopted were to lead ultimately to a society in which incentives and initiatives are impaired, the greater part of the industrial apparatus is owned by the State, economic power and responsibility are largely centred in the hands of government, and the individual loses freedom of choice, whether as producer or consumer, then, I submit, this kind of society will be incapable of producing the required volume of goods and services essential for the prosperity and happiness of our people.

Surveying these various trends in the country, one finds running through them two major currents of thought. The first is the belief that the profit motive or the desire for material rewards for individual effort, which has characterised man's progress from the beginning of his life on earth, is anti-social and that it can be replaced without loss of productivity by a selfless desire on the part of everyone to work solely for the good of the community. The second is the undue emphasis on Socialism as the only path to prosperity.

The Need for Incentives

Apart from the fact that there is in my view nothing morally wrong in the yearning of individuals to better their own and their families' living conditions and to seek material reward and financial security in return for hard and productive effort, a remarkable aspect of the disparagement of material incentives and rewards is that, while they are regarded as unobjectionable in the case of the peasant and the worker, they are sought to be withheld from the professional man, the administrator, the manager, the entrepreneur and the investor—the very men from whom we expect the initiative and leadership required for the success of the country's plans of economic development. In their case incentives and rewards are sought to be replaced, it seems, only by a missionary zeal to serve the community.

It is true that many of the men who today lead the nation have dedi-

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cated their lives to the country's advancement and are motivated by a noble ideal of service. But, with great respect, I submit it is unrealistic to believe that more than a minute percentage of the people of the country in any walk of life can be expected wholly to eschew personal interests. For the vast majority of the people the removal of material incentives and rewards will merely act as a disincentive, and lead to a reduction of effort and efficiency and to an increasing tendency to let the other fellow do the job. We should face the fact, whether we like it or not, that most men will be driven to hard work only by material reward or fear, or a combination of both.

In a country pledged to the use of non-violent and democratic means, it is clear that our governments cannot and will not, as in totalitarian states, use the weapons of force or fear to drive people. But, if we are to eschew both reward and fear, and if selfless devotion to the community can impel only a minority so small as to be incapable of making any material impact on the country's productivity, is it not obvious that the activity of the nation will be retarded and our great Five Year Plans jeopardised? Faced as we are with the imperative need to work, to produce, to build, to save and to invest, is it wise to lay so much emphasis at this stage on levelling down incomes and seeking to achieve an equalitarian society before we have created a reasonable quantum of wealth to distribute equally?

While it is true that there is still an undue disparity in incomes in our country, it is I feel not adequately realised that considerable progress has been made in recent years towards reducing inequalities. On the one hand, the income of peasants and wage earners has substantially increased while, on the other, the steep rise in taxation has drastically reduced the earnings of higher income groups.

A particularly unfortunate consequence of going too far in the direction of reducing earnings is the discouragement caused to foreign capital which might otherwise play such an important part in helping the development of our economy.

To sum up my analysis of this important, and too often overlooked, factor in our economic plans, I would earnestly urge that while retaining the ultimate objective of widely distributed wealth and social justice, and curbing abuses, anti-social atti-

vities, ostentatious spending and an undue accumulation of wealth and power in individual hands, we should make full use of the natural instincts of human nature as it exists and not rely unrealistically on the hope that they can be changed in a short time by executive act or legislation.

Capitalism Transformed

As regards the apparently growing trend towards a comprehensive form of socialism, as distinct from the more empirical form favoured in, say, Britain or the Scandinavian countries, there are some who hold the view that capitalism is wholly out of date. Considering the remarkable progress made in capitalistic countries particularly since the war, such a view can only refer to the nineteenth and early twentieth century type of capitalism which is, indeed, just as out-of-date as the nineteenth and early twentieth century type of socialism.

We are, however, no longer living in those days and should not close our eyes to the enormous changes which have occurred in capitalistic societies throughout the world since then. Modern capitalism has changed beyond recognition from what it was a century ago. It has shown a remarkable capacity to fit into the most modern concepts of the Welfare State, while creating wealth and prosperity unprecedented in human history. Statistics are sometimes used to obscure this truth; as an instance, I may mention the extraordinary figures of national income growth quoted in a working paper entitled "The Second Five Year Plan's Tentative Framework" circulated a few months ago for purposes of discussion. The picture presented would lead us to believe that the annual growth of national income in socialistic countries under totalitarian regimes is three to five times as great as in capitalistic countries. To suggest, even by implication, that economic progress is greater in, say, East Germany, Poland, Hungary or Bulgaria than in West Germany, Belgium, France or England, let alone America, is to place a severe strain on one's credulity. There is, in fact, overwhelming evidence that the conditions of living in Western Europe are far better than in Eastern Europe and also that the rate of post-war recovery and economic growth is greater. This contrast can best be seen in a visit to East Germany as well as West Germany. Though both these zones were severely damaged during the war, the enormous disparity which exists to-

day in economic activity and in the standards of living of the people is there for all to see—a West Germany humming with activity and abounding in consumer and capital goods of all kinds, where the Government have actually had to warn both management and workers not to work so hard and so long; an East Germany, where conditions are visibly worse than across the border and where small producers restrict their output and avoid expansion for fear that their business and the fruits of their enterprise will be taken over by the State.

The Choice of Means

If I have taken so much of your time in discussing these recent developments of our economic policy, it is because they seem to me to be of crucial importance to the future of our country. We all appreciate the outstanding achievements of our government in overcoming grievous difficulties and stabilizing our economy since the attainment of Independence. A tremendous opportunity for rapid development within the framework of a free and democratic society now lies ahead. On the choice of the means and methods of achieving our objectives will largely depend the success or failure of our plans, and in our hurry and impatience to get quick results, let us beware of the temptation to jettison economic systems or working philosophies based on human nature which have stood the test of time.

In conclusion, may I repeat that if I have expressed doubts, it is not because I fear that business or industry or the few well-to-do may suffer a contraction of their income or profit, but because I sincerely believe that the voluntary enterprise of our people, individually and in groups, has a great part to play in ensuring the success of the plans on which the country has embarked.

Two Million Ton Project

Let me now turn to our own affairs and particularly to the important project for the further expansion of our Jamshedpur plant to an annual capacity of two million tons of ingots or a million and a half tons of finished steel, about which most of you must have by now heard.

First let me give you a little background. As part of their estimates of the country's consumption of steel under the Second Five Year Plan, Government have set the target for steel production for 1961 at 6 million tons of ingot steel or 4½ million tons of finished steel.

Under the declaration of industrial policy of 1948, Government had decided that all major expansion schemes in the steel industry amongst others should thereafter be undertaken by the State. In pursuance of this declaration, Government propose to erect three separate steel works of about a million tons each and to operate them under State ownership and management.

The addition of this capacity to the existing or planned capacity of the steel works in the private sector will still leave the country short of the target. Instead of building a fourth steel plant, Government have, I am glad to say, agreed that the existing plants in the private sector should be allowed to expand further. This is a decision to be greatly welcomed both because the three projects already planned will by themselves place a considerable burden on Government's financial and managerial resources and because the existing plants can be expanded more quickly and at less cost.

As the present programme already under way at Jamshedpur will bring our capacity by 1958 to 1,300,000 tons of ingots, the new expansion project involves the creation of an additional 700,000 tons of capacity. Preliminary studies have indicated that the project is both technically feasible and economically sound, that it can be completed within three years and that the cost will be in the neighbourhood of Rs. 60 crores. This compares favourably with the cost of putting up an entirely new plant. The technical details of the project are at present under investigation by a firm of American consulting engineers and by our own Management.

The Problem of Finance

The financing of such a costly project obviously poses a serious problem. When discussing the new expansion scheme with Government, we stated that, in order to maintain the financial stability of the Company, not more than half the estimated capital cost should be financed from borrowings. The balance of Rs. 30 crores should be financed from internal resources and from the issue of fresh capital.

I am glad to say that Government have recently decided on doing away with differential prices as between one producer and another, and, pending an enquiry by the Tariff Commission which is at present in progress, they have provisionally increased our retention prices by an

average of about Rs. 54 per ton with effect from April 1955. A condition of this and any further increase that may be granted on the recommendation of the Tariff Commission is that the whole of the resulting accretion to our profits, after paying tax on it, should be taken direct to a development account and used solely for purposes of expanding the Company's productive capacity towards the two million ton target. A further condition is that, if we do not go ahead with the project, the net additional profits accruing from the increase in prices must be repaid to Government.

The Government resolution referring the question of a revision in prices to the Tariff Commission provides that the prices should be such as would enable both the major producers to obtain a portion of their capital requirements for their current and additional expansion programmes from internal resources and as would enable them to raise the balance from outside sources. We have made the necessary representation to the Tariff Commission for a substantial increase in the new retention prices. It is expected that the Tariff Commission will proceed with the inquiry quickly and make an early report to Government.

Even if the Tariff Commission's recommendation and Government's ultimate decision enable us to accumulate over four or five years, as I hope, Rs. 20 crores for the expansion project, there will still remain a sum of approximately Rs. 10 crores to be found.

Capital Issue

The Directors have come to the conclusion that the only source from which this sum of Rs. 10 crores can and should be obtained is a fresh issue of equity capital. Detailed proposals are being formulated to this end and will be submitted shortly for your approval at an extraordinary general meeting. While I cannot obviously anticipate at this stage what dividends will be paid in future, there seems to me to be no reason why, pending the completion of the project, the yield on the enlarged capital on the basis of present market values cannot be maintained.

I have already shown that this major project cannot be financed wholly from borrowings or internal savings. Apart, however, from the need for additional funds, there is an overwhelming case for an increase in the share capital of the Company.

Taking into account the present modernisation and expansion programme, the two million ton programme and various ancillary projects and the normal annual capital expenditure, the gross block of the Company, during the next four years or so, will probably rise to Rs. 140 crores or more and its borrowings to something like Rs. 50 crores. It is clear that, on the basis of such enormous figures, an amount of Rs. 3.74 crores, which is the total capital provided in cash by the equity shareholders, including the premium on deferred shares, would be disproportionately low. Even if we add up the preference shares, the existing ordinary shares and the new issue which we now propose to make, it is evident that a total share capital of even Rs. 27 crores will be on the low side for a Company in which not far from Rs. 200 crores will have been invested. This does not mean that I visualise further issues of capital for cash in the near future. The best solution of the problem will lie in the capitalisation from time to time of reserves as they are built up and in corresponding issues of bonus shares. The fact that for so many years shareholders have had to be satisfied with low dividends provides a strong case for such a policy and I hope that the Government of India will grant the necessary sanction as the occasion arises.

Taking all these factors into consideration, I am sure that shareholders will agree that the proposed issue of fresh capital is necessary if we are to go ahead with the project at all. On that assumption, let me now briefly analyse the merits of the scheme itself.

Merits of Project

To my mind there can be no question that the proposed expansion of our plant will bring significant benefits to the Company, its shareholders and its employees, as well as to the country.

It will increase the Company's finished steel capacity by 60%.

It will, as a result of the increased output and the better spread of overheads, help to reduce costs.

It will largely solve the intractable problem of excessive labour which has plagued us all these years.

Finally, it will provide the opportunity for the Company to make an important contribution to the country's economic expansion. I have, in previous speeches as well as in this, stressed that Free Enterprise has a major role to play in the country's

regeneration. It would, therefore, be wholly inconsistent with such a view if, when Government did show their willingness to take our assistance, we were to withhold it.

As the implementation of this scheme must, apart from other considerations, depend on the availability of some Rs. 30 crores of foreign borrowings to pay for the plant and equipment to be purchased abroad, Mr. J. D. Choksi, Mr. A. D. Shroff and I, and later Sir Jehangir Ghandy, visited the United States to investigate the sources of capital and plant available there. We found, for reasons which need not be elaborated here, that American private capital, which has unlimited opportunities in its own country and in other parts of the world where the climate for private investment is exceptionally favourable, would not be available to us to any appreciable extent either in the form of loans or of share capital.

We held discussions with the World Bank and the Export-Import Bank. Both these great financial institutions received us, and listened to our proposals, with cordiality, courtesy and responsiveness. We came away satisfied that the required long-term finance would be made available to us.

Finally, we took the opportunity of calling on some of the highest ranking officials of the American

Government and I should like to take this opportunity of expressing our deep appreciation of the interest they took in our proposals. I believe that the United States Government is anxious to help India in her industrial development.

Further progress in negotiating the necessary finance in the United States must await the completion of the technical studies of the project now under way by consulting engineers and our own management. We expect that stage to be reached in the next few weeks, when negotiations with the U. S. Government, the Export-Import Bank and American manufacturers will be resumed. We shall spare no effort to ensure that the scheme as finally adopted is technically and financially sound and that, once it is approved, it is pushed through with the maximum of energy and speed, I am sure in this effort we can count on the support of our shareholders and employees.

Labour's Role

I have specifically mentioned our employees because they have as vital a stake in this project as anyone else and because they will have also an important responsibility in its implementation.

We have in recent years made it clear to them that there was no room left for any appreciable increase in their emoluments except

through an improvement in their productivity. We obviously cannot afford to embark upon a scheme of this magnitude if, at the end of it, we are still to be burdened with the gross excess in our labour force which we have today.

The new Government plants will be of the latest type, employing a much lower number of men per ton of capacity than we do at Jamshedpur. It is obvious that if Government pays the same wage rates as we do, their labour cost per ton of steel will be substantially lower than ours unless our output per capita is correspondingly increased. Fortunately, the proposed expansion will provide the opportunity to achieve smoothly and painlessly a substantial increase in the output per capita at Jamshedpur involving no retrenchment and ensuring job security and higher earnings to our workers in the years ahead. I sincerely trust that they will appreciate and seize the wonderful opportunity which the scheme will bring them of serving their own interests as well as those of the country.

As usual at these meetings, it gives me great pleasure to express to our Management and staff throughout the Company's vast organisation our appreciation of the excellent work they have put in during the year and our thanks for their cooperation.

From the Calcutta End

Seven Eminent Bengalis

SINCE August 15, Calcutta has been paying homage to seven eminent living Bengalis. Tribute is due to the West Bengal Pradesh Congress Committee for taking the initiative in this matter. There has been criticism of the Pradesh Congress Committee's selection of the eminent Bengalis. Anyone who knows Bengal and Bengalis will not be surprised that there has been criticism of the choice of the seven illustrious Bengalis. But the West Bengal Pradesh Congress Committee's initiative is widely appreciated.

It started with the presentation of his biography to Dr. B. C. Roy. West Bengal's Chief Minister has many critics. But even his critics will not deny that he is an eminent living Bengali. Dr. B. C. Roy is an eminent Bengali who has an all-India reputation as a physician and an administrator. Jamini Roy is known not only throughout the country as a great artist, but among Indian artists, he is probably the best known outside India. There are other living Bengalis whose paintings are no less famous. But Jamini Roy can claim to be honoured for his distinctive style. Alauddin Khan is equally honoured throughout India by the connoisseurs of Indian music.

The theatre is an art-form which is highly developed in Calcutta. There have been, there are, many illustrious Bengali actors. In technique, in presentation, in interpretation, some of the modern theatre groups are more advanced. But there has been no other Bengali actor who has dominated and influenced the Bengali stage as much, or as long, as Sisir Bhaduri. He is the idol of the theatre world in Calcutta. No other Bengali actor is so widely appreciated. All Indians who love the theatre have heard of him. In honouring Sisir Bhaduri, Bengalis have paid him homage which he richly deserves.

Tensing now lives in Darjeeling. He may or may not be a Bengali. But Bengal and Bengalis may be excused in honouring him as one of the seven eminent living Bengalis. Tensing is now known throughout the world as the Man of Everest. If ever the history of sport in modern India is written, Goshtha Pal, the veteran Mohan Bagan right-back, is sure to find his name

in the chapter on football. It was in the fitness of things that Goshtha Pal presided on the day Tensing was honoured.

All the Bengalis mentioned so far are not only famous living Bengalis, but can claim to be eminent living Indians in their respective spheres of life and activity. Suniti Chatterjee, President of the State Council, is certainly an eminent living Bengali. His knowledge of linguistics is profound. He is not a politician. But West Bengal's claim to some of the areas in the neighbouring States of Bihar, Orissa and Assam are based on Suniti Chatterjee's linguistic studies. Bengali is the most developed of the Indian languages. But it is not Suniti Chatterjee's fault that, in his sphere of knowledge, no one can claim to be an eminent Indian unless he is an authority on Sanskrit.

Alauddin Khan is from Tripura. Calcutta now holds every year more concerts of classical music than any other city in this country. Calcutta is cultivating a taste for classical Indian music. But Bengal has not yet produced a great singer. It is rather strange that Bengal has not yet produced either a famous classical singer or a classical Indian dancer, though Uday Shankar, who presided on the occasion when Alauddin Khan was felicitated, put Indian dancing on the world map.

Bengal may not have produced any illustrious classical singer or dancer, but Bengal and Bengalis are proud of their contribution to Indian literature. Even as Bengali is one of the richest Indian languages, Bengal has produced famous literateurs, poets and novelists. Kumud Ranjan Mallick, the last of the older generation of poets, was honoured as an eminent living Bengali poet. It is not this writer's intention to belittle the poetic genius of Kumud Ranjan. But all sensitive Bengalis must share this writer's deflated feeling that Bengal has not yet produced a famous classical singer or dancer, and is fast losing her cultural reputation established by eminent Bengalis like Vidyasagar, Bankim Chandra and Rabindranath.

If Dalhousie Square and its immediate surroundings still retain some of the make-up of the East India Company, social and political life in

West Bengal still reflect some of the undesirable characteristics and incidental consequences of British Rule. There are reasons why local authorities are less developed in West Bengal than in Madras or Uttar Pradesh. Similarly, there are reasons why in Bombay there are J.P.s among members of the public, but there are no Justices of the Peace among members of the public in divided Bengal. British Raj was unwilling to associate Bengalis with the system of administration. Bengalis reciprocated this feeling by non-co-operating with British Rule.

That was the state of affairs in Bengal during British Raj. To-day, Dr. B. C. Roy's Government does not seem to be unwilling to associate the people with the administration. But the Opposition in the State Assembly, and, to some extent, the people, do not seem to like these experiments. It is doubtful whether in any other State, the Government's efforts to have the co-operation and collaboration of members of the public in the administration of law and order would be so resented by the Opposition as in West Bengal.

In the last few days, the State Assembly had heated discussions on two Bills introduced by the Government. One of the Bills sought to amend the Code of Criminal Procedure, 1898, so that Justices of the Peace could be appointed from among members of the public. On Monday last, the Government introduced another Bill which sought to empower the Calcutta Police Commissioner to raise and maintain a permanent force of unpaid special police officers and special constables in the city and the suburbs.

Both these Bills, the Government emphasises, will benefit the people, will lead to increased association of the people with the administration and will foster a sense of civic duty amongst members of the public. Both these Bills were vehemently opposed. But the reasons for which the Bills have been criticised are revealing. These proposed measures, the Opposition argument is, will only help the State Congress Party in the coming elections. In the West Bengal State Assembly, Congress has a comfortable majority. So, the Opposition was not successful in its opposition. But the suspicions and fears expressed by Opposition members are widely shared by the people.

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BOMBAY I

Processes of Marketing: An Investigation

The Marketing of cocoa in Western Nigeria by K. D. S. Baldwin, Oxford University Press, London, 1954.

Pages 51. Price 5 sh.

MUCH has been written in recent years about the marketing boards in some of Britain's African colonies and about their achievements or failures in the stabilization of incomes. Little has been done, however, to investigate the actual processes of marketing within the countries concerned and the attitude of the various sections of the community to these boards. Since it is the particular, and perhaps peculiar, price policies followed by the Boards which have led to the accumulation of the huge balances which have attracted attention, it is clear that appropriate changes in these policies would be adequate to rob the question of much significance, whereas the other sets of problems mentioned are of much deeper significance.

An attempt to fill this gap is made in this careful little factual study of the marketing of cocoa in one part of Nigeria. The marketing board in Nigeria operates in the purchase of cocoa through middlemen known as Licensed Buying agents (LBAs). Hence the sub-title, 'With Special Reference to the Position of the Middleman'.

A number of commercial firms which used to buy and export cocoa before the second world war, together with the Association of Nigerian Co-operative Exporters (ANCE) are recognised as buying agents and are paid a commission per ton purchased to cover their expenses and get a reasonable remuneration. One of the prime functions of the Board is to guarantee the farmer a fixed price throughout the season. While ensuring this and retaining the system of middlemen instead of dealing directly with producers through farmers' associations sponsored for the purpose, the Board exercises complete control over the sale and shipment of cocoa abroad as during the war.

To assure that the interests of farmers are safeguarded, the Board publishes the price which it will pay for cocoa at the ports of shipment. It also publishes the minimum prices payable by the LBAs to the farmers at different buying stations spread throughout the country, of which there are 112 in the Western Region. The difference between the price

payable at the Port and the minimum prices payable at the buying stations depends upon the estimated cost of transport to the port by the normal and most expeditious route. The farmer is thus completely protected. For he is free to go to the nearest or any buying station or to the port town and recover the price that is prescribed as the minimum at that point, if he gains by doing so rather than selling to sub-buyers or others at slightly lower prices. The LBAs on the other hand are free to offer higher than the minimum prices, if savings can be realized through more efficient transport, for example. The excess may also, however, be paid from the buying allowance permitted by the Board, which would reduce the margin of profit though it might increase a particular Agent's turnover.

The effectiveness with which this system operates to protect the farmer is clear, for farmers, as the author points out, "could easily find out the price in the nearest buying centre and from that work out within narrow limits the transport differential to their villages and farms." In consequence of this, the farmers receive a much larger proportion of the price prevailing at the port than formerly, as their bargaining position in relation to the middlemen is strengthened to that extent.

The Licensed Buying Agents perform a number of functions including purchase of cocoa at buying stations, arrangement for inspection and bagging at standard weights, finance of purchases and provision of suitable storage, conveyance to ports and delivery on board ship and insurance against all risks. In other words, the LBAs perform the function of buying in small lots cocoa which would be delivered to the Board or to its instruction in bulk after grading and transport. In doing this, they provide also the finance in cash in the shape of interest-free advances to middlemen who would collect the cocoa from farmers and arrange for its delivery at the buying stations.

While initially only those firms which were already in the trade

were licensed as LBAs, subsequently other firms have been licensed, provided they are in a position to handle a minimum of 250 tons of cocoa and have a certain minimum storage capacity at their command. The capital required is therefore fairly high, amounting to £10,000 on the basis of prices in 1951-52. Only a few new licences have, however, been issued and these mainly to Africans.

The LBAs themselves, whether European, Levantine or African, operate through African middlemen who, in turn, operate through sub-buyers. This elaborate organization is necessitated by the large number of small producers dispersed throughout the country, there being nothing to prevent the LBAs from dealing directly with farmers if they wish to do so. In fact even the sub-buyers find it necessary to employ what are known as runners to collect together the minimum amounts with which the middlemen (buyers) are willing to deal.

Mr Baldwin makes a "thorough study of the way in which this system operates, of the margins of profit and levels of income of different classes of intermediaries and of the methods by which the financial problem is solved. This part of his work should be particularly interesting to the calculator of national income for it throws lights on some aspects of the field about which little was known before.

The system of financing the trade in cocoa as revealed by the author is also of absorbing interest. The middlemen obtain their funds from the LBAs, some of whom obtain advance payments from the Board. But these funds are usually available fairly late in the season and the middlemen have to use their own capital or obtain funds in other ways. Money lenders play a part. But most interesting is the practice of what is called 'Gold Coasting' which is described by the author as follows:

"This system consists of buying goods in quick-moving lines such as cigarettes, milk or kerosene, on credit through the firms, and then selling them as rapidly as possible,

if necessary at a loss. Even if the goods are sold at a loss of say 5 per cent and if the buyer can advance the money at 30 per cent or 50 per cent he has obviously done very well. this sometimes explains why goods are very much cheaper when bought from women actually sitting on the doorsteps of the stores where they have been purchased."

A somewhat similar reason explains why firms which actually make losses in their work as LBAs

continue to function as such. It is found that firms which also import merchandise are "able to use the purchase of produce as a means of remitting funds to London. With the proceeds of their sales of merchandise they can buy produce for which the Marketing Boards make payment either in Lagos or London according to the wishes of the firm concerned and the heavy charges made by the banks and the West African Currency Board for the transmission of money are thereby avoided."

Mr. Baldwin's essay is a well-written presentation of the results of careful and systematic research work. Though the field of study might appear to be remote and the results achieved only of local utility, in fact they can be usefully studied by all those who are concerned with problems of agricultural marketing or of national income. The light the present work throws on one aspect of the structure of the Nigerian economy should in any case prove very useful to administrators and policy makers in that country.

4 PER CENT STATE GOVERNMENTS LOANS 1967 (SECOND ISSUE)

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(3) Government of Madhya Pradesh	Rs. 50 lakhs	Issue price Rs. 99-8-0 per cent
(4) Government of Mysore	Rs. 50 lakhs	Issue price Rs. 99-0-0 per cent
(5) Government of Saurashtra	Rs. 125 lakhs	Issue price Rs. 99-0-0 per cent
(6) Government of Uttar Pradesh	Rs. 250 lakhs	Issue price Rs. 99-8-0 per cent
(7) Government of West Bengal	Rs. 200 lakhs	Issue price Rs. 100-0-0 per cent

THE LOANS WILL REMAIN OPEN FOR SUBSCRIPTION FROM 30TH AUGUST TO 1ST SEPTEMBER 1955 BUT MAY BE CLOSED EARLIER WITHOUT NOTICE AS SOON AS SUBSCRIPTIONS APPROXIMATE TO THE AMOUNT OF EACH ISSUE.

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In the case of Mysore Government loan applications will be received at branches of the Bank of Mysore Ltd. in the Mysore State.

N. B. Copies of Notifications and Application Forms may be obtained at any Receiving Office.

Economic Study of a Malabar Village

(Concluded)

Thomas Shea

DETAILED statements were taken from 67 cultivating tenants concerning their paddy holdings in Morazha desam. Twenty nine per cent of these tenants also held some of their lands either as intermediaries, as janmis, or as both; 15 per cent of them had holdings with tenants under them, and thus occupied the dual status of landlord and tenant. There is, in Malabar, no rigid division between different categories of landholders; a single individual may, even though all of his holdings total no more than 3 or 4 acres, hold land under four or five leases in more than one village, and himself let out land to one or two tenants. The holdings of individual cultivators are usually, like those of janmis and intermediaries, scattered in random fashion throughout one or more villages. Twenty nine of the 67 tenants interviewed, or 43 per cent, held land in other desams or amsams. Even in the case of the 22 cultivators in Table VII who had no holdings outside the village, and may therefore be presumed to be for the most part the poorest of the cultivators to be found in the village, 12, or more than half, held land under three or more landlords, and ten had land scattered in four or more separate blocks. Only one of these tenants had 4 acres or more of wet lands in the aggregate.

Fair Rent Clause Inoperative

The Malabar Tenancy (Amendment) Act of 1954 fixed fair rent for paddy lands at $\frac{1}{2}$ of the net produce, and specified 417 lbs of paddy per acre as the cost of cultivation to be deducted from the gross yield in computing the net yield. According to that formula, none of the 22 tenants in Table VII pay fair rent. The original Act, passed 24 years ago, fixed fair rent at $\frac{2}{3}$ of the net produce, and computed cost of cultivation at $2\frac{1}{2}$ times seed. Even if prevailing local costs of cultivation—the bare minimum of about $1\frac{1}{2}$ times seed—are taken as a basis for computing the net yield, only one of these tenants pays fair rent or less. Most (15) of the 22 tenants pay rents which exceed the net yield of their lands. These rents, if they are typical of Malabar generally, and there is much evidence to show that they are, show that

this portion of the Malabar Tenancy Act has remained inoperative for more than a quarter of a century.

According to the original Act, before it was amended in 1951, either a cultivating tenant (holding on *verumpattam* or simple lease) or his immediate landlord could file, in an ordinary civil court, a suit for fixation of fair rent; between 1930 and 1946, only 217 such applications were filed. The reasons are obvious. Each cultivating tenant holds land on many leases; to derive real benefit from the provisions of the Act, he would have to file perhaps half-a-dozen suits. As the Act provided no summary procedure, and allowed appeal, court costs would have been ruinously high for the average cultivator.

In 1951, the Act was amended to provide for compulsory rent settlement for each holding, and a Rent Settlement Authority with a staff of 1000 employees was appointed to take up the colossal task of fixing rents and preparing a record of rights of more than a million holdings. The Authority after six months of futile effort, was finally abandoned the following year.

Summary Rent Courts

The Malabar Tenancy Amendment Act of 1954 revived the provisions for a summary rent court, but made applications optional. The rent courts were introduced throughout the district in September, 1954. This time, as a result of persistent and methodical campaigns by the Kisan Sangham and other political parties and pressure groups, the courts were promptly deluged with applications—30,000 were received by courts throughout the district. More than a hundred were filed by cultivators residing in Morazha desam alone. In many cases, cultivating tenants who filed complaints against their landlords were themselves sued by tenants of their own who cultivated other holdings which they held as landlords. Many tenants who had heavy arrears of rent, or who held on oral lease were too afraid of eviction to bring forward complaints against their landlords, but should the trend of present court awards, which have been for the most part favourable to tenants, continue, it is likely that

applicants will continue to come forward in increasing numbers.

Majority Below Subsistence Standard

Rent fixation alone will not, however, rescue this village and others like it from starvation, although it is a step in the right direction.

A family of five, consisting, say, of three adults and two children, requires, if one assumes a standard of basic nutritional requirement, among those whose staple diet is rice, 1 lb. of rice per adult per day and $\frac{1}{2}$ lb. per child, 1460 lb. of cleaned rice or 2700-2800 lb. of paddy per year. Three of the 22 cultivators obtain a gross yield from their paddy holdings sufficient to meet these requirements. If one assumes a minimum requirement sufficient to stave off actual starvation of only 1000 lb of paddy per year for a family of five (and census figures indicate seven to be the average size of a household in Morazha), only 8 of the 22 cultivators produce on their holdings enough to survive, and only two have this amount left over from their gross produce after meeting rent payments. Thus, even if fair rent provisions were enforced, only a tiny percentage of the smaller cultivators would become self-sufficient even if they did their own field labour.

Pattern of Labour Input

Cultivation of paddy lands makes heavy seasonal demands on labour, but leaves it idle over much of the year. In the case of Kaipad lands, repair of bunds and the preparation of mounds requires a heavy input of labour over a short period; so does harvesting. In most of the other wet lands, seedlings are not transplanted from nurseries, for the seeds are sown broadcast. There is thus not the unusually heavy demand for labour characteristic of regions where transplanting is common. Most of the wet land soil of the village has a high percentage of clay and cakes easily. It is thus necessary, during the ploughing operations prior to sowing, to crush the clods which are not properly broken up by the plough. This work is ordinarily done by women working in teams. It is easy work, but requires much perseverance, for it

must be done quickly if seeds are to be sown on time.

Few cultivators who hold several pieces of land scattered throughout the village are in a position to give much personal attention to cultivation; most depend, therefore, partly or wholly on hired labour for assistance. Table IX shows, for the 67 tenants of all types interviewed, the percentage of cultivating tenants who do not work, who work themselves in the fields with the assistance of hired labour, who do all of their own work themselves, and who supplement their income by working as hired labourers. Table VIII gives the same information for 22 of the 67 cultivators with no holdings outside the village whose information on rent, etc., could be subjected to proper scrutiny. This latter table shows that the three who employ no agricultural labour are all in the less prosperous section of cultivators who obtain gross yields of less than 800 lb. per year, and hold land in only one or two blocks.

Status of Cultivator and Attitude to Labour

Although many substantial cultivators work their own land, there is still a strong disposition among well-placed villagers to look down upon actual physical labour; hence the tendency, even among poorer agriculturalists, to sub-let their holdings and content themselves with mere rent-receiving even when there is no monetary advantage whatever to be derived from it. Some work is regarded as more degrading than others. Even the cultivator who will make a point of doing his own ploughing will, if possible, have all of his harvesting done by hired labour and would not, except in the direst circumstances, send his wife and children into the fields to harvest the crop. There is a particular tendency for cultivators who are themselves janmis or intermediaries to shun agricultural labour. Of the 15 cultivators in Table VIII who do not work at all but rely entirely on hired labour, 12 occupy some status other than that of cultivating tenants. Of the 12 cultivators who also hold janmam land, for example, eight do no cultivation and of the five cultivators who also hold land as intermediaries, i.e., who are also landlords with tenants under them, three do not work. Only three cultivators were found who worked also as labourers on the lands of others. Most agricultural labourers hold small patches of garden land only,

on which their house-sites (*kudi-yiruppus*) are situated, as in the case of four in Table IX.

Hours of Work for Agricultural Labour

In Morazha desam, agricultural labourers, except during the heaviest part of the harvest season, work for half a day only. They ordinarily begin work at 8-00 in the morning, and usually finish by 12-00 or 12-30. Upon enquiry I received the same answer from everyone, including the village officers: the labourers were too weakened by malnutrition to put in a full day's work. It was, in fact, unnecessary to ask, for despite the apparent general absence of disease—like all Malayali villages, Morazha is clean, and the climate, though somewhat enervating, is not unhealthy—the physique of most of the labourers and cultivators is wretched in the extreme.

Daily wages are uniformly 3 lbs of paddy for males and $1\frac{1}{2}$ pounds for females. A few cultivators give mid-day kanji (a watery rice gruel) as well; some give half a pound of paddy per day more to the men, and a few pay in cash—a rupee for men, 8 annas for women. Moreover, at the time of harvesting, 10 per cent of the crop is universally given to the labourers.* This, plus their daily wages, is all that most of them ever get.

Slack Season Employment

Agricultural work keeps them busy for at most 120 days out of the year. A few families are fortunate enough to have members working in the tea plantations of Coorg. Some earn a pittance in the part-time manufacture of bidis. For

* This 10 per cent deduction is made before computation of the gross yields of paddy land.

TABLE VIII
Extent to Which Cultivators Participate in Agricultural Operations, Morazha, 1955

Category of cultivator		% of total	no. who are also janmis or j & int.	no. who are also intermediaries
No. of cultivators who do not work	15	24	9	3
No. of cultivators who work & hire labour	35	56	3	1
No. of cultivators who work but don't labour	6	9	—	—
No. of cultivators who work on their own & other people's holdings	3	5	—	1
No. who are only agricul. labourers	4*	6	—	—
Total no. of cultivators from whom information obtained	63	100		

* Holders of garden lands only. These are the four mentioned in the text as having recently been evicted from their wet holdings.

rise, standards of cultivation progressively declined. Owing to the scarcity of rice, villagers were obliged more and more to depend upon toddy and fish for their main source of nourishment. When in 1948 the Madras Government introduced total prohibition, although it continued to be produced illicitly, toddy ceased to be available in large quantities, and its price is now out of reach of the ordinary cultivator or labourer. The export of fish in large quantities from the village has likewise raised its price beyond the reach of most of the villagers. Six annas, which will now purchase one lb of fish, would, before the war, purchase 15 or 20 times that quantity. Prohibition and the setting up of the dried fish industry for export have thus exhausted the last important alternative sources of food upon which the villagers depend.

General Observations

The low standard of cultivation prevailing in Morazha is immediately apparent to the visitor. Fields look poorly cared for. The bunds around the individual kandams or paddy fields are in continual disrepair. Little attention is paid to proper weeding. Many acres of paddy land have fallen out of cultivation; some have been completely washed away by the gradually advancing river; others have just been abandoned. There is practically no source of manure. Green leaves, commonly used as manure throughout Malabar and generally regarded as the most suitable for soils in the district, have been unavailable since the war. Most cultivators, if they use manure at all, depend chiefly upon ash from small

quantities of dried leaves, which are gathered and burned on the fields themselves. Cattle, generally of nondescript quality throughout the district, are at their worst in Morazha; underfed and emaciated, they produce neither milk nor manure in appreciable quantity. Garden lands are in as bad a condition as or even worse than paddy lands. Coconut trees yield generally no more than 10 nuts a year. Much of the land classified in the village adangal or register of holdings as "garden" land is simply waste. The spindly, wasted bodies of the children which swarm the village presage a generation yet weaker and more enervated than the present one.

Economists have frequently speculated upon the eventual result of unrestricted population growth which is not matched by the provision of proper institutional and technological facilities to accommodate it. Let them visit Morazha. It will take much more than an agricultural extension block and planned parenthood to save Morazha. Conditions in Morazha and villages like it require simultaneous and massive attacks from several sides, if genuine improvement is desired; but most of all they need a thorough overhaul of the pattern of landholding.

Rent Courts Ineffective

The rent courts, if they carry out their functions properly and their decisions are enforced, will provide some incentive to cultivators by reserving for them a larger share of the produce. There were many complaints, however, by villagers on the manner in which these courts were then (March, 1955) functioning. The Cannanore Rent Court, which has jurisdiction over Morazha, was, they said, automatically rejecting all petitions filed by oral lessees. In the sample which I studied, nearly half of the leases fell into that category (See Table V).

Even in the case of registered documents, the applications are automatically rejected if any error whatever is found in the particulars contained therein. Particulars contained in deeds filed in registration offices are notoriously inaccurate. Much of this inaccuracy is due to the cumbersome procedures followed in State Registration Offices. When a deed is registered, the office is obliged to ascertain whether the area of land contained in the title deed corresponds with the area of

the survey number and sub-division number in which it is located. The survey number corresponds to the *janmam* holding; no record whatever is kept of the area or configuration of the cultivator's holdings which are generally smaller than the recorded survey or sub-division numbers. Thus, a dozen or so tenants holding lands in a field with a given survey number will each be shown as holding the entire field. Many of the older title deeds give the area of holdings not in acres and cents, but in the local measure. This measure, although it often corresponded neither with the area of the actual survey field nor with that of the actual holding, usually passed preliminary scrutiny. Now, if submitted for close scrutiny in a rent court, such leases would probably be thrown out and the tenant might have for his efforts not a reduction of his rents, but the additional expense of a suit brought either by one of his fellow workers or by his landlord disputing his title.

Determination of Yields

Another complaint brought forward to me by tenants is that the task of judging yields of lands for which fair rent applications have been fixed—work for which agricultural officers alone are competent—has been left to young and inexperienced revenue officials. These men, they point out, and my enquiries confirmed, are usually lower division clerks in taluk or district offices who are undergoing preliminary training as revenue inspectors. As they are both inexperienced and poorly paid, they are more susceptible to bribes than ranking officials would be. One tenant complained that he was obliged to pay a revenue official 30 rupees to get the yield of his land, which the official estimated at 30 times the seed sown, reduced to a realistic figure. Although the Rent Courts were set up for the express purpose of making applications as cheap as possible, there are a large variety of incidental costs which a tenant must meet in getting his case heard, and it is seldom that a tenant can get a decision without paying less than 10 rupees in miscellaneous fees for each application. As each tenant, to ascertain his fair rent, must file in most cases three or more applications—one for each lease—the costs become prohibitive. The provision of administrative machinery for alleviating injustice is of no use unless its proper functioning is assured.

It is difficult to see how really effective steps designed to raise production can be taken so long as these chaotic, wasteful, and unbusinesslike land tenure patterns—it would be wrong to term such a welter of confusion a system—are allowed to persist. Whether or not cultivator 5 in Table VII receives a free loan of improved seed, he will continue to be an inefficient cultivator so long as he has to wander all over the village in order to see that his 9 tiny plots are properly worked. And even if he pays fair rent, and gets back his toddy and fishing rights into the bargain, 682 lbs of paddy per year, even with these extras, would hardly be enough to keep him alive, let alone a wife and children. It will certainly not enable him to raise the wages he pays to his labourers sufficiently to get out of them more than a half day's slipshod work. In the unlikely assumption that he would even be in a position to file fair rent applications against the 7 landlords who are at present rack-renting him, he would surely emerge from the courts so deeply bound down in debt that even the most lenient agricultural credit society would consider him a poor risk. The willingness of the government to be content merely with grafting a superstructure of welfare services upon such an unsound substratum is, of course, partly because of the extreme difficulties and expense which any systematic attempt to introduce fundamental reforms would involve.

Record of Holdings Essential

Whatever programme of land redistribution the government or legislature might choose to adopt, whether it be the recommendation of the Planning Commission, or the conversion of each village in the district into a collective farm, so long as it involves depriving certain categories of landholders of their rights in the soil and the payment of compensation based either upon the value of their holdings or on the income derived therefrom, a reliable record of these holdings must be prepared. The task in Malabar is undoubtedly more difficult than in many parts of India. If the reader refers again to Tables III, V, VI, and VII, and imagines Morazha multiplied 2222 times, he may form some idea of the magnitude of such a task.

The attempt which the Madras Government made in 1951 to pre-

pare a record of rights was a failure for certain very clear reasons. In the first place, the work was undertaken throughout the district at once, without the benefit of a pilot enquiry which would have enabled the Government, at minimal time and expense, to determine in advance the defects, if any, of its proposed approach.

Secondly, production of evidence, written and oral, in defence of titles was not made compulsory, and no penalties were provided for failure to appear at hearings. Had rules been made imposing forfeiture of property for withholding of information or submission of false evidence, the Government's task would have been much easier.

Thirdly, the Government failed to impose a ban on transfer of landed property during the period of enquiry and provided the Authority with no power summarily to decide disputes over title. As landed property in Malabar changes hands with remarkable frequency and the volume of land litigation is enormous, information on holdings would often become obsolete long before it was ready for processing. Since the job of preparing a record of rights for more than a million holdings would have taken the staff of 1,000 special officers, clerks, etc., who were employed in the Rent Settlement Authority, at least three years or more, a general stay of all land transfers throughout the district might have imposed undue hardship, in which case, the task of settlement could have been taken up taluk by taluk. As there are 9 taluks in the district, the task could then have been carried out in each one in a matter of 5 or 6 months.

Public Opposition—No Positive Programme

Lastly, and perhaps most important, the task was undertaken without properly informing the public of its necessity. It was a costly undertaking—600,000 rupees were spent in the 6 months of the Authority's existence, and uninformed public clamour against the expense was in fact the chief reason for its abandonment. If the preparation of a record of rights were linked to a positive programme for land redistribution in the form of a comprehensive tenancy act or series of acts, it is highly probable that public outcry against it would have been reduced to the inevitable minimum which is a normal feature of parliamentary life.

Economic conditions in Morazha are unusually bad even for Malabar, which is economically one of the worst-off districts in India. Conditions in the northern taluks of the districts—a chronically food deficit area—are more unsatisfactory than in the south. The north too has been in recent years the centre of agrarian unrest in the district. It is noteworthy that in the last District Board elections (1954), in which a predominantly rural electorate voted, Madayi Firka, wherein Morazha is situated, gave a higher percentage of popular votes to the Communist Party (65%) than did any other constituency in the district, and in the 1951 general elections, in the Assembly constituency of Payyanur, of which Morazha was then a part, the Communist Party likewise polled a higher percentage of votes (68%) than it received anywhere else in Malabar.

There is no doubt that the chaotic land tenure arrangements prevailing in Morazha *desam* and throughout the district are the major underlying cause of its present poverty, and is a bar to effective rural economic development. Conscious planning could only with the most determined efforts at perversity succeed in creating a situation better calculated to destroy initiative and maximize the misuse and dissipation of human and natural resources. The general programme laid down in the Planning Commission's First Five-Year Plan for transferring land rights to the actual cultivators of the soil and of setting floors and ceilings to the size of holdings has the merit of possibility—it is supported by the Government of India and the Congress Working Committee—and of purpose; whatever its defects, it would be far more welcome to people of all political persuasions in Malabar than a continuation of the present state of uncertainty and confusion.

India's Villages
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Rice, selling lb	7- 0
Chillies, 2nd quality lb	12- 0
Coriander do lb	5- 4
Oil (coconut) 24 oz bottle	15- 0
Oil (gingelly) "	15- 0
Dal lb	5- 4
Turmeric lb	1- 0- 0
Fish, ordinary quality (called Cherumati) lb	6- 0
Tea (cheapest quality) lb	3- 0- 0
Sugar lb	7- 6
Cloth (cheapest quality) Yard	6- 0
Umbrella (cheapest quality) each	0- 0
Salt lb	show 1

Empire of India Life Assurance Company, Ltd

Report Of The Administrator, Shri R Varadachari

THE Revenue Account and the Balance Sheet of the Company with the Auditors' Report appended hereto relate to the year ended 31st December, 1954.

The year has been an eventful one for the insurance world characterised by the rate-war, the bonus war and the staff Insurance scheme war. The controversy regarding the last has now been set at rest but the repercussions of the other two are bound to be felt in future years. But so far as the present is concerned, certain unhealthy features, which had till now been largely confined to General Insurance, have made their appearance in the Life Insurance field also. The sudden reduction in the rates of premium by one of the big companies followed in a week by another company, created a very difficult situation for companies like the "Empire". It took us some time to work out the necessary data and consider the course to be adopted, but it was clear that a similar reduction was inevitable if "Empire" was to exist. After a full consideration of the pros and cons, we decided to follow the lead of the other companies and issued the revised rates on 27th April, 1954. For nearly two months before that, the writing of new business by the Company was practically at a standstill. In issuing the revised tariff, we advised our field staff very strongly not to indulge in what the President of the Indian Life Assurance Offices Association described as "the pleasure of re-writing as new business a large amount of business which we had already placed on our books at enormous cost" and that we would be satisfied with the normal growth of genuine new business. This seems to have had some effect during the year 1954; but how long this will last in the face of the terrific competition prevailing in the field is not known! If the message of insurance, i.e., the thrift and savings movement, is to spread far and wide in the land, the insurance agent should penetrate into the rural areas and he will do so only if it is made worth his while. At the present moment, the field force is concentrated almost entirely on urban areas and the whole-time insurance agent has become a rarity.

As there is some misapprehension even in informed quarters about the "Government management" of the Company and its result, I wish to emphasize that the actual day-to-day working of its affairs, such as the procurement of new business, settlement of claims, etc., are almost entirely in the hands of the Managers and the field staff recruited from the usual actuarial and business circles and not from any Department of Government. The chief difference is that every effort is made to see that the Code of Conduct is observed in field appoint-



Shri R Varadachari

ments. We do not allow any intermediaries between the Branch Secretaries and the agent beyond what is permitted by the Code; but this is felt by our organisation as an unnecessary insistence upon the Code. As a matter of fact, even in some big companies, the hierarchy is Organisers, Inspectors, Divisional Superintendents, Branch Secretary and the underlying object of this can easily be imagined; even a few weeks back an Officer, who left the Company, wrote to some of our field-workers giving this hierarchy as that prevailing in his new company on that company's letter-head and offering them higher status and pay and less restriction than in "Empire." Another difference is that the Head Office in "Empire" frowns upon twisted

business or any attempts to pinch men from other companies.

In some quarters it is alleged that after the "Government management" came in, the expenses have increased but this charge is entirely baseless; on the other hand, it was during the period when the Company was under private management that the expense ratio had been steeply rising from year to year, though the general trend for other companies was downwards. The salaries and allowances of the top officers in the Head Office used to amount on the average to Rs. 22,106 every month in the year 1950 but in the year 1954, this has been brought down to Rs. 8,111. Various other measures of economy have been introduced, but it takes time to feel the full effect of these. In the year 1949, the overall expense ratio was as high as 33.66 per cent, but during the year 1954 we have brought it down to 28.40%. The renewal expense ratio also has shown an appreciable reduction from 21.38 per cent. in 1949 to 18.61 per cent. in 1954. The reduction would have been far greater but for certain extraneous factors. The graded scales of pay to the staff introduced in 1953 for the first time in the history of the Company and the increase in the dearness allowance increased the cost by over Rs. 80,000 per annum. To add to this, the cost of the law charges connected with the proceedings against the ex-directors, etc., is quite a big one and this has gone to swell the expenses. Though the Company is an old one, it has had to work during the last four years not only as though it was a new company beginning from scratch, but with the added handicaps created by the incidents which happened in the years 1950 and 1951 and which resulted in the action under Section 52A of the Insurance Act. Every effort is made by fieldmen of other companies to misrepresent the position of the Administrator as that of a Liquidator. The extent of the disruption of the organisation will be clear from the fact that, of the existing Inspectors, 75% are entirely new men taken after July 1951. The same is the case in regard to the Branch Secretaries and the Officers at the Head Office. Considering

these handicaps, the organisation has produced results during the year which should be considered quite satisfactory. In spite of certain deficiencies "Empire" can claim some achievements to its credit during the last four years—such as reduction in top heavy salaries, increase in the salaries of the subordinate staff, stabilising the finances, creating a big reserve of Rs. 116 lakhs to meet losses from bad and doubtful investments (very few companies in India would be able to do this) increasing the dividends to shareholders and the bonus to policyholders, and with all this, lowering the overall and renewal expense ratio.

It is, however, unfortunate that, without any reference to these facts, some persons connected with insurance, in their anxiety to espouse the cause of "private management" as against nationalisation, have thought fit to publish disparaging remarks about the performances of this Company as well as the Jupiter General Insurance Co. Ltd. I do not desire to enter into the controversy for or against nationalisation, but would leave it to be judged by more competent persons in an objective manner. But so far as these two particular companies are concerned, I would submit, in all humility, that an examination of their past history—their methods of business and investment, control of shares and hawking of the management rights and top heavy administration—as compared with the present position, by any person, official or non-official, will not lend any support whatever to the cause of "private management." Such an examination will also show how difficult it is and how long it takes to rectify inherited wrongs and at what cost to the policyholder and to the general tax-payer. We all like comparison and competition; but the competition in the insurance business at present is neither fair nor equal.

The triennial Valuation as at 31st December, 1954 is in the final stage of completion. I am glad to say that from the preliminary calculations made, the hope which I expressed in my last report about a sizable surplus has been amply borne out. The results of the Valuation will be published shortly and there is every prospect of an increase in the bonus to the Policyholders.

Progress of Business in the Year
New Business: During the year

14,897 proposals were received for assurances amounting to Rs. 4,80,01,000. Of these and others awaiting completion on 31st December, 1953, 11,887 proposals resulted in policies assuring Rs. 3,84,06,774, of which Rs. 8,19,500 was reassured. The new business after deduction of reassurances was accordingly Rs. 3,75,87,274 representing an annual premium of Rs. 20,04,744 and Rs. 7,458 by way of single payment.

Expense Ratio: The overall expense ratio in the year was 28.40% as against 28.55% in 1953 and 26.93% in 1952. The renewal expense ratio in the year was 18.61% as against 19.80% in 1953 and 19.63% in 1952.

Claims: Claims by Death during the year amounted to Rs. 19,32,760 representing an increase of nearly Rs. 1¼ lakhs over the figures of the previous year. The claims by maturity showed a decrease of nearly Rs. 5½ lakhs over those of the previous year.

Income and Outgo: The income for the year amounted to Rs. 1,53,62,124 (after deduction of taxes at source), of which Rs. 1,19,77,645 was derived from premiums. The outgo amounted to Rs. 1,08,03,439. The excess of income over the outgo is Rs. 45,58,685.

Investments: The total assets have increased from Rs. 11,97,50,963

to Rs. 12,38,65,607. For reasons which have been explained in my previous reports, I have concentrated the new investments almost entirely in Government Securities. Since my taking over charge, I have up to date invested Rs. 2,48,51,397 in Central and State Government Securities, with the result that the total investment in Government Securities represents nearly 70% of the total assets. The investments made by the previous management have been under continuous scrutiny and every effort has been made to recover them; suits have been instituted in the Law Courts in a number of cases to recover loans advanced on the mortgage of properties during the years 1948 to 1950.

Rate of Interest: The net interest yield during the year comes to 3.32%. Credit for interest on mortgages taken to Court has again not been taken into account. Such interest will come into the account when realised.

I wish to convey my thanks to all the Officers, the staff and the field-force for the good work done by them during the year, sometimes under discouraging circumstances. I am sure that the Company and its workers have a bright future.



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Last Chapter in Freedom Struggle Background to Goa Satyagraha

S T Chary

BUT for the personality and popularity of Prime Minister Nehru the 'Goa Tragedy' would have cost the Government dear. People have faith in him, though they disagree with his policy on this particular issue. Probably for the first time in his life, he is confronted with challenge on a large scale. If he is too great to deviate from his convictions and principles, he is also too human to ignore the demand of the people. A born fighter for freedom, he cannot but bless other freedom fighters. That is why though mass satyagraha for the liberation of Goa is against the declared policy of the Government and Congress, he wished the Satyagrahis well.

Before examining the various aspects of the present movement for the liberation of Portuguese territories in India, it is necessary to have a broad picture of their historical, social and cultural background. Geographically, the State of Portuguese India comprises the territories of Goa, Daman and Diu with a total area of 1532 sq. miles, of which Goa accounts for 1309 sq. miles, Daman 219 sq. miles and Diu 14 sq. miles. The district of Goa is administratively divided into 11 talukas; Daman into two talukas, Daman proper and Nagar-Haveli including Dadra. The last one has already been liberated. The District of Diu constitutes a single taluka.

Low literacy

According to the 1950 census, the total population of Portuguese India was 637,591. On the basis of religion, the population distribution was: Hindus 388,488 (60.9%) Christians 234,275 (36.7%); Muslims 14,162 (2.2%); Parsis 339; Jews 50; Buddhists 56 and others 204. Of the population, 499,579 are illiterate. Of the literate, those who could read and write only in Portuguese was 1.43% while those who could do so in Indian languages was about seven times that number, viz. 10.56%. The Konkani dialect of Marathi, with a mixture of Portuguese words, is the spoken language of all non-Europeans in Goa, and Gujarati in Daman and Diu. The number of emigrants from Portuguese India who have settled in the Indian Union

is estimated at about 100,000, out of whom about 80,000 are in Bombay.

According to the 'History of Goa' by Father M. J. Gabriel Saldanha, which is supposed to be a reliable book by Goans, the whole of the territory did not come under Portuguese rule at the same time. On 25th November, 1510 A.D., Alfonso-de-Albuquerque seized the city of Goa from Adil Shah, the Muslim king of Bijapur, on the pretext of protecting Hindus from him. The same year, he conquered Goa and its adjacent islands of Divar, Chorao etc. Diu fell in 1546 A.D. and Daman in 1559 A.D. The enclaves of Dadra and Nagar-Haveli came into Portuguese hands in 1779 A.D. from the Peshwa of Poona. The Novas Conquistas (New Conquests), which comprise the present talukas of Pernem, Bicholim, Satari, Ponda, Quepem and Canacona, were finally annexed towards the end of the 18th century between 1782 A.D. and 1791 A.D. This shows that four-fifths of Portuguese India, that is, 1227 sq. miles out of a total of 1532 sq. miles, were occupied and acquired by them only at the end of the 18th century.

Portuguese possessions in India are under a Governor-General residing at Panjim, now known as Nova-Goa. Goa is under his direct control, while Daman and Diu are under two Lieutenant-Governors. A Governor's Council with advisory powers assists the Governor-General in his administration. Most of the members of the Council are nominated and not elected. There is a High Court, with 5 judges and one Attorney-General. The laws in force in Portugal are enforced in the Colonies even without the formality of consultation. Nova-Goa is the capital of Portuguese India. Salazar's dictatorship was established in Portugal in the year 1926. This year is notable because from then no opinion different from that of Salazar and his stooges has been permitted either in Portugal or its colonies.

A Challenge

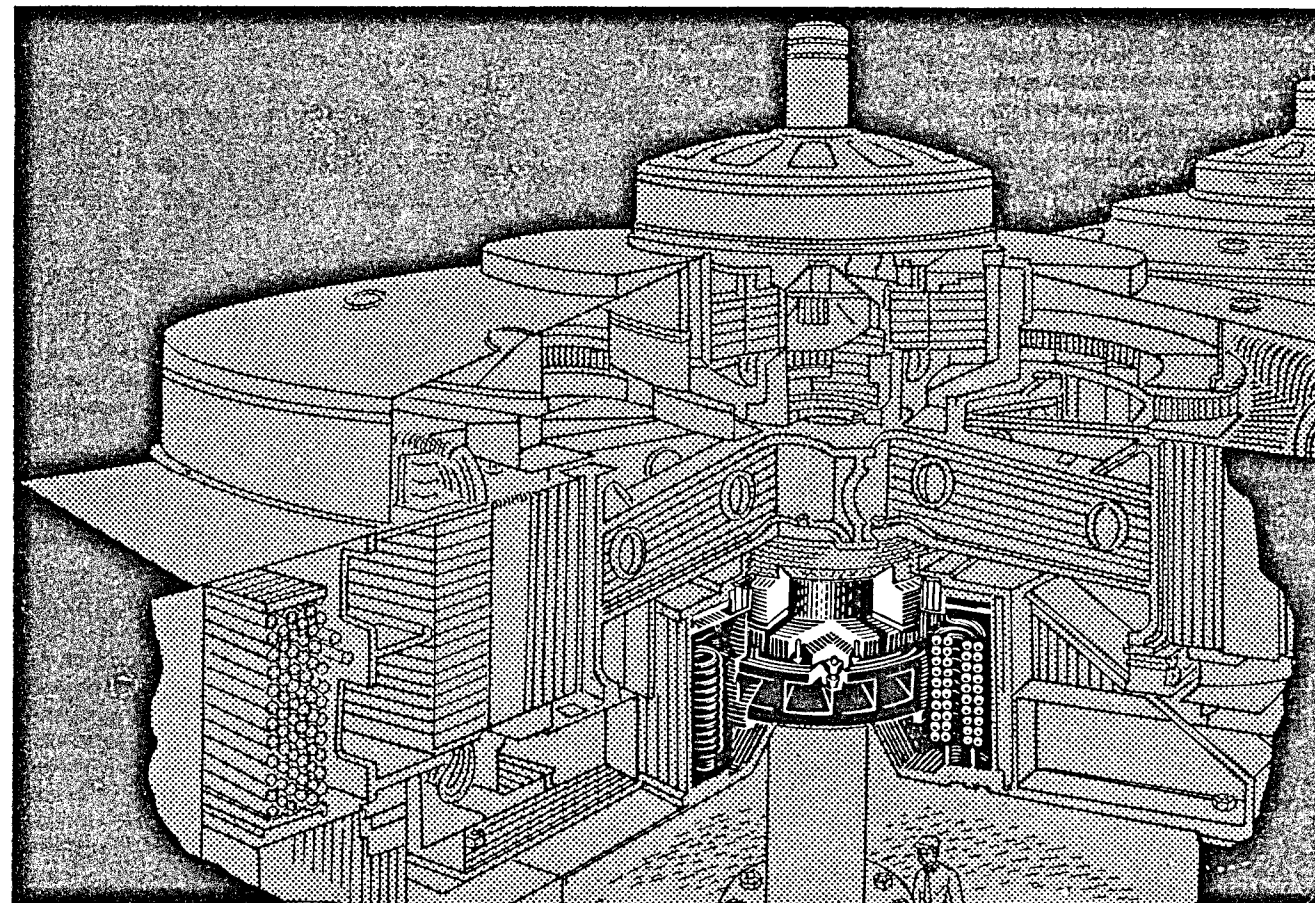
The Portuguese were the first of European Colonial powers to occupy this country. It took about sixty years for us to drive the British out. Congress took the initiative

in this and various forms of struggle were tried under its leadership. But the technique was the same as in Goa. It took a few years more for the French to quit. It was the result of Governmental pressure as well as the people's fight. Portugal refuses to do what the other two colonial powers have done. So a struggle for the liberation of the Portuguese territories in India has become necessary to complete our freedom struggle. It is a fact that during the freedom struggle in the rest of India, Congress did not bother about Goa in the sense of conducting a parallel struggle though the subject always found a place in Congress resolutions. Of course, in those days, no one could have imagined that a situation of this kind would develop in Goa. Everybody fondly hoped that if the British were forced out, the liberation of other foreign pockets would follow in a matter of days. India has been free for some years now. Yet Goa remains under the Portuguese. Not only that, its liberation presents a challenge. It is trying the patience of the Government and the wisdom and determination of the people.

For the last 8 years, our Government has advocated and tried the policy of settling international problems by peaceful and friendly negotiation. Through a tiny colonial power, interested nations of the world are trying to put this policy to the test. From successive statements in Parliament in the last week, it seems that the Prime Minister is not only aware of it, but determined to defeat it. In reply to repeated requests from India for a peaceful and negotiated settlement of this vexed problem, Portugal has bluntly said that it does not consider its sovereignty over Goa to be a matter of dispute with India and that therefore it is not prepared to discuss its transfer with our Government. If this position is accepted, they have very magnanimously offered to give assurances and guarantees about India's territorial integrity and security!

Non-party Campaign

In the face of such presumptuous declarations from Portugal and the



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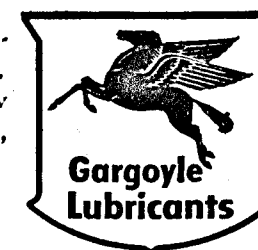
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oft-repeated policy of our Government, non-congress political parties have come to the conclusion that there is no likelihood of Goa being liberated now or in the near future through governmental negotiations unless some unexpected developments should supervene. And it is not wise to leave the inalienable right of freedom to chance. As Congress is the party in power, it is not in a position to express itself freely or be at variance with the policy of the Government; therefore, it cannot take the initiative and leadership for the liberation of Goa. Hence other political parties in the country, viz., the PSP, Communists, Jan Sangh, RSP etc. and a large number of Goans outside Goa, have united in the Goa Vimochan Samiti to complete the unfulfilled part of Congress work. The Satyagraha movement for the liberation of the Portuguese territories is strictly on a non-party basis. Of late, many Congressmen have joined the movement in their individual capacity. The rest of the happenings belong to recent history. These well-known facts have to be restated because of the mischievous allegations abroad about the character of the movement and the composition of its leadership.

Amirchand, Thorat, Saha and a host of others did not die as members of the various class and sectional organisations to which they belonged; they with the flag of our nation, upholding the honour and dignity of it. Giving political and partisan colour to the freedom struggle at this stage is an insult to the martyrs who came from all parts and parties of the country. We owe it to their memory that we maintain the truly national character of the struggle and refer to it as such and vehemently fight any propaganda contrary to it, from whichever quarter it may come. If even at this stage the Congress should accept leadership, which is not unlikely in view of the growing opinion in that direction, other parties are bound to work wholeheartedly under its guidance. Just imagine for a moment whether it would have made any difference at all if the Communists were kept totally out of the picture. The usual 'redscare' is slowly being brought into the picture by Portugal to sidetrack the main issue. It is also a sedulous attempt to exploit Macarthian sentiments and effectively neutralise American sympathy for the liberation movement. It would be well

if all concerned were warned about this in time.

If the Satyagraha is not called off, which is very unlikely in view of the growing tempo of the movement both inside and outside Goa, and the Portuguese authorities on their part continue their 'trigger-happy' methods, it is certain that a situation will arise sooner than later wherein Nehru will have to decide on shooting down Indians within the land in the name of law and order or effectively prevent the Portuguese from shooting our peaceful and unarmed countrymen, irrespective of the international complications that it might lead to. If he should make up his mind soon, precious lives could be saved.

Peoples Right

Knowing human nature and feeling as he does, it should have been clear to the Prime Minister by now that the people of this country would stand no more mass massacre of our brethren in Goa. As self-respecting members of a sovereign democratic republic, they demand that the Government protect the honour and lives of our fellow countrymen without further delay; and if for any reason Government fails to do that, then people will exercise their sovereign right to protect the lives of their brethren with all the means at their command. This will put an end to the completely peaceful nature of the present movement; and many innocent lives may be lost on either side in the process. Timely State intervention is any day better than unorganised violence.

As the first of the proposed administrative measures against Portuguese iniquity, the Government of India has announced the immediate suspension of money orders and value payable service to their enclaves in India. To what extent this may upset their economy can be seen from the following:

The trade balance for Portuguese India for the year 1951 was as follows:

Imports	Rs. 9,00,21,397
Exports	Rs. 2,69,02,805
Deficit	Rs. 6,31,18,592

This deficit is normally made good almost entirely by the cash remittances of Goan emigrants in India. Of course, in recent years the amount of deficit has somewhat declined owing to the increased export of mineral ores and high import duty

on goods brought for smuggling. But after the short-lived Korean War boom, the trend has come to be reversed. Besides, the best market for the greater part of their export has been the Indian Union. Shri T. B. Cunha, an eminent Goan patriot, puts it graphically thus in his book, 'The Goa Problem', "Our economy is strongly linked with India. It is the money earned by Goans living in India that serves to balance the bankrupt economy of Goa's external trade. We are fed with food coming from our neighbourhood. It is Indian capital that helps us to exploit our industries. The Portuguese never invested any capital in our land and are only taking money out of it." In the light the foregoing, it is necessary that financial measures should be accompanied by an effective trade embargo if our purpose is to be achieved.

Pakistan's Action

In this context, one cannot but condemn Pakistan's unfriendly action in providing facilities for planes and ships carrying goods and personnel to Goa. It was reported in Parliament recently that Pakistan had agreed to sell rice to Goa; shortly a regular air service between Goa and Pakistan is expected. The latter is a signatory to the Bandung declaration against colonialism. Therefore, her support to a cracking colonial power is most reprehensible. And Shurawardy's comparison of Kashmir with Goa recently was truly sinister.

It is at times glibly argued that the Goan movement is Indian inspired and conducted. This charge was answered in a most telling manner by Shri H. C. Denis, Chairman of the Goan League in England, in a letter to the "Manchester Guardian" on August 16. He said that Goan history "accounts for over 40 rebellions against Portuguese rule". In 1946, fourteen Goan leaders were deported to Portugal and Angola. "Between February, 1954 and May, 1955, about 3,000 Goans have been arrested and over a thousand Goans imprisoned, some without trial, besides some thousands who have been taken to police stations and beaten on mere suspicion such as the possession of Mahatma Gandhi's or Mr. Nehru's photos. This is no small evidence of our determination to reunite with India".

No Civil Liberties At All

Apart from daily indications in

(Continued on page 1043)

Around Bombay Markets

IN sharp contrast to the commodity markets, the stock exchange witnessed a flare-up of speculative activity. The assurance that managing agency would not be abolished helped market sentiment; so did the thumping success of the State Government loans. The latter confirmed the market belief that there was money in plenty in the hands of institutional investors. On top of all this, Calcutta advices were continuously strong, and textile production and exports were very encouraging. All these helped to maintain a firm trend.

Tata Steel Ordinary were pushed up further from Rs. 253-8 to Rs. 262-4 on continued speculative purchases. The Tata Steel Co.'s Chairman's speech was expected to be quite in keeping with the encouraging annual report. Indian Iron, solely depended on Calcutta advices, gained further strength from reports of expansion scheme. Tata Steel closed firm at Rs. 261-8, the highest being Rs. 262-4 while Indian Iron closed at Rs. 40-7 only 4½ as. lower than the highest.

In the textile section, Bombay Dyeing and Swadeshi closed firm at the highest levels of Rs. 523-12 and Rs. 221-0 respectively. Evidently, the recently published figures of textile exports for the first seven months of the year have been a bull factor, both production and export of medium varieties having reached record levels. Century received speculative support at the hands of influential operators on reports that the company's rayon plant may soon go into production. Rates jumped from Rs. 427-8 to Rs. 440-8 to close at Rs. 439. Kohinoor closed firm five points higher than the lowest of the week at Rs. 347. Simplex closed at Rs. 171-4.

In the miscellaneous section, Bombay Burmahs and some of the small priced shares were in the lime light. Bombay Burmah added 18 points to close at Rs. 573, the highest touched during the week being Rs. 575. A C C jumped by five points to close at Rs. 195, National Rayons and Belapurs gained four points each. Scindia moved up by more than a rupee to Rs. 16-7 on reports of the Company having received a loan for about Rs. 2 crores

Firm Trend

Thursday, Morning

for development. Indian Coppers and B. B. Petrols were very much sought after, the main support coming from Calcutta. Both the companies are reported to be doing exceedingly well.

In the cash section, banks and insurance shares, with the exception of Central Bank, remained firm. Central Bank, it is feared, may be affected by the Bank Award. New India moved up to Rs. 47 on bear covering. Electric shares remained quietly steady, with hardly any business passing.

Cotton

Sustained Firmness

THE performance of the cotton futures market during the week was marked by two notable events. In the first place, there was a spectacular rise in the maturing August contract which jumped by 40 rupees on Thursday, as a result of smallness of tenders and the higher spot

rates fixed. Secondly, there was the announcement, made towards the close of the week, of an increase in export duties on Pakistan cotton. The latter development served to reaffirm the bullish fervour witnessed on Thursday which was followed by a reactionary trend on the very next day. In short, sentiment in the futures section tended to be one of sustained firmness although the closing quotations were lower than the spectacular heights reached during the week, especially in the case of the maturing contract.

Although nearly a fortnight has passed since the publication of the much discussed U S cotton policy, cotton traders in Bombay have completely ignored it. The brisk export demand for Indian cotton from all countries other than U S had temporarily pushed American cotton out of the picture.

Exports of cotton from India from the beginning of September 1954 to August 6, 1955 totalled 266,501 bales

MARKET LEADERS DURING THE WEEK

	August 24, 1955	Week's Range High	Low	August 17, 1955
Steel Shares:				
Tata Ordinary	261- 8	262- 4	253- 8	253- 8
Indian Iron	40- 7	40-11½	39- 9½	39- 8
Textile Shares:				
Bombay Dyeing	523-12	523-12	504- 6	506- 4
Century	439- 8	440- 8	427- 8	427- 8
Kohinoor	347- 0	349- 0	342- 0	343- 0
Simplex	171- 4	173- 8	169-12	170- 0
Swadeshi	221- 0	221- 8	215- 4	214-12
Miscellaneous Shares:				
Associated Cements	195- 0	196-12	191- 8	191- 8
Belapur	340- 0	342- 4	336- 0	335- 8
Burma Old	573- 2	575- 0	556-14	567- 8
National Rayon	219- 0	219- 8	215- 8	215-12
Premier Const.	170- 8	171- 8	163- 8	163- 8
Scindia	16- 7	16- 8½	15- 4	15- 3½
Tata Chemical	16- 3½	16- 5	16- 1	16- 1
Bank of India	153- 0	153- 4	152	151-12
New India Assc.	47- 0	47- 4	43-12	43-12

OILS AND OILSEEDS

	Aug 24, 1955	Week's Range High	Low	Aug 17, 1955
Seeds:				
Castor Sept. 1955 (per candy)	85- 0	91- 2	84- 0	84-12
" May "	87- 0	91-12	86- 8	87- 8
Groundnut Aug-Sept (per cwt)	22-15	23-12	22-15	23- 8
Linseed " (")	23- 0	23-12	23- 0	23-10
Kardi Ready (")	14- 0	14- 8	14- 0	14- 0
Nigerseed Ready (")	23-14	24- 8	23-12	24- 8
Oils:				
Castor Oil Com. (per quarter)	9- 6	9-10	9- 6	9- 7
Groundnut Oil R.R.	12- 6	12-13	12- 6	12-12
Linseed Oil	13- 8	14- 0	13- 2	13-14

compared with 127,120 bales in the corresponding period last season. In view of the decision of Pakistan to raise the export duty, it is generally believed that prospects for the export of Indian cotton would be even better and it is quite on the cards that the entire quota for the season might well be exhausted before the end of October. Needless to say, speculation has been rife about an early announcement by the Government of India of a substantial new crop export quota.

Fuller details are now available about the U S cotton policy statement. From a note addressed by the Japan Cotton Spinners' Association to the U S Government, it would appear as though the U S cotton export policy had been shaped to suit Lancashire and Japanese cotton interests. The note in question reads as follows:

"Complaining, as Lancashire cotton interests have been doing, that a 'hidden' subsidy on raw cotton purchases has been giving the Indian cotton industry an unfair price advantage in export markets, the Japan Cotton Spinners' Association has asked the U S Government if it can see its way to export low-grade and middle-grade cottons among the stocks held by the Commodity Credit Corporation at 'world market prices'—prices which are competitive with non-American raw cotton".

The Association, it may be noted, has also pointed out that the high prices of American raw cotton have given man-made fibres, especially rayon staple, an opportunity to invade the domestic Japanese markets for textiles. Whether there is any 'hidden' subsidy on raw cotton purchases or not, it is now clear that the policy statement of Mr Benson concealed the real reason or reasons for the decision in respect of U S export subsidy, which had been agitating the minds of cotton men everywhere.

Reverting to the Bombay futures market, ICC August, the maturing contract which opened at Rs. 622, recorded the peak level on Thursday of Rs 655, narrowing the gap between the two contracts thereby from Rs. 37 to Rs. 13. On the same day the new crop February contract also moved up sharply to Rs. 637. The closing quotation of the two contracts for the week was identical

at Rs. 633 for August and for February.

Brighter trading conditions prevailed in the spot market on renewal of large scale export enquiries for practically all exportable styles. Vijay premium continued to be around Rs. 260 'on'. Of late mill demand has tended to broaden, resulting in fresh enquiries for popular varieties such as Laxmi, Jaydhar, and lower Jarilla.

Oils and Oilseeds

Continued Easiness

FOLLOWING the bearish reaction of overseas markets to the latest release of export quota for groundnut oil, the oilseeds market has been off colour and the closing quotations in all sections showed distinct signs of weakness. However, shippers in general are now inclined to believe that the bearish reaction overseas has gone too far and that a substantial rally in prices in the near future is not unlikely. In the first place, they argue, the quota was a small one, nearly half of it having been already utilised. Secondly crop reports of late have imparted a sober feeling to the market. Despite recent rains in Gujerat, Saurashtra and other deficit areas, the forecasts about crop put it substantially smaller than last year. Moreover summer crop arrivals from the South are also reported to have been delayed due to the monsoon. How far these factors influence the market favourably in the days to come, however, remains to be seen.

Meanwhile, following easy conditions in other centres due to slackened demand for oil, prices in all sections of the oilseeds market have declined. Groundnut August-September which opened at Rs. 23-12, lost nearly a rupee and closed at the lowest level of the week at Rs 22-15. The decline has been initiated by better crop ideas, following beneficial rains. This apart, as mentioned at the outset, the lowering of overseas quotations for groundnut oil as for instance, Singapore, Hong Kong and the Continent, also conspired to depress sentiment. Groundnut oil closed with a loss of 7 as. per quarter at Rs. 12-6.

Castor September which opened at Rs. 84-6, declined to Rs. 84 and then shot up to Rs. 92 on Saturday, on anticipations of abolition of export duty on castor oil. There was a sharp decline on the last day of the week following heavy liquidation to

Rs. 84-10, the closing being Rs. 85. Castor May, opening at Rs. 87 went up to Rs. 88-12 and again declined to Rs. 87 on Thursday last. On shippers' enquiry, it improved on Saturday to Rs. 91-12. The closing quotation was in line with the weak trend noticed elsewhere.

Linseed also ruled weak. There was hardly any enquiry from overseas while arrivals from the interior continued without a break. Linseed lost about 12 as. over the week to close at Rs. 23. Linseed oil also lost 8 as. to close at Rs. 13-8. Kardi and Niger continued weak, the closing quotations being Rs. 14 and Rs. 23-14, respectively.

Bullion

Stalemate Continues

As anticipated in these columns, there has been no improvement in the bullion market and the stalemate continues. Government sanction to the Board's amended bylaws is yet to be announced. There has therefore been a further extension of the suspension in futures trading in bullion.

Meanwhile, the spot quotations of both gold and silver have been shooting up. Floating stock being limited and the major part of stocks being in the hands of the bulls, who have been mainly responsible for the recent developments in this market, there has been a rise in spot values of both gold and silver.

A Correction

TENANCY LEGISLATION IN BOMBAY

THE author of the article "Farm Tenancy Legislation in Bombay State" which was published in the last issue of this paper has pointed out a slip on page 965, lines 4 to 5, which has completely changed the meaning of the sentence which should read as follows:—

"If the aggregate amount of land revenue, cess, etc., is less than one-sixth of yield of land, the tenant is not going to pay more to the landlord."

This means when tenant has more income, he does not pay more than the statutory rent fixed in terms of assessment. But if his income is less, he pays less rent to the landlord, subject to 1/6th maximum of rent. By inserting "the tenant does pays anything to the landlord" altogether contrary meaning is conveyed.

The slip is much regretted.

Around Calcutta Markets

No Right Issue by Indian Iron

Wednesday, evening

EVEN those who are familiar with the antics of gamblers must have been surprised at the steadiness of Indian Iron even on Wednesday. On that day, the managing agents of the company issued an official denial of rumours about issues of right shares. Even after this official denial, Indian Iron were steady on Wednesday, presumably because of settlement considerations.

As the recent steadiness in equities on the stock market here has been due mainly to the continued spurt in Indian Iron, this question of issues of right shares by the Company needs to be discussed in detail. These rumours started a couple of months ago. In the last two months, both Tata Steel and Indian Iron have been moving up on these rumours.

To begin from the beginning, the spurt in Iron and Steel started on hopes that both Tata Steel and Indian Iron would raise dividend payments. Tata Steel have not stepped up dividend for the year to March last. It is now widely realised that Indian Iron also will not raise dividend for the year to March last.

Many weeks ago, the stock markets came to the conclusion that neither Tata Steel nor Indian Iron would raise dividend payments. Even then, both these shares were moving up in anticipation of issues of right shares. It has been known for some time that Tata Steel propose to issue right shares. It became known on Wednesday of this week that Indian Iron did not contemplate any immediate issue of right shares.

From an examination of relevant facts, it should have been apparent to stock markets that, though there were prospects for issues of right shares by Tatas, there was no reason why Indian Iron should issue right shares. Tata Iron and Steel Company needs finance to implement expansion projects. There are three sources from which the Company can secure capital.

According to tentative plans, Tata Steel Company was to have secured finance from the World Bank, the Government and the new issue market. Tata Steel Company's talks with the World Bank have seem-

ingly failed. It is, therefore, only to be expected that the Company will find it necessary to raise capital from the new issue market. This expectation has recently been confirmed by the Company.

Indian Iron's Finances

Consider, now, the relevant facts about Indian Iron. This Company secured a loan from the World Bank a few years back. This Company also has expansion plans under contemplation. But shortage of funds is not preventing the Company from implementing expansion plans. As dearth of finance is not a problem for this Company, it is surprising how rumours of right issues by this Company got current.

Recently, when the Government announced an increase in retention prices for steel, it was stated by the Government that increased profits arising out of higher retention prices must be earmarked for financing expansion projects of existing steel companies. Tata Steel secured the Government's permission to raise capital by issuing right shares.

Company Notes

Active New Issue Market

AFTER remaining stagnant for months, the new issue market has become active again. Since the third quarter of 1953, many companies have raised capital through issues of bonus shares. This movement was halted by the third quarter of 1954, as stock markets developed a downward trend. In the last month and a half this movement has revived.

In retrospect, it is doubtful whether the stagnant conditions in the new issue market in the last few months is due to lack of investible funds or to New Delhi's delays in granting permission to requests for enlarging capital. It will be recalled that the Taxation Enquiry Commission had recommended that bonus issues should not be taxed. After the publication of the Commission's report, it was thought that the Controller of Capital Issues would expedite decision on pending applications for capital increases by companies.

According to the managing agents of Indian Iron and Steel Company, Ltd., the Company will not raise further capital immediately by issuing any right share. Soon, the Tariff Commission will be holding an enquiry into retention prices for steel as from April 1, 1955. It is argued by the managing agents that the question of the necessity of raising further capital cannot be dealt with until the Government's decision in the matter of a revision of retention prices has been announced.

It is clear that the Tariff Commission's enquiry cannot be concluded before the time comes for Indian Iron to announce its dividend for the year to March last. Though the information supplied by the managing agents of Indian Iron does not preclude any issue of right shares, it would seem that there is no possibility of any such issue in the immediate future. This should have a "bearish" effect on Indian Iron. A downward trend in Indian Iron may have an adverse effect on equities in general in the coming weeks.

Delay in granting permission by the Controller had fostered the impression that, in spite of the Taxation Enquiry Commission's recommendation, the Government might decide to tax bonus issues. Such apprehensions not only caused uneasiness in stock markets, but also resulted in inactivity in the new issue market. Latest developments are, however, encouraging, and have created the impression that the Government may, after all, decide not to tax bonus issues.

Asoka Cement

AMONG recent industrial borrowers from the new issue market, the pride of place goes to Asoka Cement. This company's present issue amounts to 4,50,000 equity shares of Rs 10 each at par. Of this amount, 1,50,000 equity shares of Rs 10 each have been already subscribed, and allotted accordingly. This company has now entered the new issue market for 3,00,000 ordinary shares of Rs. 10 each. These

shares are offered for subscription by the public at par.

This is one of the new issues in the last few years which is not a bonus issue. That is why the Asoka Cement's entry into the new issue market is significant. Since the commencement of the first Five-Year Plan, cement production has increased considerably. But the demand for cement is far in excess of the present supply. In the second Plan, there is emphasis on housing and construction projects. Demand for cement will certainly increase along with industrial development. As this is an instance of a new issue in the real sense of the term, it is not surprising that the Asoka Cement issue has been widely recommended by all responsible investment analysts.

ISSUES of bonus or right shares continues. Plans for raising capital by issues of rights shares by Rohtas and Indian Paper Pulp

Last Chapter in Freedom Struggle

(Continued from page 1036)

the press, some foreign correspondents who spent a week in Goa covering the Independence Day satyagraha found that a large number of the local people, whom they interviewed, were eager for merger with India. The journalists are said to have received many anonymous and a few signed letters stating that they were unhappy under the Portuguese. The letters revealed that Goans had no civil liberties, that they lacked a free press and that they would prefer to join India. About conditions in Goa, this was what Nehru said in Parliament on July 25th of this year, "The struggle of the Goans for freedom and for integration with the Union of India is not a new development. Ever since 1946, there has been a continuing agitation in Goa, and many Goan patriots have suffered because of this. Eminent citizens have been sentenced to long terms of imprisonment or deported. Even an expression of opinion in favour of integration with India or a verbal protest has led to imprisonment, loss of civil liberties and sometimes deportation. There is complete absence of civil liberties in Goa, and the normal methods of constitutional agitation are forbidden and suppressed". It is against this background that the role of Goans in the movement should be assessed.

have already been discussed in these columns. There are reports that Jessop and Company propose to raise capital by issuing new shares. This Company has been granted a licence to manufacture diesel road rollers.

Britannia Engineering have obtained permission of the Controller of Capital Issues to raise capital through issues of bonus shares. Their new issue will be on the basis of three for one held. Ordinary shares of Rs 10 each will be issued for cash at par.

Britannia Engineering have a reputation for manufacturing modern tea machinery. This company intends to extend its activities by producing jute mill machinery. Capital is being raised mainly to finance erection of a new plant to manufacture jute mill machinery. A portion of the capital will be utilised to erect a new plant for the manufacture of modern tea machinery.

If Salazar were so sure of his ground and the loyalty of Goans to Portugal, why should he not grant universal adult franchise, hold free elections in the true sense of the term and have the issue decided once for all? The main aim of the present satyagraha movement is not to bring about integration of Goa with the Indian Union but to restore freedom of expression and other civil liberties to the Goans themselves.

If the Government of India is not prepared for a show-down, it is not because the Prime Minister is indifferent to the freedom of Goa, but rather because he is afraid that any deviation from the policy of peaceful settlement may set a pattern of action tending to reverse the trend towards peaceful settlement of outstanding problems witnessed at Geneva and after. There are numerous sore spots where the situation is highly explosive. But that is only one side of the picture. There is another and a more important side.

Panch Shila Inapplicable

The whole continent of Africa and many colonies in Asia and other parts of the world are still struggling to free themselves from colonial powers. More than once, it has been acknowledged that India's

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freedom movement has been a source of inspiration and encouragement to them. As the struggle of the colonial peoples is a struggle against the sovereignty and territorial rights of the occupying powers, the concept of 'Panch Shila' is meaningless to them. What is more, its acceptance will completely torpedo their basic and inalienable rights. Nor, for instance, can Free India and Salazar's Goa peacefully coexist. This aspect is examined here because there has been some confusion in certain quarters that the adherence of our Government to the principles of 'Panch Shila' and the policy of peaceful coexistence precludes any action for the liberation of Goa that is not strictly in conformity with them. It must be clear that these principles are meant for free nations with different economic systems. They are totally irrelevant and in-

applicable in a situation of this kind.

Judged by the merits of the claims and the relative strength of the disputants, Portugal has absolutely no chance of vindicating its position unless it has the secret backing of bigger colonial powers. In such a case, what is the point in appealing to international opinion and decency? What is this international opinion if not the opinion of the leading powers of the world? So long as they do not support us openly, will it be wrong to presume that just as they are said to have secretly expressed their sympathy to us at diplomatic levels, they might have also given assurances to Portugal in a similar manner that she could bank on their non-intervention, if not their active support.

We would be sadly disillusioned should we entertain foolishly hopes of big power intercession on our

behalf. It will be useful to note that the so-called civilised world, which was found to be very vocal in the past over similar incidents elsewhere, is yet to speak out against Portuguese brutality. On the contrary, many of the foreign papers, including the traditionally liberal one, the *Manchester Guardian*, which cared to comment on this subject, have very faithfully echoed the Portuguese description of the Satyagraha as an 'invasion'. Vested interest has clouded their vision. One is inclined to put to these enlightened people two simple questions. Is this the way invasion has taken place in the past—unarmed men and women silently offering themselves before machine guns without protest or resistance? If Indians really meant to invade Goa, would the Portuguese authorities be able to withstand it even for a few hours?

To refer to Britain in particular, she is a super-colonial power with the largest foreign possessions to her credit. She is fighting her own battle through smaller powers. In the book referred to earlier, Shri T B Cunha has pointed out, "The support given by Britain is due to the fact that Portugal is practically a British Protectorate. The old alliance of the two countries for the exploitation of African and Asiatic colonies is well-known. England has an absolute hold on the economy of Portugal. The export trade of main Portuguese products like port wine, cork, food preserves etc. is a British monopoly. In the city of Lisbon itself, even the telegraph, telephones, tramways and buses are owned by British firms. In Goa itself the sole existing railway and port of Marmagoa are a British concern."

(To be continued)

Company Meeting

Alembic Chemical Works Company Limited

Speech of the Chairman Mr R B Amin

FOLLOWING is the summary of the speech delivered by Mr. R. B. Amin, Chairman of the Board of Directors of the Alembic Chemical Works Company Limited, at the Forty-Eighth Annual General Meeting of the Shareholders held at Baroda on the 25th August 1955. The year under review had been an year of steady progress, the beginning of which was made last year. The progress of the two subsidiaries was even marked. The increase in the sales of the parent and subsidiaries was easily noticeable from the published accounts.

The present was the last year of the First Five-Year Plan and the Second Plan was taking shape. According to indications available, a total investment of Rs 5600 crores was envisaged during the period of the Plan. Of these, Rs 1400 crores were estimated to go in for Industries and Mining (including Small Scale Industries) and the Company's Shareholders must have been interested to know that out of these Rs 1400 crores, Rs 150 crores or over 10% were meant for Chemicals, Drugs and Fertilizers.

Mr. Amin, however, thought that there were one or two disturbing aspects of the Plan. Firstly, of the investment of Rs 1400 crores, Rs 200 crores were for small Scale and Village Industries. The organisational effort needed to put Small Scale Industries on a sound footing would have to be immense and while success in this effort would yield limited results, failure might prove quite disastrous; any new employment that they would create could only be artificial and of a temporary nature. Secondly, the plea of the Economists' Panel for a "firm legislative and administrative base" would, Mr. Amin apprehended, undermine by degrees our democratic social order. We already had a taste of such a measure in the Constitution Amendment Act.

Mr. Amin said that in the current economic situation in India, one of the main bottlenecks to further progress was the shortage of transport facilities. Complaints about non-availability of wagons were rife; tankers were scarce. There were

delays and restrictions. As regards Roads, the mileage was utterly inadequate and the progress made in the last ten years was unimpressive. Mr. Amin thought that, in these circumstances, he could hardly over-emphasize the need for construction of new Roads and Tracks, for the procurement of Rolling Stock, construction of Ports and other increased facilities for communication.

Mr. Amin was surprised at the recommendation of the Taxation Enquiry Commission that there should be restrictions on consumption; this, he thought, was unwarranted, as the existing level of living was extremely low.

The Pilot Scale Studies for the manufacture of Antibiotics at the Company's works, Mr. Amin disclosed, were progressing well. The issue of Rs 10 lacs of Ordinary Shares made for financing the proposed development of the Company was expected to be taken up by the existing shareholders alone.

CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1297.98	1307.13	1297.99	1146.42
2. Rupee Coin	108.63	107.73	106.60	103.65
3. Deposits				
a) Central Government's	90.95	75.02	79.62	121.11
b) Banks'	51.80	53.74	53.34	60.02
c) Other Governments'	25.89	9.44	18.90	13.71
d) Others'	33.43	15.66	14.67	34.04
4. Foreign Securities	637.04	637.04	637.04	613.15
5. Balances held abroad	85.30	81.94	79.62	117.83
6. Rupee Securities	543.69	543.65	543.65	421.22
7. Investments	62.38	62.02	61.24	92.24
8. Loans and advances to Governments	2.44	3.57	0.83	1.83
Scheduled Banks				
1. Demand liabilities (net)	607.65	590.79	591.09	536.79
2. Time Liabilities	409.24	410.41	402.05	347.64
3. Cash on hand	34.48	34.37	83.77	30.71
4. Borrowings from Reserve Bank of which against Usance Bills	7.49	8.99	25.33	4.92
6.75	8.45	24.14	1.55	
5. Advances and Bills discounted of which State Bank's	557.65	602.16	570.11	505.79
104.29	106.79	115.36	107.66	
6. Investments of which State Bank's	371.44	369.91	367.18	387.73
94.37	93.38	88.19	83.82	
Cheque Clearance	—	109.79	129.77	118.16

†For Reserve Bank and Cheque Clearance week ended 19-8-55. Scheduled Banks week ended 12-8-55.

Bombay Money Rates	19-8-55	12-8-55	22-7-55	20-8-54
Inter-Bank Call Rate	2%	2	1%	2%
3 months deposits	2%	2%	3	2%
6 months deposits	3	2%	2%	2%

Bombay Bullion

	In Rupees and Annas			
	11-8-55	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	96- 0	95- 0	94-12	88-13
Forward	†	†	92- 4	89- 1
Silver (per 100 tolas)				
Spot	167- 0	161- 0	161- 4	155- 6
Forward	†	†	159- 4	155-15
† no trading				

WORKING OF COTTON MILLS BY SHIFTS

Year/Month (Average)	Remained closed	One Shift	Two Shifts	Three Shifts	Total No. of mills
1949	23	31	163	144	361
1950	29	33	182	115	359
1951	19	27	186	141	373
1952	13	25	193	153	384
1953	17	31	186	158	392
1954	25	27	173	174	399
April 1954	28	28	157	185	398
May	27	26	172	174	398
June	26	27	170	175	399
July	28	26	174	171	399
August	27	25	173	175	400
Sept.	27	25	172	176	400
October	26	24	168	182	400
Nov.	23	24	173	178	398
Dec.	24	28	175	174	401
January 1955	26	25	174	176	403
February	26	25	174	177	403
March	25	23	174	180	402

State-wise (as in March '55)

Andhra	—	3	4	—	7
Bombay	9	7	84	79	179
Bihar	1	—	1	—	2
Madhya Pradesh	—	1	6	4	11
Madras	1	1	34	45	81
Orissa	—	1	—	1	2
Punjab	1	—	—	2	3
Uttar Pradesh	6	2	4	10	22
West Bengal	2	3	6	15	26
Hyderabad	1	—	1	4	6
Madhya Bharat	1	1	12	2	16
Mysore	—	1	5	3	9
P E P S U	—	—	—	1	1
Rajasthan	1	—	3	3	7
Saurashtra	1	3	7	—	11
Travancore-Cochin	—	—	3	7	10
Ajmer	—	—	4	—	4
Bhopal	—	—	—	1	1
Delhi	—	—	—	3	3
Kutch	1	—	—	—	1

Source: Ministry of Commerce and Industry

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-Group	Week ended 6-8-55	Week Ago	Month Ago	Year Ago
I Food Articles:	315.7	313.3	304.0	361.3
Cereals	368	364	349	406
Pulses	285	278	272	288
Others	246	246	244	310
II Industrial Raw Materials:	400.9	414.6	412.8	416.5
Fibres	407	427	417	403
Oilseeds	383	390	400	447
Minerals	410	422	427	409
Others	418	418	417	404
III Semi-Manufactures:	327.1	325.7	331.6	352.0
Leather	344	316	357	373
Mineral Oils	201	201	201	221
Vegetable Oils	388	390	408	439
Cotton Yarn	405	406	406	457
Metals	257	256	256	238
Oilcakes	329	339	345	412
Others	329	329	330	300
IV Manufactures:	371.5	371.8	370.8	376.0
Textiles	408	408	406	419
Jute	425	429	415	421
Cotton	402	402	402	418
Rayon & Silk	474	474	474	467
Woollen	282	282	282	310
Metal Products	352	352	352	340
Others	286	286	286	286
V Miscellaneous: All Commodities:	560.7	551.4	567.8	611.0
	356.3	357.2	354.7	381.5

COAL PRODUCTION & DISTRIBUTION

(Monthly Averages or Calendar Months)
(in '000 tons)

	Raisings	Despatches	Stock at Pit-heads
1948	2,485	2,155	2,262
1949	2,621	2,339	1,417
1950	2,666	2,401	2,008
1951	2,859	2,426	2,646
1952	3,019	2,566	3,519
1953	2,987	2,588	3,411
1954	3,064	2,662	3,771
1954:			
Jan	2,903	2,424	3,474
Feb	3,056	2,244	3,902
March	3,071	2,594	4,003
April	3,037	2,599	4,051
May	2,977	2,621	4,093
June	2,885	2,576	3,950
July	2,966	2,810	3,693
Aug	2,958	2,926	3,380
Sept	3,171	2,888	3,210
Oct	2,921	2,787	2,914
Nov	3,323	2,728	3,161
Dec	3,503	2,747	3,468
1955:			
Jan	3,155	2,672	3,482
Feb	3,252	2,502	3,789
Mar	3,305	2,765	3,961
April	3,230	2,692	4,062
May	3,175	2,743	4,094
June	3,075	2,658	4,122

Sources: (i) Monthly Abstract of Statistics
(ii) Inspector of Mines

WORKING CLASS COST OF LIVING INDEX

(Monthly average or calendar months)

	Bombay	Calcutta	Madras	Kanpur	Delhi	Jabalpur	Kharagpur	Ludhiana	Cuttack	Jharia
	(Base: August 1939 = 100)					(Base: 1944 = 100)				
1948	288	339	315	471	344	146	132	168	137	153
1949	292	348	330	478	344	151	137	164	147	159
1950	298	349	332	434	344	153	137	165	163	182
1951	314	370	341	451	370	168	136	167	181	184
1952	321	351	337	441	373	150	133	151	160	175
1953	346	349	358	453	366	151	139	147	157	166
1954	342	327	348	408	360	140	128	148	147	131
1954:										
Jan	346	325	360	442	363	144	127	151	149	143
Feb	331	316	360	432	363	144	125	151	147	143
March	332	319	352	416	360	143	126	160	146	141
April	338	323	348	426	368	144	129	151	146	134
May	338	339	348	415	370	142	133	150	146	132
June	350	332	349	396	352	141	127	149	149	129
July	349	331	346	400	349	141	127	145	147	128
Aug	345	330	343	408	352	140	127	145	146	126
Sep	347	332	342	406	357	137	129	147	149	127
Oct	346	336	345	404	368	134	129	145	149	127
Nov	344	325	344	387	363	135	129	146	147	125
Dec	341	321	344	369	352	131	124	144	143	116
1955:										
Jan	335	324	340	372	344	130	124	141	140	120
Feb	329	310	333	384	334	130	122	137	139	122
March	328	310	328	377	331	129	119	133	137	121
April	324	311	320	352	329	130	119	129	140	116
May	320	315	313	335	318	—	—	—	—	—
June	317	317	317	347	318	—	—	—	—	—

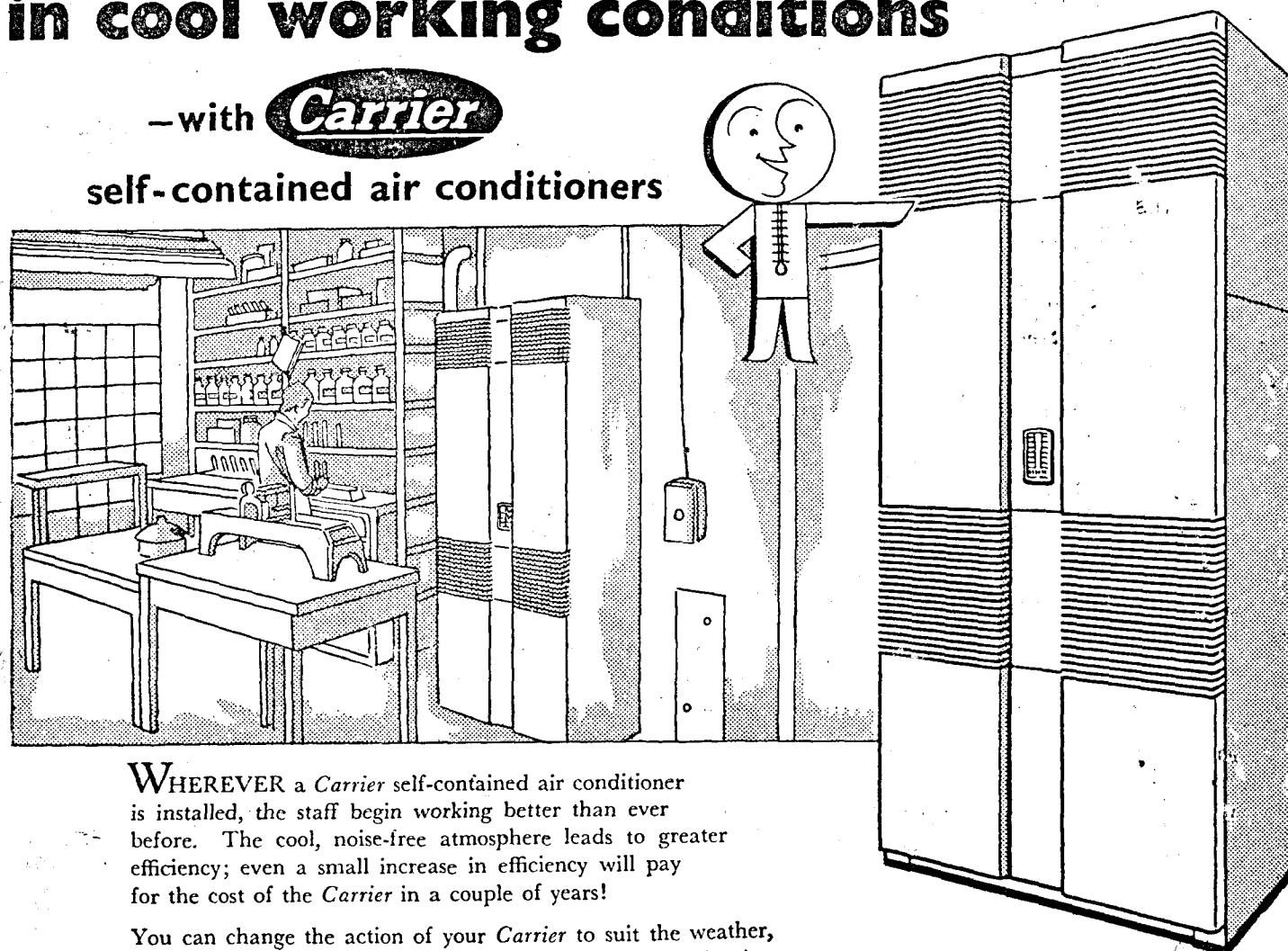
Sources:—(i) Ministry of Labour (ii) State Authorities

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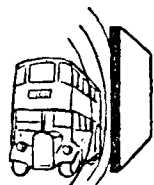
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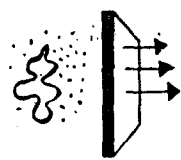
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Loose Ends

DRAWING up of the Second Plan could be organised a little better, not merely to enable the public to follow its development more intelligently but also perhaps to help the planners themselves to clear up difficulties and resolve their differences step by step. There is no reason to doubt, of course, that in the end everything will fall into its proper place and the Draft outline of the Second Plan will be ready in due time and maybe according to schedule, that is some time next month. But because some steps are skipped, or the participants do not have all the data before them they cannot come to a final decision, many points are left loose or hanging, and issues which should have been decided and closed are re-opened again and again.

The manner in which the Companies Bill is being handled is an example of this sort of thing. True, the Companies Bill is not an integral part of the Second Plan, but management of industry cannot be treated as a thing apart, when the main emphasis in the next Plan is on industry. This is also evident from the fact that the Finance Ministry has now set up a separate wing for company affairs. The manner in which the Bill was changed in the Select Committee stage was unusual, but it would not have been so bad, had the changes fully reflected a consensus of opinion in Parliament, so that Government could know and the country could know the role that had been given to management in the private sector in the Second Plan period. At one time it seemed that Pandit Nehru was himself opposed to changing horses in mid-stream and that the Congress had made up its mind that it could not risk a violent change in management, having decided on a mixed economy which left a large part, in fact the more important part, to the private sector. In view of the long period of gestation through which the Bill had passed, the Finance Minister's readiness to yield and accept amendments appeared to be somewhat inexplicable.

There were points on which he admitted that the drafting had been faulty and loop-holes had been left open which should have been plugged at an earlier stage. But the subsequent career of the Bill in Parliament left no room for doubt that the measure of agreement achieved was not what it was taken to be. That a crisis was averted through the personal intervention of the Prime Minister does not speak much either for the cohesion of the party or for Government's appreciation of the seriousness of the measure. The future of managing agencies not only concerns the country but also foreign capital which is already invested and the continued inflow of which has not only been accepted by Government but on which Government has been banking to a considerable extent.

The progress of the formulation of the Plan, it is not possible to follow so closely. The draft Plan-frame was accepted by the National development Council. This being the highest authoritative body in the country, its acceptance of the Plan-frame could be taken to imply that details and internal consistencies alone remained to be worked out. The Standing Committee of the National Development Council at its July-end meeting also approved the financial targets. The Committee is meeting on Monday next but it would be wrong to assume, judging from past

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experience, that it would come to grips even with the basic problem of equating the financial and physical targets. For, the Planning Minister himself is reported to have submitted a note which would seem to re-open all these questions. He has now come to the conclusion, it appears, that the targets of employment and national income set out in the Draft Plan-frame cannot be achieved. The conflict between the two targets, physical and financial, cannot be resolved by raising the latter but every attempt will be made to attain at least the financial targets.

Little progress seems to have been made towards arriving at firm figures. The programme for industry approved by the Central Advisory Council does not exactly square with the provisions of the Draft Plan-frame. The competing claims of the different States are, of course, never easy to reconcile and though during the last few months the States have presented their case to the Planning Commission and have had a series of discussion, the upshot of it cannot be known until the basic frame-work, into which these claims are to be fitted, is made more

firm than what it is today. Surprisingly enough, unlike the States, the other claimants on resources, particularly the Central Ministries of Transport and Communications, have been strangely silent, while all along complaints have been flowing in from various quarters that the provisions for transport are woefully inadequate.

As the date for finalising the Draft Outline draws near, demands are being put forward by different sections. The Federation of Chambers of Commerce and Industry, the All-India Manufacturers' Organisation, the Millowners' Association and the Khadi and Village Industries Board have all published their plans during this week. The Federation wants an even more ambitious plan than the Draft Plan-frame, but naturally it wants the job to be handed over to the private sector. On the question of employment, however, the Federation has no further light to throw. In its own Draft Plan published earlier, the Federation claimed a multiple effect on employment if its pattern of investment was accepted; now it uses a different language and

talks about the snow-ball effect of employment in consumer goods industries on other sectors of the economy.

The Khadi and Village Industries Board is prepared to silence the critics that hand and household industries would neither be able to deliver the goods nor provide substantial employment. Indeed not to speak of 4 million jobs estimated under this head (including construction industries), the Board claims that it would be able to find employment to 7½ million people during the Second Plan period for the modest outlay of 300 odd crores, of which a little more than half will be given out as loans and the balance distributed roughly in equal proportions between development and administrative set-up and field organisation. All that it wants is, apart from modest finance, appropriate changes in Government policies, a common production programme and a common price policy.

The time has come now for tying up all these loose ends into a knot. Will the Standing Committee attempt it at its next meeting?

Myth of Greater France

BRITAIN quitted India immediately after the war. End of British colonialism in Asia was a direct sequel to the peoples' struggle for independence in this part of the world. It was partly due to the late President Roosevelt's insistence, on behalf of America, that colonialism must go. It was at the instance of America that a Good Offices Commission of the United Nations was appointed to facilitate transfer of power by Holland to Indonesia. Burma, India, Pakistan, Ceylon and Indonesia became independent nations. Despite the willing withdrawal of Britain and the forced retreat of Holland from Asia, other European metropolitan Powers continue to administer their colonial territories in this region. Belatedly, France withdrew from her "possessions" in India. Unlike France, Portugal has never even made a pretence of offering a theoretical alternative to colonialism. She still claims sovereignty over her "possessions" in India.

Portugal is a fascist State and an unabashed colonial Power which recognises no humane or political obligation to end the colonial status of her "possessions". But the massive massacre and blood bath

in French North Africa are poignant reminders that colonialism persists as a threat to peace. Colonialism has retreated from both East and West Asia. But it plagues Africa. Neither Britain nor France admits that it is their intention to perpetuate colonialism in the Dark Continent. But both Britain and France have advanced sophisticated political theories in support of their hold on territories in Africa. In Malaya and in the British territories in Africa, society is multi-racial. There is difference in the multi-racialism in Malaya and in the British areas in Africa. But Britain pleads that it is her intention to create multi-racial States and political entities in areas where society is multi-racial. Such a political solution poses entirely different problems for Malaya and the British territories in Africa. There have been sporadic attempts to implement this political theory in practice in both the regions. But the efforts have been half-hearted, and the progress toward self-government remains tardy and tortuous.

Under the force of compelling circumstances, France has now changed her policy to Indo-China. Recent developments are ominous. But

there is still hope that the future of the Indo-Chinese States will be shaped and influenced by the gradual implementation of the Geneva Agreement. Latest developments in French North Africa and the influences which led to the subsequent fall of M Mendes-France would seem to lend weight to the suspicion that the Geneva Agreement on Indo-China might not have been concluded had M Mendes-France not then been the French Premier. M Mendes-France was voted out of power, when he was at the height of his glory, on the issue of his policy to French North Africa by the combative Colonial Lobby in the French National Assembly. It is this powerful Colonial Lobby, fortified by the support of the French settlers, which is now prolonging the Cabinet crisis on the Moroccan issue.

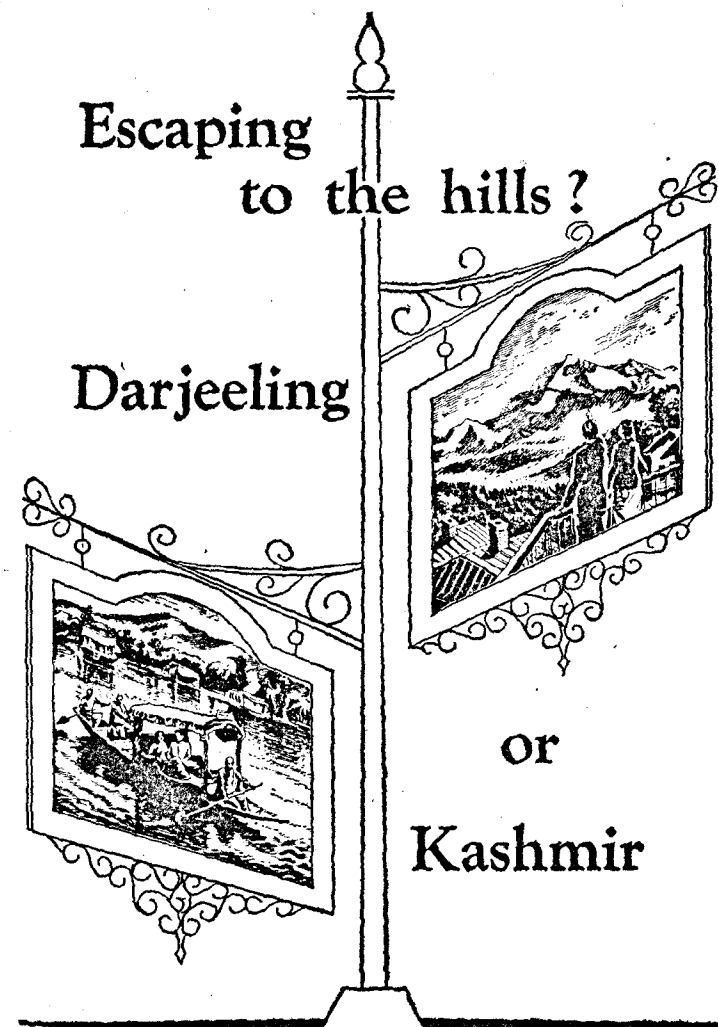
Though compelling political circumstances have forced France to shift her ground, it is interesting to examine her plausible alternative solution to colonialism. To criticisms of the French policy to Indo-China and French North Africa, Paris has always replied that the

French political system and ideology are not adequately appreciated outside France. Britain has quitted Asia. But, with the exception of Burma, all the former British territories now remain members of the Commonwealth of Nations as free, independent nations. France has sought to propound a similar political concept as the foundation of her policy to her colonies. According to this concept, France is willing to offer equal partnership and privileges to her former colonies as Associated States of France. Algiers, legally a part of France, is proudly held as a model of such political, cultural, social and administrative assimilation of metropolitan France and her former territories overseas. This Greater France idea is held out to be a political concept and experiment similar to that of the Commonwealth of Nations.

Indo-Chinese States have refused to be deluded by such a political mirage. French "possessions" in India could not be seduced by this political camouflage. Inhabitants of Algiers deny that they have the same rights and privileges as the inhabitants of Paris. Neither Tunisia nor Morocco accepts the future status of an Associated State of France. Far more damaging is the disparity between France's words and deeds. There was a time when Ho Chi-minh would have accepted the substance of the French policy of transforming the Indo-Chinese States into Associated States of France. Paris refused to negotiate on these terms. France has never seriously negotiated with the Indo-Chinese leaders on this political basis. A plan of political reform is in process of implementation in Tunisia. Tunisia will have control of domestic affairs, but defence and foreign affairs will continue to be administered from and by Paris. Morocco is more unfortunate. France is not prepared to offer even an attenuated form of Home Rule to Morocco. From the comments in the world Press on the violent disturbances in Morocco a few days ago, it would seem that France has succeeded in spreading confusion. It would be foolish to pretend that the violent demonstrations in Rabat and Casablanca are sequels to tribal and religious feuds between two ambitious Sultans. As the Democratic Independence Party emphasises, the heart of the Moroccan problem "is the problem of sovereignty and independence".

Between the Commonwealth of Nations and the French concept of Greater France, there is a fundamental difference. All the members of the Commonwealth are independent, sovereign nations. All the Commonwealth members have complete and sovereign control and authority over their defence and foreign affairs. All the Asian members of the Commonwealth became independent and sovereign before they voluntarily agreed to remain as members of the Commonwealth.

These are the essential political and legal attributes of the Commonwealth of Nations which are lacking in the concept of Greater France. Post-war developments underline France's incapacity to move with the times. France has lost Indo-China. She will soon lose her colonies in North Africa. But she can even now retire from North Africa with grace. Political wisdom combines with economic necessity to dictate such a statesmanlike policy.



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Weekly Notes

Who Commands Nehru?

"HE said what he was told to say. So meticulously careful was his briefing that nothing was left out. The press and the wicked citizens, who should have minded their own business, were, of course, there. The zamindars, the Communists who always fish in troubled waters, the erstwhile bus owners exploiting the situation for their own ends, the Rajput-Kayastha casteism—all these were there and many more tendentious things".

These lines are from a statement issued by Shri Jaiprakash Narayan on Pandit Nehru's Patna speech. Commenting on the same subject, it had been remarked in these columns only last week that "the Prime Minister has no other advisers except the official bloc in the Congress which is one and the same as the Government on which he naturally leans heavily." Even from this distance, this was obvious and clear. But one could hardly imagine that Pandit Nehru could be dictated to in such a fashion and made to give a "command performance".

This is not all. It was the burning of the national flag which pained and provoked Pandit Nehru beyond endurance. Even so, the following comments from Shri Jaiprakash Narayan deserve careful attention:

"When the Prime Minister shouted at the top of his voice that he did not care whether ten thousand or ten hundred thousand persons were shot dead and that he would not permit the dishonour of the national flag, he was employing accents of totalitarianism. Democracy above all is the rule of law; there is no law in this country according to which anyone can be shot for burning the national flag; and there is no such law in any civilised country. This, in spite of the fact that all citizens are agreed that the national flag must be respected and honoured."

T T K Said Nothing

T T K opposes neither nationalisation nor mutualisation of insurance companies. He said nothing at all or nothing that was intended for publication. The following correction appeared in *The Times of India* of August 11 which had escaped our attention:

"The informal talks which the Union Minister for Commerce and

Industry, Mr T T Krishnamachari, had with some pressmen in Bombay on Tuesday were not meant for publication nor did they touch the question of nationalisation of insurance companies. The U P I report published yesterday was, therefore, wrong and its publication is regretted."

Our hunch has come true. T T K could not have said that mutualisation would rob policy-holders.

Border Trade with Pakistan Resumed

THE Indo-Pakistan Trade Agreement which comes into force from the 1st of this month was negotiated before devaluation of the Pakistan rupee. That the agreement was not modified after devaluation suggests that, at least for the time being, a fairer rate of exchange cannot help much to expand trade between these two countries. The reasons are not far to seek. For one thing, judging from current prices and costs, the over-valuation of the Pakistan rupee has been reduced; it has not been removed altogether and hence parity between the two rupees is yet to be attained. For another, Pakistan's existing commitment under the American aid agreement debars resumption of trade with India on the only basis on which trade is possible viz. the exchange of Indian cotton textiles for Pakistan raw cotton, among other things.

Though the present agreement removes all impediments to foreign trade between the two countries in major commodities also—Article VIII stipulates that in respect of all commodities, import and export licences valid for the non-dollar currency area shall be valid for India and Pakistan also—its special concern is to facilitate exchange of (1) items which do not normally figure in foreign trade, such as cinema films, books and publications; (2) border trade in everyday necessities of life. The latter varies according to the border.

A quota 17 films has been fixed for the import of Hindi and Bengali films into East Bengal. The Government of India has placed import of films from Pakistan on the open general licence. But there is an ominous hint that the "exchange

earning from the export of Pakistan film to India will be utilised for the import of Indian films into West Pakistan". If this means a quid pro quo, then few Indian films can be exhibited in West Pakistan!

Besides coal, exports from India entitled to special treatment include stone boulders, hard and soft wood, mica, bauxite, betel leaves, ayurvedic medicine, biri and hookha tobacco and biri leaves, chemicals and pharmaceuticals, mill board and straw board and spices. Exports from Pakistan include raw jute, hides and skins, betel leaves, fish, poultry and egg, betel nuts, salt-petre, and rock salt. The permissible staple length of raw cotton is 15½" (7½") but with surplus American cotton in the offing and Indian mills eager for African varieties, what scope is there for importing Pakistan cotton?

Voluntary Credit Restriction in Switzerland

THE Zurich Correspondent of *The Statist* (dated June 11, 1955) gives an interesting account of the gentleman's agreement entered into by the leading Swiss commercial banks for credit restriction. The agreement, effective provisionally for a period of one year from June 15, 1955, comprehends all banks with balance sheet totals exceeding fr. 50 million, and these account for nearly 90 per cent of the corresponding aggregate for the Swiss banking system.

According to this agreement, commercial banks will deposit 3½ per cent and mortgage banks 2½ per cent of their short-term liabilities as on December 31, 1954 i.e. funds callable at sight within a month, plus 15 per cent of all savings deposits for which no notice of withdrawal has already been given, in blocked accounts at the Swiss National Bank during the currency of the agreement. It is also provided that on September 30, 1955, the proportion of funds to be impounded in blocked accounts will be recalculated on the position of short-term liabilities as on June 30, 1955, and again on March 31, 1956 on the basis of the position as on December 31, 1955. If, however, the object of the agreement ceases to exist before the due date of expiry, it is open for the concerned banks to terminate the agreement.

Switzerland in recent years has been faced with the problem of a plethora of investible funds and shortage of investment outlets. This led to excessive diversion of funds to the building industry. The shortage of building labour forced up wages; there was also speculation in real estate and in foreign securities which was largely sustained with borrowed funds. The necessary corrective has now been provided by the present agreement among the bigger banks.

Breaking the NEFA Impasse

IT was not so long ago, as time is reckoned by the calendar. But it was in the dim, distant past, almost in another age that Gandhiji admonished the Congress Government in Bombay for applying police methods on some criminal tribes in Sholapur instead of sending out trained social workers among them to bring them round to a peaceful and better way of living. This he did through the columns of the *Harijan* in an article appropriately entitled "Storm Signals". Now from criminal tribes to tribals is a far cry, for the nomenclature of the first implies the existence and acceptance of a norm, by deviating from which the recalcitrant group creates a problem of social adjustment. In the case of tribes, however, how can one talk of deviation from a norm since except the wooden type of administrator, all others agree, some from sentimental reasons, others on high scientific round, that they are better adjusted than we are and that it is undesirable in the extreme to break up the harmony of their social life. From another point of view—and this appears to be the more sensible—as argued by a correspondent in these columns in an answer to a passionate pleading for a fair deal to tribals made by an artist, we are all semi-tribals and are facing more or less the same problem of social adjustment, being uprooted from the traditional village society and not quite settled and adjusted to urban le-tribalised society, and freed from caste affiliations.

So one can readily appreciate Pandit Nehru's perplexity. Reply to questions at a Press Conference in Dibrugarh after his tour of the tribal areas of North Eastern Frontier Agency, Pandit Nehru said that he would not like too many reforms or sudden changes to be effected in the daily routine of life of the tribals of NEFA. Such cul-

tures could be changed with contacts or they may be left to themselves. "Both courses appear to me to be not quite right". There were political reasons, however, he added, why a vacuum should not be created here. Nevertheless, "sudden impact of technical civilization on primitive cultures lead to their gradual decay." The impact of technical change on culture has been a favourite subject of study for social anthropologists in recent years. But one need not be a specialist to be able to imagine that sudden impact of technical civilization can be pretty troublesome for people of primitive cultures, if by it is meant the impact of Assam Rifles or of units of the Indian Army.

The most hopeful solution suggested by Pandit Nehru was through the development of community projects. In Garo Hills, some project officers have done wonders. The people are co-operative, happy and gay. Nature is not unkind. There is plenty of land to be reclaimed and brought under the plough. Instead of being meta-physically minded, being primitive, the Garos are naturally curious, inquisitive

and interested in things. Though some of the tribes resist attempts to change their methods of cultivation and would not take to a plough in place of hoe, they are quite ingenious in their own way in bringing water from long distances through improvised pipe lines made from split bamboos. They have also a flair for the art of house building and can be encouraged to utilise for the purpose wild grasses, bamboos and timber, in all of which the Assam hills abound. Many of these areas being thinly populated, the techniques that community projects have to introduce at times are very advanced, such as ploughing by tractors and jungle clearance by bull-dozers.

But was Pandit Nehru quite happy in his choice of language when he extolled community projects as the best way "to break the Naga impasse"? So deeply has the iron entered our soul that even in expressing the most non-violent of sentiments, we readily seek the analogy of force and use quite violent metaphors. They would be quite innocuous, but for the Assam Rifles and the Indian Army Regiments.

EMPIRE'S REPORT OF PROGRESS

in 1954

New Business ..	Rs. 3,84,06,774
Total Assets ..	Rs. 12,38,65,607
Total Claims Paid ..	Rs. 14,65,12,947



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Off the Record

Postal Burden on Books

DHAMMA PADA is not an educational book under the definition of sales-tax nor is the Digha-Nikaya. So the cost of three slender volumes—do not be misled by the name, the latter two are translations in parts—is therefore raised in this particular case from Rs 9-8 to Rs. 9-15-3; but that is not all. On a packet of books costing Rs 9-15-3, the VP and money order charges come to Rs 2-3-9. If this is not a tax on knowledge, one would like to know what is Government's idea of taxation?

True, heavy postal charges are not a tax in the sense that one cannot be compelled to use the post and pay these charges, and against the payment, a service is rendered in exchange. Now whether the service rendered is equal in value to the price charged for it raises difficult questions of costing and the pricing policy of public utility services. By and large, it is necessary and desirable that public services should not only supply services to the public, they should also bring something in addition to the exchequer, so that these services may be improved and expanded and various other services, which are now either inadequate or not being provided at all, may be undertaken by the State. So books, even the serious and unprofitable ones, have to take their place with others and bring grist to the mill.

No discrimination is made in this matter. Book posts are book posts, irrespective of the subject matter of the books or other printed literature, whether it be advertising material, a price catalogue, or a circular aimed at the noblest impulses in man and calling upon him to come to the aid of a good cause or contribute to a charity; or whether the circular appeals to the basest instincts, exhibits naked greed or exploits the foibles of mankind, ranging from the desire for riches, beauty, health, or fame, success in love or litigation, and takes mean advantage of his fear of death or misfortune. Carriers are unconcerned about what they carry, so long as the thing carried is not some dangerous substance that may explode or otherwise cause damage while in transit. It is only in the United States of America that there are

legal restrictions against objectionable matter being sent by post, the infringement of which is a penal offence. But that is a different story.

Though the postal services do not discriminate between different types of books or other printed material carried by book post, it is not to say that it is not possible to make such discrimination. But even if it is, not impossible, it would be infinitely troublesome. Why, it may be asked should the postal department take upon itself the unrewarding task of separating the grain from the chaff or tares from corn? It would not pay. There is, however, discrimination, and quite a sharp one at that, between different kinds of postal articles. The letter post is different from the book post. Then there are registered and unregistered letters and the privilege of registration is extended to books, parcels on the payment of an additional fee. Since the introduction of 'all up' air mail the discrimination between letters and books and papers is a very real one and it goes very far indeed. It is not merely a matter of carrying letters more expeditiously by air, wherever there are air services. For where air transport is the only form of transport available, as it is today in many parts of Assam, the rail link having been breached by the floods, it is a matter of carrying the mail or not carrying it at all. Letters get through to the flood-affected parts of Assam, books and papers sent by book post accumulating somewhere, awaiting the restoration of surface communication.

The 'all up' scheme is being extended and though the night air mail service is no longer what it used to be, letters still get around much quicker in those places which are connected by air services. This of course, implies a very great, and in some ways, a very unfair discrimination against those who are beyond reach of air services and in this category come most of India's small towns and villages. With all praise to late Kidwai for inaugurating the 'all up' air mail service, for letting us have the latest by way of modern conveniences in the matter of letter post, one could nevertheless make out a case. In

the grand manner one could say that India lives in villages, that, 90 per cent of her people do not have the benefit, at least not directly, of 'all up' service, and why should the village be made to pay for the expeditious carriage of letters to the few privileged dwellers of cities? The poor man's post card was a favourite cause to be espoused by the politically minded in the old days. We have even forgotten that the postal service is a service to the public on which the Government is not supposed to make any money. In fact, the Centre has been, or rather had been making a tidy sum from posts and telegraphs after Independence, in sharp contrast to the pre-war years when the department just broke even. Indeed the net contribution to general revenues of posts and Telegraphs had gone up from Rs 90 lakhs in 1938-39 (undivided India) presumably to Rs 1,36 lakhs in 1948-49 and it improved steadily to Rs 3,98 lakhs in 1950-51. It was still high at Rs 3,43 lakhs in 1951-52 but from this year onwards, it began going down until in 1953-54, the budget estimates under this head fell to Rs 40 lakhs and postal rates were raised in that year's budget to bring up the net contribution to Rs 1,90 lakhs. This was the year when book post came in for added imposition. The actual realisation of that year, however, far exceeded the budget expectations; but in the following year, 1954-55, for the first time, revised estimates at Rs 1,40 lakhs were slightly below the budgeted Rs 1,50 lakhs. In the last budget, credit taken under this head was for no more than Rs 70 lakhs.

The turning-point was 1952-53 since when earnings from Posts and Telegraphs have been steadily going down. But they have not been going down because the benefits of a cheaper service were being extended to the public in the form of lower cost of service. Far from it. But whether the benefits were being passed on in the shape of improved quality of service or not, is more than one can say off-hand. Actually what has been happening is that working expenses have been steadily going up. In the last four years, working expenses went up from 40.06 crores (accounts 1953-54) to Rs 42.56 crores (RE 1954-55)

and Rs 44.56 crores (BE 1955-56). Along with the increase in working expenses, interest on debts has also substantially gone up e.g. from Rs 1.7 crores in 1953-54 to Rs 2.36 crores in 1955-56. The latter is not unimportant, for capital expenditure of the department has been increasing with installation of telephones, addition to equipment and other improvements.

The Taxation Commission's general recommendation is that though there should be no objection in principle to using railway travel as a basis of taxation, for the postal system, service rather than revenue should be the test of success. Postal rates designed broadly to cover the cost of operation or to bring in moderate net receipts, the Commission held, were appropriate in respect of this elementary public service. By and large, this is the policy which the Government of India has followed. Though, as pointed out above, postal earnings after Independence had shown an upward trend and had been quite substantial compared to what they were before the war, this was due to accident rather than design. In many of the years, revised estimates showed a substantial increase over the budget estimates. In other words, postal earnings had shown the same buoyancy as revenues in general in those years and had benefited from the same conspicuous under-estimation of revenues in general.

Granted that postal rates should cover cost, the distribution of cost over a wide range of services—letters, newspapers and periodicals, books, commercial and publicity literature and sheer muck—leaves some room for intelligent adjustment guided by wise social policy. If this is done, books should have a fair case to plead.

In the classification of mail, the principle actually adopted is only partially that of public interest. Here also, as in other human affairs, there is exigency and concession to pressure. This is patently the cause in extending preferential treatment to newspapers and periodicals—shall we say, because of the political pressure the Press can bring on Government and its nuisance value? If dissemination of news is important, so is propagation of knowledge. Let us have a classification of books by all means. But let not the habit of reading books, without which mere schooling is largely a social waste, be handicapped, ever so little, because some one in the Ministry is

too lazy to think up something better.

Opening of post offices in villages is a very good thing in itself by which the Minister in charge also gains in popularity. The book trade, however, does not add up to much that way; it is obviously unable to exert any appreciable political pressure but its claims are not to be ignored because of that. Now we began with the heavy postal

charges on a packet of books on Buddhism. In the year of the Buddha Jayanti, a Minister with a little imagination can cash in on the idea, by offering to carry books on Buddhism at a lower rate or even by carrying them free. In drawing attention to what appears to be unjust discrimination against books, it was not the purpose to give any such tips.

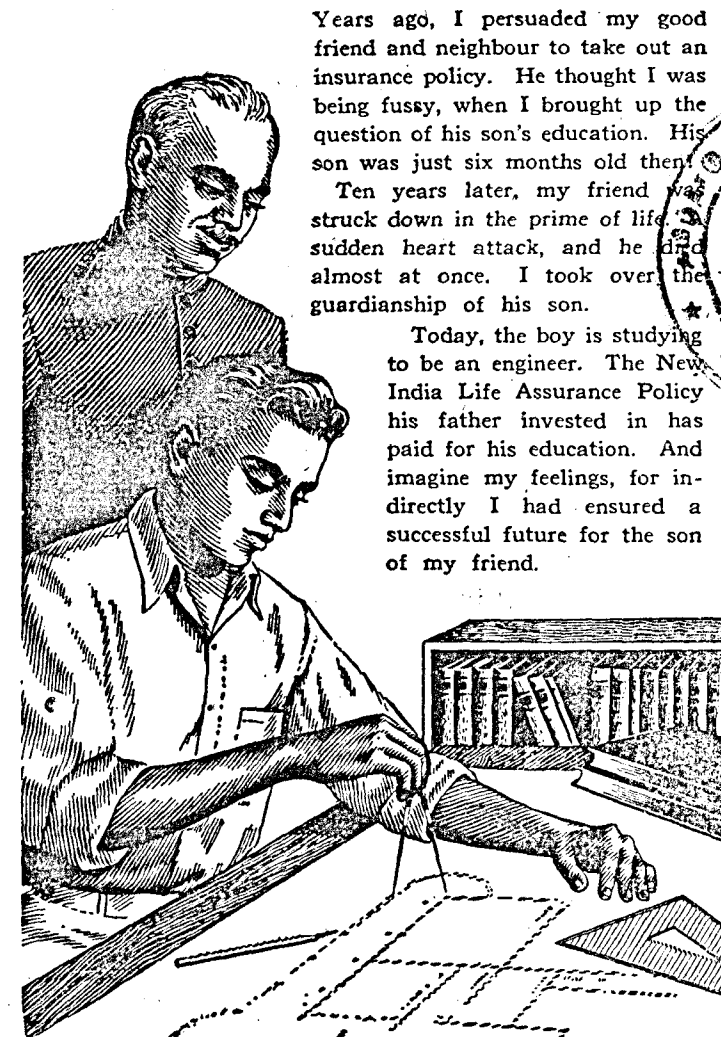
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No Test Case

UNLIKE the chairmen of other insurance companies, the Government appointed Administrator of Empire of India Life Assurance Co. Ltd., could not naturally afford the luxury of surveying the political scene and commenting on economic policy and legislation at the Annual General Meeting of his company. Nevertheless, like other insurance chiefs, he also touched on nationalisation. His own humble contribution to the discussion was that the issue had to be decided by experts in an objective manner but that the experience of his own company could not be decisive either way. Far from being a test case of private versus public management in insurance business, Empire represents on the contrary a notoriously bad case of private management and one of salvage operations under a Government appointed Administrator, who has been trying, with remarkable success, in repairing the damage done by predatory private enterprise in the past. The circumstances which led the Government of India to take action under Section 52A of the Insurance Act are well known. So the point need not be laboured.

Sri R. Varadachari is, therefore, clearly on unassailable ground when he says that Empire is no example of public management. Its management differs from that of other companies only in two respects. The present management had to start with a severe handicap, the legacy of mismanagement in the past, and it insists on strict compliance with the Code of Conduct. Far from having a top heavy administration which is usually associated in the public mind with Government management, and a hierarchy of higher-ups, in Empire, according to its Administrator, there is no hierarchy of officials and no intermediaries between Branch Secretaries and the agent, beyond what is permitted by the Code.

Empire's achievements during the last four years under the new administration, to quote the Administrator, are:

"reduction in top heavy salaries, increase in the salaries of the subordinate staff, stabilising the finances, creating a big reserve of Rs. 116 lakhs to meet losses from bad and doubtful investments (very few companies in India would be able to do this), increasing the dividends to the share-

holders and the bonus to policyholders, and with all this, lowering the overall and renewal expense ratio."

The salaries and allowances of the top officers in the Head Office were brought down from a monthly average of Rs. 22,106 in 1951 to Rs. 8,111 in 1954. The overall expense ratio in 1954 was 28.4 per cent compared with 33.66 per cent before the Administrator took over. These are no mean achievements. The expense ratio would have been even lower, but for the heavy legal charges that the company had to incur on legal proceedings against its ex-directors and others.

Confining himself strictly to field insurance and its operational problems, Shri Varadachari raised an issue which, though eminently a practical one, is nevertheless of the widest interest viz., the need for tapping rural savings. If insurance is to fulfil its role of promoting thrift adequately, this has to be done. To tap rural savings, however, agents have to penetrate into rural areas. The field force is at present concentrated almost entirely in towns and cities. Worse still, the whole-time agent has become a rarity. How to make it worth his while to turn his attention to the village?

Letters to the Editor

Personal Records of late N M Joshi

YOUR obituary note on N M Joshi (June 4, 1955) has just come into my hands. At this late date let me add my word of admiration and gratitude for his kindness and personal warmth, which revealed itself to a foreign research worker. I should also like to comment on one aspect of his life which had unhappy consequences.

When I visited him in 1952 to discuss certain historical issues on which I needed his assistance, I asked whether his records, reports, and personal files were available. He waved his hand over his 12' by 12' bedroom-office, shrugged his shoulders, and commented that having neither space nor money he had been forced to destroy virtually all of the records he had accumulated over nearly half-a-century. In this fashion a portion of India's history, immeasurable and irretrievable, has been lost to us.

Is it not possible that some steps could be taken to prevent the des-

truction of important private records, to encourage their preservation in places accessible to scholars? Could not public-spirited individuals and organizations contribute to the financing of library facilities at major Indian institutions where the files of citizens and companies important to the Indian economy would be preserved? It is true that the preservation of private records is expensive. My question is not intended in a carping vein. We in the United States have not done very well in this task. Nevertheless, records of citizens such as N M Joshi and of various voluntary associations are the stuff of history. They are critical for that understanding of the past from which alone can come the proper evaluation of the problems of the present and the needs of the future.

Morris David Morris
Assistant Professor

University of Washington,
Department of Economics,
SEATTLE 5
August 25, 1955

Are Rivers a Challenge to Engineers?

IN Sri Kumud Bhushan Ray's article in your issue of the 10th, there is a reference to Fig. 5, but the figure is absent. Perhaps the photograph referred to was published in some issue last year.

The two articles that were published last year about the same subject and the present one appear to be so interesting and important that it is surprising they did not attract official or public notice, —more so because of the recurrence of floods and the failure so far of the methods. Articles continue to be published blaming the railway embankments etc., but they do not bring out the problem and its solution so clearly.

Shri Ray's articles may perhaps be commented on editorially, if you write on the recent floods. This is just a suggestion for your consideration.

Santimoy Ray

Calcutta
August 22, 1955

The omission of Fig. 5 is much regretted. It appeared in the issue of Oct. 26, 1954 in an article by the same author, Vol. VI, page 1208—Ed.

From the Calcutta End

SOME persons are popular. Some are hated. Some others are talked about. Prof. P C Mahalanobis is not yet popular. It is not easy for a statistician to be popular. But he is the person who is most talked about in Calcutta now. His achievements are impressive. Economists may be aware of the difference between physical and financial approach to planning. Industrialists may be alarmed over physical planning. But Prof. Mahalanobis has made even news correspondents and agencies aware of physical planning. This is no mean achievement.

He is a pioneer in his field in this country. Though the man in the street does not yet know what physical planning is, everybody in Calcutta seems to know that the Institute of Statistics is at Baranagore. Everybody also knows that Prof. Mahalanobis is the Institute. He is a great organiser. His Institute is already famous. It will soon become a University. When his Statistical Institute develops into a University, it will be the first University of its kind in the world. Prof. Mahalanobis has the support of New Delhi.

World Famous Institute

In Calcutta, there is a saying that Bengal starts everything only to lose the lead later. Acharya P C Ray made Bengalis conscious of science. He was not only a pioneer in industrial chemistry. But he inspired a batch of brilliant scientists. To-day, Calcutta is not the home of the chemical industry. That claim now goes to Bombay. It was not any Bengali scientist, but Sir Santi Swarup Bhatnagar who organised the National Laboratories. Not Calcutta, but Bombay is the centre of atomic research in this country.

If Acharya P C Ray inspired brilliant Bengali students to become scientists, Prof. P C Mahalanobis is making Bengalis conscious of statistics. To-day, most of the bright boys in economics or mathematics go in for statistics for their post-graduate studies. Serious, research-minded students are doing valuable work in the cloistered surroundings of the Baranagore Institute. Economists and industrialists may be

critical of Prof. Mahalanobis's physical approach to planning, but his Statistical Institute has already become the Mecca of statisticians throughout the world.

Some days ago, Prof. P C Mahalanobis gave an interview to three correspondents in Calcutta. In his reply to the lengthy questionnaire, he answered some of the criticisms made against his draft Plan-frame. He was rather unconvincing in his defence of the inflationary implications of his Plan-frame. He was evasive in his defence of his assumption that the marginal rate of savings will amount to thirty per cent of increment of output. But he made certain points which were interesting.

No Urban Bias

West Bengal's Chief Minister has been loud in his criticism that the draft Plan-frame has an urban bias. One of the questions had relation to this aspect of the Plan-frame. Prof. Mahalanobis's reply was short but

convincing: "Cottage and small-scale industries are located in both rural and urban areas, and I have not made any distinction on the basis of geographical location". It was rather difficult to appreciate Dr B C Roy's repeated criticism that the Plan-frame neglected rural areas.

In defending the inflationary aspects, Prof. Mahalanobis seemed to argue that, under his Plan-frame, earnings will always outpace prices. But he did not dispel doubts whether his hand and household industries, would solve both the problems of unemployment and supply of consumer goods. Under his Plan-frame, these are the two functions of the hand and household industries. Some doubt whether these industries can solve either of the problems. Some argue that these industries may solve one of the two problems, but not both. To be fair to Prof. Mahalanobis, it must be admitted that, in his reply to the questionnaire, he reiterated his emphasis on the

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administrative aspect of the issues in question.

Foreign Capital

As was to be expected, Prof Mahalanobis is opposed to any restrictions on repatriation of profits of foreign firms. Foreign aid will be necessary to finance the Second Plan. No policy should be introduced which is likely to hamper the flow of foreign capital. This much is easily understandable. But he is intriguing in his argument that, "as a good deal of organised large-scale industries would continue to remain in the hands of Indian business men, there are some advantages in a part of large-scale industries continuing to remain under foreign management".

Prof Mahalanobis admits that the success of his Plan-frame depends on efficient management and administration. This can be ensured in the private sector, he argues, by introducing a system of incentives in which the "earners" will share in the profits accruing from increases in production. Industrialists may be unwilling to share "profits". But they may not be reluctant to introduce a system where-

by wages and salaries beyond certain minimum levels should be closely related to labour productivity.

Social Recognition

In the public sector, efficient management and administration can be ensured, he argues, in two ways. There must be decentralisation of administrative and executive powers. Secondly, there must be a system of judging public officials by results, and the award of benefits and social recognition on such results. Some such arrangement exists in Communist States. There are certain obvious difficulties in introducing such a system in a democracy. Administration is, and will remain, the biggest bottleneck to economic planning. It is easy to say that this bottleneck will have to be blasted away. But it is more difficult to suggest how it can be done.

Labour Troubles

After many months of amicable labour-management relations, West Bengal is having some labour troubles. Tea workers in the Dooars, Terai and Cooch Behar

plantations are on strike. There have been some violent disturbances, and the police have had to take strong action. Tea workers demand higher wages and bonus for 1954. Last year's fat dividend payments justify the workers' demand for bonus. Tripartite discussions are now going on in Calcutta to settle the dispute between tea workers and plantation owners.

Justified or not, the discontent among tea workers is not difficult to appreciate. But the disturbances in some of the jute mills in Howrah in the last two weeks have surprised both the Government and management. Troubles arose because of the workers' refusal to contribute their share to the State Insurance Scheme. They want to be insured against "loss of earnings on account of sickness, accidents and invalidity". But they claim that their share of the contribution should be donated by management. This is an indirect demand for higher wages. So far, the disturbances have been confined to the Jute Mills. 230,000 industrial workers are involved. If labour force as a whole echoes the jute workers' demand, labour troubles may spread.

Official Papers

Structure of Direct Taxation in Britain

Royal Commission on the Taxation of Profits and Income in the United Kingdom. Final Report, Cmd 9474, London. H M Stationery Office. pp 470, Appendices. Price 12s 6d net.

THE final report of the Royal Commission which was appointed in January, 1951, was presented to the British Parliament in June 1955. The Commission was primarily concerned with the specific problem of inquiring into the existing system of taxation of profit and income with special reference to business profits, salaries and wages, and as such its terms of reference were very much narrower than those of the Indian Taxation Enquiry Commission which attempted an assessment of the tax structure as a whole. Both the perspective and problems of taxation in the United Kingdom have changed considerably since the last Royal Commission on Income Tax reported in 1920. Apart from the increase in the absolute burden of taxation, the problem has acquired an added urgency in the context of the financial implications of a Welfare State in an economy with a vulnerable balance of payments position. This makes it all the more surprising why the allied issue of indirect taxation was kept outside the purview of the Commission.

The Commission was first presided over by Sir Lionel Cohen and on his resignation in 1952, Baron Radcliffe was appointed Chairman. Thus while the British tradition of a judicial Chairman was maintained, the membership of the Commission itself was fully representative of all types of the necessary expertise, financial, legal, trade union, and academic, the last being represented by Hicks, Kaldor, and Mrs Anstey. As such the Report is an impressive document, a wholesome combination of theoretical acumen and practical insight, ordered and organised by the mellow scholarship and liberal outlook of the Chairman, a distinguished representative of the tradition of humane learning in British public life.

According to its original terms of reference, the Commission was required to

"inquire into the present system of taxation of profits and income, including its incidence and effects, with particular reference to the taxation of business profits and the taxation of salaries and wages;

"to consider whether for purposes of the national economy the present system is the best way of raising the required revenue from the taxation of profits and income, due regard being paid to the point of view of the taxpayer and the Exchequer;

"to consider the present system of personal allowances, reliefs and rates of tax as a means of distributing the tax burden fairly among the individual members of the community; and

"to make recommendations consistent with maintaining the same total yield of the existing duties in relation to the national income".

These terms of reference were further extended in March 1952 to include

"recommendations bearing in mind that in the present financial situation it may be necessary to maintain the revenue from profits and income; and in so far as they make recommendations which would on balance entail a substantial loss of revenue, to indicate an order of priority in which such recommendations should be taken into consideration."

Thus the Commission's task was largely confined to suggesting measures designed to tidy up the present system of income and profits taxation, that is, its labours may be subsumed under the category of "useful improvements rather than major reform".

It is equally essential to note some of the vital assumptions on which the Commission has based its analysis and recommendations. First and foremost, it has taken as a general premise that there will be relative stability, i.e., absence of any marked increase or decrease, in the purchasing power of money in the United Kingdom in the future. In the absence of some such assumption, it would have been difficult for the Commission to "build either a satisfactory tax structure or a satisfactory distribution of the total burden of tax". Besides, such an assumption is valid in the context of present day

economic policies which are aimed at maintaining the economy on an even keel, albeit at a high level of performance in output and employment. Secondly, the Commission has endeavoured to avoid the slightest suggestion of discriminatory or differential taxation even in regard to matters such as providing specific tax reliefs as an aid to corporate savings, while giving its imprimatur to corresponding reliefs in regard to industrial savings such as insurance contributions and superannuation.

It would have been surprising if a Report such as the present one did not produce the inevitable Memorandum of Dissent, which in the case is provided by the two trade union representatives, Messrs Woodcock and Bullock, who, together with Mr Nicholas Kaldor, advocate taxation of capital gains. Though the Commission itself has recommended against such a tax, either as a separate impost or as part of the income-tax, the issue cannot be regarded as a closed one. In fact taxation of capital gains is the hardy perennial of public finance. The Memorandum of Dissent, which is a notable piece of analysis and exposition, is based on the concept of spending power, i.e. "net accretion of economic power between two points of time", as the most reliable index of taxable capacity, a line of thought which is being propagated of late by Mr. Kaldor.

According to the authors of the Memorandum, the tax should be levied only on net realised gains with appropriate allowance for deduction of net realised losses and for carry-forward of any net losses, and furthermore, capital gains should be subject only to income-tax and not to sur-tax, the capital gains of corporations being liable to the corporation profit tax which would be levied at a uniform rate. While the Minority view is that capital gains "provide a distinct addition to the amount of goods and services which an individual is in a position to command, irrespective of whether he chooses to spend or save the gain", the Commission assumes that, by and large, capital gains would be saved and that a

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tax on capital gains would in effect function as a tax on savings. The Commission adverts to the possible disincentive on private saving of such a tax and maintains that "though it might discourage a small number of people who were enabled by the obtaining of capital gains to maintain a standard of living out of relation to their income, its general effect would be to tax a very much larger number of persons without the justification of any equitable design".

The underlying issues of this debate on the nature of capital gains in relation to spending power suggest interesting possibilities of a further reformulation of the Keynesian consumption function as refined by the Duesenberry-Modigliani hypothesis so as to introduce capital gains as one of the explicit variables in the consumption function. In the meanwhile one may pose the question, in view of the tenderness shown to 'private' saving in the recommendations of the Commission, whether the traditional role and even the quantum of private saving are not liable to be exaggerated. Private savings today, particularly in the United Kingdom, partake of the character of contractual savings; besides, the State is increasingly tending to be the largest.

The main argument of the Memorandum of Dissent is powerfully buttressed by a most illuminating discussion of the devious dodges practised by tax-payers at present to convert taxable income into tax-free capital gains. Of course, judging by this, it would appear that Gentlemen have greater opportunities and better aptitude for showing taxable income as capital gains than mere Players, an aspect of the problem peculiarly apposite to the English social scene. In regard to the likely yield of a tax on capital gains, the Commissioners of Inland Revenue estimate its average annual yield at about £50 million as against the estimate of £200-350 million put forward by the Memorandum of Dissent.

On the subject of profits tax, the Commission has recommended that the existing tax should be simplified so as to make it a flat-rate tax on total profits and thereafter, the exemption and abatement reliefs should be dropped; in the case of special classes of corporation, the Commission has recommended that nationalised undertakings and public utilities should be taxable on

the same basis as other concerns and trading entities. In order to mitigate the hardship caused by progressive taxation on irregular incomes, it is recommended that "a fall in total income from one year to the next of at least 50% should entitle the recipient to relief by averaging".

The adequacy, efficiency, and equity of any tax system will ultimately be judged by its effect in actual practice. One may express the hope that Britain, the traditional home of empiricism, philosophy as well as political, will pioneer the way in evolving a just and workable tax structure. The abundance of English law on the subject, if nothing else, encourages this hope.

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Ordeal of Eastern Uttar Pradesh by Water

Kumud Bhushan Ray

AN area of over 10,000 square miles in East U P was devastated by extraordinary floods in July 1955. The maximum fury of the devastation was concentrated in about 1700 square miles in Fyzabad District. Between July 16 and 22, the rainfall was about 24 inches, of which 9 inches fell in one day. The run-off from such heavy and concentrated rainfall, coming after 43 inches fall in the previous weeks, could not be drained by the Tons river and its tributaries—the Biswi and Majhoi (Fig. 1). No wonder, there was backing up and the water level in these streams rose, overflowing the channels, submerging riverside lands, villages and towns. Crops have been totally destroyed in 150,000 acres out of the 'kharif' area of 324,000 acres; 1988 out of Fyzabad's 3,000 villages were submerged and 200 villages completely destroyed, while Bhadarsa, Bikapur, Khajurhat, Gosaiganj, Katehri, Akbarpur and other townships were devastated. The Fyzabad-Allahabad Branch of the Northern Railway had over 30 breaches between Fyzabad and Sultanpur, while roads were breached and stretches washed away in several places. Till July 22, there was complete stoppage of all communication in about two-thirds of Fyzabad District. As the rise of

flood water was sudden, the inhabitants could save practically nothing, and the acutest possible distress prevails. There is need of drinking water, food, clothes and shelter.

Additional Bridges

The Tons rises in the alluvial plains in the vicinity of Fyzabad Town (Fig. 2). Similarly the Gumti rises in the alluvial plains a little to the east of Pilibhit town. As these rivers do not have their upper catchments in the Himalayan mountains, there is no flow through them in the dry season, except the scanty flow from seepage of subsoil water. In the monsoon months, local rainfall finds its way into these channels and drains through them.

The Fyzabad-Allahabad and the Lucknow-Banaras Branches of the Northern Railway, and the roads parallel to these, cross the Tons and the Gumti. Bridges, constructed over these rivers, thus provide drainage of rainfall from river catchment in the alluvial plains. For 8 months of the dry season, the flow through these bridges may be taken

to be practically nil.

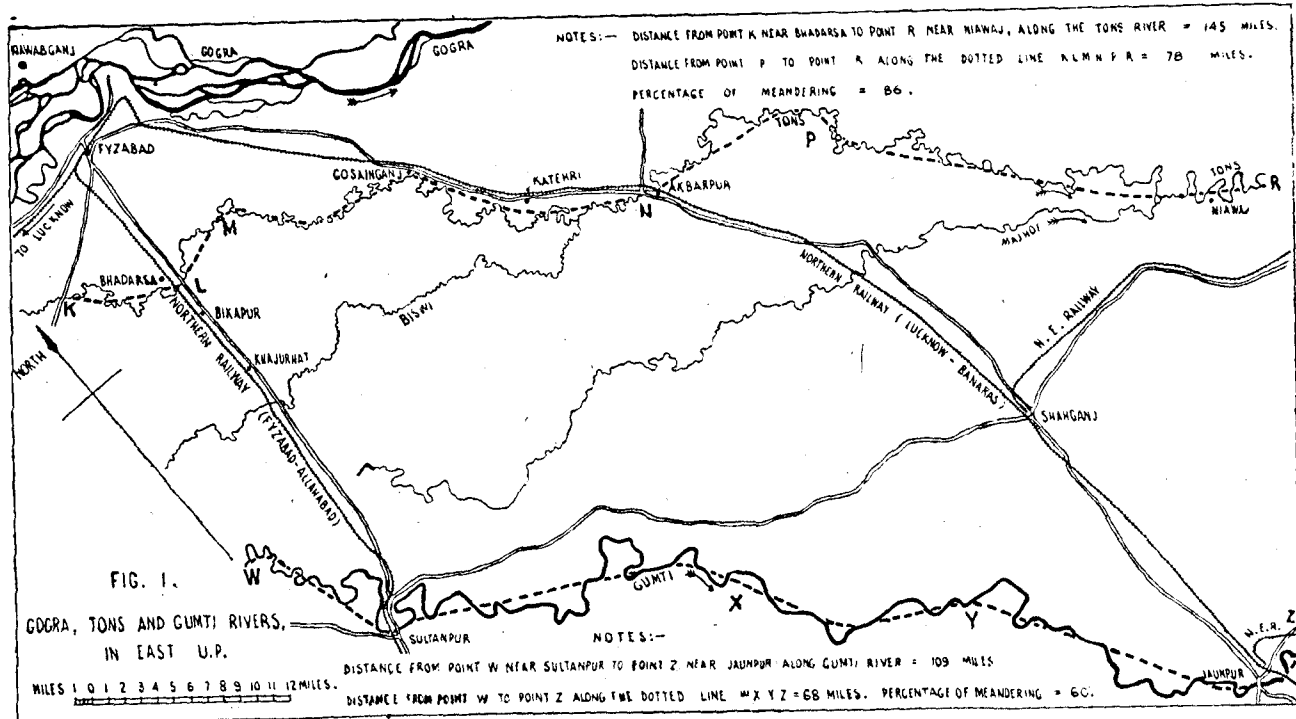
During the continuous and heavy rainfall in July this year, the rural and urban people saw that the road and railway embankments retarded the passage of water. Naturally, they are all demanding more bridges with greater waterways.

Conditions of River Channels

The question to be considered by engineers is, supposing that the roads and railways had been carried on viaducts, or in other roads, had there been no road or railway embankments at all to retard the passage of water, would there have been no rise of water in the river channels to cause submergence of riverside lands and consequent destruction from floods, if there had been such heavy and concentrated fall, as occurred between July 16 and 22 after the exceptional rains in the previous weeks of the monsoon?

To answer this, it is necessary to study the river channels. Fig. 1 shows that the rivers have got very tortuous alignments, the percentage of meandering being:

River	Distance along River Channel	Distance along Dotted Line	Percentage of Meandering
Tons	KLMNPR — 145 miles	78 miles	86
Gumti	WXYZ — 109 "	68 miles	60



In the Tons river, in this reach, water has to travel nearly double the distance, compared to that if it travelled in a straight line, while in the Gumti, this is 60 per cent longer.

One of the main functions of a river is to drain away the water that finds its way into its channel from its catchment. If the river is able adequately to perform this function, there is then no holding up of the discharge, no backing up of water, with consequent rise in water level in its channel. The numerous bends, many of which are of the horse-shoe type, dissipate a part of the energy of the motive force of gravity, by constant changes in the direction of velocity. Erosion of the concave banks and turbulence of flow at the bends also dissipate part of this energy.

Motive Force of Gravity

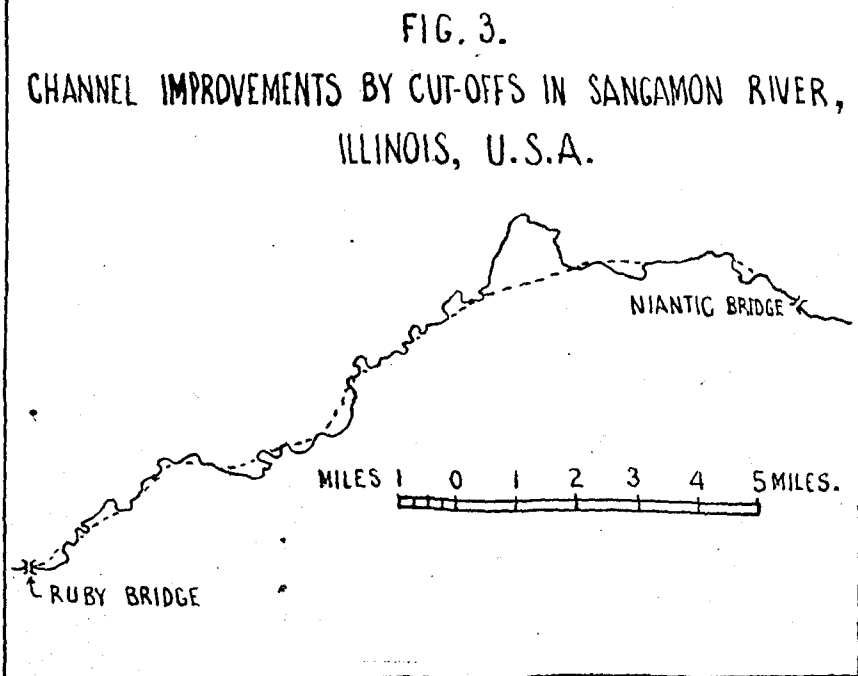
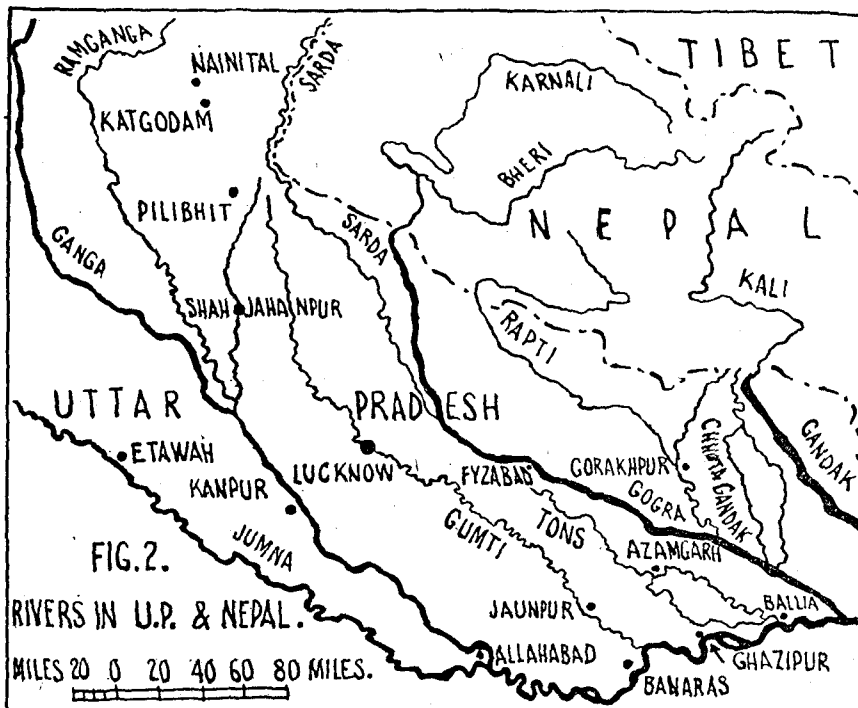
A river channel is created in the process of drainage of water from the land to the river's outfall, the flow of water being due to the motive force of gravity, down the inclined plane of the land, from a higher to a lower level. The discharging capacity of a river depends on the velocity of flow and on the sectional area of its channel. The velocity depends on the "hydraulic mean depth" (H M D) of the channel and on the "slope of water surface" (S W S) in the river, as well as on certain other factors, such as the shape and condition of its channel, etc.

Other conditions remaining the same, a deep, single channel has a greater H M D than a shallower channel or a number of channels having the same sectional area. A straighter channel, between two points in a stretch of a river, has a steeper S W S than a channel with a tortuous alignment. Hence a river, having a single deep and straight channel, develops a greater velocity and has a greater discharging capacity, than a river with a wide and shallow channel or channels having a tortuous alignment, although they may have the same sectional area. Moreover, in a straighter channel, water has to travel a shorter distance to its outfall. Thus a single deep and straight channel is able to drain away quickly the water, that finds its way into its channel from its catchment, so that the water level in its channel remains low, even when the river is carrying a high flood discharge. There is, therefore, no overflow from the river channel, no submergence of river side lands and no flood damages.

A comparison may be made of flow of water along a tortuous river, with the flow of traffic along a tortuous road. Now, if the Tons channel were a road, motor transport travelling along it would not only have to travel 86 per cent longer distance than that along a straight road, but owing to the numerous sharp bends, the speed of such transport will have to be constantly checked. Thus the time taken to carry goods from K to R by motor transport along a tortuous road will be very long. As the public keeps on sending goods, the delay in

transport would cause piling up of goods at the motor transport depot at K.

Similarly, the longer distance along the tortuous Tons channel, and the greatly decreased velocity of flow of water due to dissipation of energy of the motive force of gravity at the numerous sharp bends, cause delay in the drainage of water. During continuous heavy rains for a number of days, there is piling up of water in the upper reaches of the river, with consequent channel, no submergence of river-



side lands are thus submerged, the high water level in the tributaries—the Biswi and Majhoi—joins up with that of the Tons, the water flowing down as a vast sheet, submerging and destroying everything in its way.

Many of the English country roads have been converted into arterial roads, by removing sharp bends and by better realignment. Provision of wider roadways, without realigning, would not at all have been effective. Similarly provision of additional waterways through bridges over the rivers, without improvement of river channel alignment, would not be of much help in the control of floods. In fact, it would not be far wrong to say that without channel improvement works, flood damages would still occur, even if all the road and railway embankments were removed.

It may now be studied, how river channels can be improved effectively and at the same time economically. The velocity of water in a channel varies as the square root of the S W S. Or, in other words, if the S W S could be steepened four-fold, the velocity would be doubled. The total fall in the level of the land between the points K and R in the Tons river being constant, the only way to steepen the S W S is by shortening the length of channel.

Such shortening can be effected by constructing cut-offs, as shown in dotted lines K L M N P R along

the Tons and W X Y Z along the Gumti. The increase in velocity of flow due to the steepening of S W S, and the shorter length to be traversed by the water, would effect much quicker drainage, so that piling up of water at the upstream reaches of the river will be minimised. The rise of water level in these channels will thus be less, river-side lands will be submerged to a lesser extent and for a shorter period. There will thus be little or no flood damage, even when there is heavy and continuous rainfall for a number of days.

Channel Improvement in U S

A portion of the Sangamon River in Illinois was straightened in 1924, a tortuous length of 21.8 miles with numerous sharp bends being reduced to 15.8 miles, as shown in Fig. 3. In the Mississippi River, 13 cut-offs had been made from 1937, between the mouths of the Arkansas and Red rivers, which effected a shortening of 115.8 miles. The resulting increase in velocity caused a lowering of water level in the Mississippi during high floods.

Cut-offs, to straighten the channels of the Tons and the Gumti rivers, may be constructed, as shown by the dotted lines in Fig. 1. As there is little or no flow through the two rivers in the eight months of the dry season, excavation works for the cut-off channels will not present engineering difficulty and the cost

will be moderate. The land that will have to be acquired for the cut-off channels will be more than made up by the land that will be reclaimed from the existing tortuous river channels of longer length. Silting up of the bends to be abandoned may be effected by erecting "permeable screens" across their upstream ends to proper alignment. Such works may be done by local labour under local supervision.

Watershed Management

The cause of flood damages from rivers is sometimes attributed to deforestation and other depredations of man in the upper river catchment in the Himalaya mountains. It has been urged that the Governments of Tibet, Nepal, Sikkim and Bhutan should be persuaded to take up and maintain watershed management and afforestation works, so that high flood discharges in rivers in the plains of India are minimised.

A study of Fig. 2, however, will show that the upper catchments of the Tons and the Gumti rivers are not in the Himalayas. Flood damages from the Tons and the Gumti have occurred owing to the inability of their channels to drain away water quickly. Their discharging capacity can be increased by channel improvement works, such as the construction of cut-offs. The lowering of flood water heights in their channels will minimise submergence of river-side lands and thus prevent flood damages.

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Nepal-China Relations

(From our Khatmandu Correspondent)

THE diplomatic relations established between Nepal and China on August 1 set a land-mark in the foreign policy of Nepal by renewing the age-old cultural, social and economic ties between the two countries in a manner appropriate to modern conditions. It provides an occasion for reviewing the past relations between Nepal and Tibet and examining the possible repercussions of the step taken on Nepal in future. Ever since the overthrow of Rana rule, particularly during the past two years, it had been widely known that at an opportune moment, Nepal's normal diplomatic relations with China would be re-established. In this age of internationalism when science and technology have contracted the world into a more or less single unit, a small country like Nepal has to establish proper and cordial relationship with the rest of the world and more so with China, her next door neighbour.

Foreign relations, however, are conditioned by various factors like geographical and strategic conditions, political obligations, economic necessities and historical ties (of race, religion and culture). Sandwiched between Tibet and India, Nepal is situated at a distance of 500 miles from the nearest port. The Himalayas present a great physical and climatic barrier in the north despite which cultural contact and trade between Nepal and Tibet have taken place across the Himalayas through several passes. Only a small volume of purely local trade can pass through these passes; so economic relations between Nepal and Tibet cannot be said to be very intimate. However, historical bonds have been always there as the Nepal-Tibet border has been crossed in the past by Buddhist and Christian missionaries, and Chinese armies have also crossed the Himalayas to settle in the beautiful valleys enclosed in the great barrier of the Himalayas. Even today people of diverse races and castes live in Nepal, and migration from Tibet appears to have been unrestricted in the past. Indeed, Nepal has been a meeting ground of the cultural streams from the North and the South where Brahmanism and Buddhism have been happily blended, resulting in a dis-

tinct culture which finds expression in temples and chaityas, homes and palaces, social ceremonies, religious festivals and fairs, customs and manners, and dancing and singing.

Nepal has been influenced in the past, apart from India, by Chinese and Tibetan traditions. Historical changes and developments in India and China have left their mark on this country. Through her long and chequered history as an independent nation of the Himalayas, Nepal has many a time repulsed invasions from both the South and the North and has thus proved herself, in various respects, worthy of her national freedom and independent existence. True, being a small country, at times Nepal had to bow down in the past to a large and superior military force, but never has she allowed any country to plant its foot-hold permanently on her soil. Among the famous travellers who came from China to Nepal, Fahien (406 AD) and Huentasang (635 AD) highly praised Nepalese art and culture of their times. Thus in spite of temporary defeats on the battle fields, for example at the hands of China in 1792 and British in 1816, Nepal has never allowed foreigners or outsiders to interfere with her way of life and her internal affairs.

It is in the light of her past history that Nepal's relations with China should be viewed. Some maintain that from ancient times, Nepal had no relations with China, and that hostilities between the two countries dated from the 55th year of the Chienlung reign, i.e. 1790, when Nepal invaded Tibet. Though on the governmental level, relations may not have been established before this, they both were known to each other through travellers, exchanges of art and culture and social and even matrimonial relations from very ancient times.

To trace the relationship on the governmental level, one has to go back to the end of the eighteenth century (Sept. 1792) when Nepal's ambition for expansion of territories towards the North involved her in a war with China for the first time, which brought the Chinese army under Fu-Kang-Aun within the marches of the capital. Nepalis

under Damodar Pandeny put up a fierce and stubborn resistance against the marching hordes and peace was concluded with honour. The Chinese were content with a formal submission from the Gurkas. The treaty of 1792 which governed the relations between the two countries until recently, provided, among other things, for compensation of all the losses incurred by the Bhotias in Lhasa, freedom of trade and commerce for the citizens of both the countries in each other's territories, help by China to Nepal in case of foreign invasion, and exchange of valuable presents after every five years. After 1910, taking advantage of the disturbed and uncertain conditions in China, Nepal discontinued the practice of sending presents to Peking. Nepal's relations with Tibet were determined till last year by the treaty of 1856, which obliged Tibet to pay an annual tribute of Rs. 10,000 (which has now been stopped) and also to grant certain extra-territorial rights and concessions to Nepal.

History shows that conflict between Nepal and British India had cropped up from time to time over the control of trade routes to Tibet. Moreover, before the opening of the new trade route via Kalimpong in the wake of the Younghusband Mission in 1904, there used to be brisk trade between Nepal and Tibet. Kuti and Kerang were famous centres of trade where the products of Tibet were exchanged with the goods and merchandise of Nepal. Though the volume and value of trade with Nepal has dwindled in recent times, nevertheless Nepali merchants still have some hold on the Tibetan trade. The defective system of transport is a hindrance to the development of this trade.

What Led to the Present Pact?

Why is it that diplomatic relations were established only now and not years ago? Firstly, under the Rana regime, Nepal left her foreign policy, from the time of Jung Bahadur, the first Rana Prime Minister, to the British and almost all the outstanding issues were settled by a reference to the British in India. The Ranas always had this one motive viz., that the country should be kept in isolation and that all foreign influences should be kept

out. It is only after the overthrow of the Rana Rule and the growth of the democratic atmosphere in the country that Nepal could think of establishing diplomatic relations with countries other than Britain. The independence of India also helped in this process. Secondly, the increasing importance of People's China after 1950 both internally (with the development of her national economy) and externally (relations with the Asian countries) made it necessary for almost every Asian country to establish friendly relations with New China. India's role is also quite important, for, the immediate circumstances leading up to the Nepal-China diplomatic relations have got to be examined against the background of India's diplomatic relations with China. India has been the first country in Asia to establish diplomatic relations with People's China and has ever since done her utmost to secure China's good-will and friendship. The Agreement on Tibet in April 1954, besides laying down the procedure for trade and cultural exchange between Tibet and India, was the first to enunciate the famous five principles, known as the Panch Shila. India has always stood for China's admission into the UN and has also recognised China's claims on Formosa as morally valid and she did her best to secure peace in Korea and Indo-China. Finally what paved the way for the Pact may be the joint declaration by Pandit Nehru and Mr Bulganin of the basis of the Indo-Soviet ties. The Bandung Conference of 29 countries also might have expedited matters. Apart from Mr Chou En-lai's assurance at the political committee meeting of the Afro-Asian Conference at Bandung that China would never use force in settling border questions with the adjoining countries, the leader of the Nepali delegation at Bandung, had a personal interview with the Chinese premier with regard to various problems.

Terms and Conditions

The pact which is based on the Nehru-Bulganin statement envisages the promotion and strengthening of Nepal-China relations in the economic and cultural fields. The exchange of envoys will be at ambassadorial level. The Chinese Ambassador in New Delhi will be concurrently accredited to Nepal and the Nepalese Ambassador in India will similarly be accredited to China.

The text of the joint communique on the talks conducted at Kathmandu from July 27 onwards as broadcast by Peking Radio and monitored in Tokyo runs as follows:-

The Governments, desirous of establishing friendly relations between the two countries, have agreed to establish normal diplomatic relations and to exchange Ambassadors between the People's Republic of China and the Kingdom of Nepal.

The two Governments have further agreed that the following five principles, namely:

1. Mutual respect for each other's territorial integrity and sovereignty,
 2. Non-aggression,
 3. Non-interference in each other's internal affairs for any reasons—of an economic, political or ideological character,
 4. Equality and mutual benefit, and
 5. Peaceful co-existence
- should form the basic principles to guide the relations between the two governments.

The Governments believe that the establishment of diplomatic relations will also promote further development in the cultural and economic co-operation between the two countries.

Future Prospects

This agreement does not refer to relations with Tibet and the problems connected with her will be settled separately. Tibet has stopped her annual tribute of Rs. 1000 which she had been paying to Nepal by the treaty of 1856. Nor does it provide for the careful handling and amicable settlement of the border incidents with Tibet. As Nepal's boundaries on the North are ill-defined, since the Himalayas do not run straight, this is a matter of some importance. The people living on the border often run into disputes. Border incidents used to be very frequent in the past and have been the cause of wars between Nepal and Tibet. Moreover, all the good wishes of both Governments notwithstanding, trade and commerce between the two countries cannot be properly developed, unless transport facilities are improved. Any improvement appears to be difficult in the near future, but it may be possible in the years ahead.

The present agreement, however, is just a beginning and it may be

hoped that most of the issues will be carefully examined and amicably settled when separate talks are held with Tibet. Some months ago, the Chinese national Assembly had put forward the suggestion that China should have normal relations with Nepal and other small countries on the side of the Himalayas. Nepal has already seized this opportunity. It is necessary for us to develop friendship with a Power which is growing in Asia. Culturally and socially, there are very many similarities, which will be developed and encouraged by the greater contacts (which are quite possible now) of the peoples of the two countries.

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Last Chapter in Freedom Struggle

Background to Goa Satyagraha

(Concluded)

S T Chary

In his Independence Day speech, the Prime Minister examined at length the implications of Portuguese firing on peaceful Satyagrahis and declared, that in a war between two armies, resort to firing was an obvious thing. But one had to remember that the context was entirely changed when unarmed peaceful people were fired at. "Let us take note, and let the world take note, as to how far it is proper for any Government or country to open fire on peaceful people who carry no arms in their hands. If anybody breaks the law, the Government concerned has a right to arrest and send him to jail. These rights are there, but does international law sanction that unarmed people who are not attacking any country should be fired upon?"

Pathetic Appeal

Such a pathetic appeal in a Free India and that too from a leader of the stature of our popular Prime Minister is not only painful, but out of keeping with the 'dignity and honour' of a free people about which he has spoken times without number. We were familiar with such appeals in pre-Independence days. It is unthinkable now. To say the least, it is degrading. Are we not competent to decide whether the act of the Portuguese authorities is not a violation of international law and take suitable measure? Have we not enough legal luminaries in the country and experts in our External Affairs Department to decide the issue? Which self-reliant free nation in the world, big or small, has at any time appealed to world conscience to protect its national honour and sovereign rights? Are we not going to learn anything from past experience?

In our quarrel with South Africa on racial discrimination and in our dispute with Pakistan over Kashmir, why did we not get justice? Was it because we were wrong? The truth of the matter is that while every nation's foreign policy is subservient to its national interests, the reverse is the case here. It may be noble idealism, but not practical politics. It is not right to question the motives

of so worthy a man as our Prime Minister. But if one reads his speeches carefully over the last few days, one will discern his criticism has shifted from the subject of Portugal to that of opposition parties in this country. If this trend persists, it will betray the cause for which so many are giving their lives.

Now let us see how the world responded to his appeal. The Daily Telegraph described the Prime Minister's declaration as 'moral hair-splitting' and said, "The events of this week have made it plain that bloodshed is the result of tactics which he chooses to regard as peaceful." The Daily Mail went a step further, "Nehru is a man of the world. He knows that one nation cannot invade another's territory however peaceably without some one getting excited and some one getting killed. Which is what happened in Goa."

While one can understand not only the partisan but perverted attitude of British Papers because of their self-interest, one is surprised at the angle certain prominent American papers have taken on this issue. None of them has examined the issue on its merits. They have severely castigated Nehru for having allegedly provoked a situation where violence and bloodshed were inevitable. Secondly they seem to have accepted Portugal's contention that Goa is part of her metropolitan territory and that India has no legal right to it. Thirdly, they see in the present disturbances the sinister hand of Communists.

Perpetuation of Possessions

The U. S. Columnist, David Lawrence, has given out some information which the Government of India might usefully take note of. He has discovered that "the controversy over Goa is inspired by Communists as they know it will tend to strain relations between the United States and India and between Britain and India. That is because the London Government has an alliance with Portugal and because the United States needs Azores for air bases and is about to nego-

tiate an agreement with Portugal. All the double-talk that has been coming from New Delhi about desiring peace in the world has been revealed to be insincere. When it suits Nehru to begin aggression of his own, he does not hesitate to do so."

In all these criticisms, one undercurrent is very clear, viz., colonialism and cold war. What America does not understand is that world-wide collective security arrangements like NATO, MEADO and SEADO, which it initiated and which it leads with a crusading zeal, are utilised by its partners like the U. K., France, Portugal etc. for the perpetuation of their colonial possessions. To maintain the unity of these organisations America during the last 10 years has been found to take a dubious stand on colonial issues. This working at cross-purposes has already cost the Americans the goodwill and respect which they had won in Asia during the Roosevelt era. The Goa problem is a challenge to their integrity. It will also expose the nature and purpose of their Collective Security Organisations.

Meanwhile, the satyagraha movement has already achieved its main purpose. Firstly, it has shown Salazar that the people of this country, including Goans, are determined to end Portuguese rule. Secondly, it has shaken the complacency of the people and the Government. Goa is on everybody's lips. That has been the greatest achievement of the movement. Finally, it has forced a wishful Government to revise its stand on the issue and brought it to the world of reality. There is a school of thought in this country which feels that if immediately after India's freedom the Government of India had enforced economic and financial sanctions, which it believes to be consistent with its policy, the Goa problem would have been settled long ago. Satyagraha and the mass killings that followed it could have been avoided.

I have it from eminent people who have lived in Goa these years that

from 1947 to 1955 the Portuguese Government has striven hard to consolidate its holding. Hence all the complications. Whatever that might be, let the Government of India realise now at least that the longer it waits the sterner will be the measures necessary for a solution and greater the complications.

The Prime Minister may be reminded of what he said on the subject of U. S. aid to Pakistan, "Even the act of asking for protection and seeking aid disables us and makes us weak and feeble, and dependent on others. If India is to survive, it will do so by her own strength, self-help and self-confidence and not by relying on others." This is exactly what his countrymen demand he should bear in mind while dealing with the Goa problem.

To the persistent demand of the people that no more killings of Satyagrahis by the Portuguese should be tolerated, Pandit Nehru has repeatedly declared that Satyagrahis should not, according to the principles of Satyagraha, expect the Army to follow them. It is not the Satyagrahis, however, who demand more effective action from Government. There are men who have shown by their deeds, that they did not wait for either the sympathy of the people or the support of the Government. With full knowledge of the consequences of their action, knowing full well what had happened to Amirchand, Saha, Thorat and many others, they were prepared to suffer the worst. And these have not terrified or deterred the rest. Many more are daily offering themselves for this 'Bali Dan'. It is we, who have not actively joined the Satyagraha movement but have complete accord and sympathy with its objectives, who feel that we owe a duty to them. Our duty does not end with showering post mortem praises about their selflessness and sacrifice in Parliament and the State Legislatures. For the dead and the dying, there is undoubtedly all honour and glory. But for those who allow such things to happen or do not take steps to prevent them, there is nothing but cowardice and shame. It is this feeling that moved millions to demand action from the Government during the last few days. Because we are a free nation, we demand that our Government should fulfil that duty on our behalf. In our attempt to be superhuman we have almost become inhuman.

If only Nehru remembered the pre-

Independent days, he would not have made so superficial an observation. When every time Gandhiji and other Leaders fasted or defied laws and courted imprisonment, or suffered British brutalities, did not the nation rise to a man and demand that the British Government should accede to the Congress demands and release the leaders? When the British replied that Congress leaders had knowingly broken laws and undertaken fasts, and therefore, as Satyagrahis, they must silently suffer the consequences of their actions, we were neither silent nor did we relish it.

It is worthwhile to examine two other important pronouncements about Goa Satyagraha by Acharya Vinoba Bhave and Acharya Kripalani. These two eminent leaders are as competent to interpret Gandhiji and Satyagraha as any others. Their opinions have weight. Bhave has said that "Firings on Satyagrahis is an attack on our Independence." What follows from this? If it is an attack on our independence, have not we got a right to repulse it? Effective Governmental intervention will therefore be nothing else than an act of pure self-defence.

Acharya Kripalani has been more explicit. When Nehru propounded his notion of Satyagraha to about a lakh of people at Delhi on Independence day, from the same platform to almost double that number and that too within 24 hours, Acharya Kripalani made a moving declaration. "Are not the people of Goa, flesh of our flesh, bone of our bones? If so why can't our Army be sent to free them from foreign rule? That will not be aggression, but self-defence." He refuted the argument that armed action against the Portuguese would mean violation of world peace and said that it would lead to no third world war. "Mahatmaji has not taught us peace but struggle. He had called the resistance of the Chinese to Japanese Aggression the nearest approach to Satyagraha. He had sanctioned use of Army in Kashmir." As if to add his voice to the countrywide demand from the Capital for the first time he declared, "I challenge the Government: you do not represent the people, not even Congressmen on the issue of Goa." Shri Kripalani was proved right in using the word 'even Congressmen'. For a few days thereafter, a resolution was passed at the concluding session of the Uttar Pradesh Committee. The resolution as drafted by the Com-

mittee's executive council, is understood to have been 'softened' at the instance of the Union Home Minister. In its original form, the resolution had 'urged' upon the All-India Congress Committee and the Union Government to take "effective steps for ending the barbaric repression and foreign rule in Goa." The resolution actually adopted, instead, 'praised' the Government of India for "its unflinching adherence to ways of peace despite grave provocations." Such hectoring neither enhances the prestige of the Government nor serves the cause of democracy or even Congress.

In human affairs there is no finality. And much less in politics, if democracy has any meaning. Yet whenever Pandit Nehru speaks, there is such an air of finality in what he says that one is led to feel there is nothing more to be said about it. Whether he accepts it or not, his stature both in Congress as well as in Government is so dominating that no Congressman dare question him and his policies. The few who dared are already out of the Congress. Unfortunately, there is no strong opposition to challenge his policy and party. This is a fundamental lacuna in the working of democratic institutions in this country. There exists no recognised means, therefore, for reflecting and giving effect to popular wishes. No wonder therefore that people who were dissatisfied with Goa policy took the initiative and expressed themselves in a spontaneous manner, though not perhaps with decorum and in a respectable fashion.

About the liberation of Goa, Pandit Nehru has quite clearly stated that the Government of India will not be coerced or stampeded into action. This need not depress or surprise any. On numerous occasions in the past, he had made such categorical declarations and afterwards silently given in under pressure. At the Hyderabad Congress session, he described the demand for linguistic provinces as a 'mediaeval demand'. Just two days before the death of Shri Potti Sriramulu, he proudly declared in Parliament that he would not submit to threats and pressures. And within a week of this martyr's death, the Government of India announced the formation of Andhra State. My final submission to the Prime Minister is that he should not let the impression take root among the people that the only way to make the Government listen to them is to paralyse it.

Agricultural Labour

II - Wages of Farm Workers

(Continued from page 976)

THOUGH the Government of India had been collecting some wage statistics as early as 1873, and since 1951 the Food Ministry has had in operation a scheme for collecting fortnightly and monthly statistics of wages, available wage data for agricultural labour are still very inadequate and unsatisfactory. True, more than a dozen States are collecting wage data in one or two villages in every district. In addition, some States e.g. U P and Punjab, conduct wage surveys every five years and Madhya Pradesh publishes a "statement of rural and urban wages". But the shortcomings of these wage statistics are so many that they are of little use. It was for the first time that a systematic study of farm wages was carried out by the Agricultural Labour Enquiry.

It should be noted, however, that though the very first report by the Agricultural Labour Enquiry was entitled, "Agricultural Wages in India", a systematic study of agricultural wages was left over for the third and last report viz. the Report on the Intensive Family Survey. Wages paid for different operations were collected separately for men, women and children every month during the year 1950-51 and average

wage rates were calculated by weighing them by the number of man-days worked.

Of the total number of man-days put in by casual agricultural labourers, men, women and children, men contribute 62 per cent, women 35 per cent and children 3 per cent. All casual labourers (who form about 85 per cent of the total agricultural workers) are employed on daily wages and the rate of wages depends on the agricultural operations on which they are employed. There are various modes of wage payment. Wages are paid in cash or kind, in some cases partly in cash and partly in kind. Sometimes, perquisites in the form of mid-day meal, tea or tobacco, varying according to local customs, are also given. Again, wages are paid either on time or piece basis. An idea of wages paid under various methods may be gained from Table I.

Of the total man-days put in by casual agricultural labourers, only 5.5 per cent are paid at piece-rate. While time wages are paid for most of the agricultural operations, piece rates paid are usually confined to a few operations like embanking, harvesting and to a small extent weeding. Piece rate may also be applied

wherever work has to be done expeditiously. The proportion of man-days paid according to piece-rate is only one per cent in West India and North-west India, about 2 per cent in North and South India and 6 per cent in Central India and it is highest in East India, 11 per cent of man-days being paid for on this base. Among the States in East India, the man-days under piece-wage form only 3 per cent in West Bengal and Orissa, but in Bihar the proportion is as high as 17 per cent. Likewise in Central India, the Zonal average is influenced by the proportion for Madhya Pradesh where 12 per cent of man-days are paid under the piece-wage system.

It is widely believed that custom largely determines farm wages in this country but the Agricultural Labour Enquiry found that among the methods of wage payment, cash payment is the most important. As regards total wage-employment in agriculture in All-India, 57.7 per cent of man-days are paid in cash and 32.2 per cent in kind, the balance of man-days being paid partly in cash and partly in kind.

In North-west India and West India, cash payment accounts for 79 and 76 per cent of man-days. In

South India too, the proportion is high (66). In Central and East India, however, cash wages are not so important, being paid only for 46 per cent and 50 per cent of man-days respectively. The mixed system accounts for a little over 10 per cent of total man-days in Central and South India. The predominance of wages in kind in East India is mainly due to the State of Bihar where wages for 55 per cent of man-days are paid in kind. In sharp contrast, in Assam and West Bengal which are also in this Zone, cash predominates overwhelmingly to the extent of 96 per cent and 82 per cent of man-days respectively. Likewise in Central India, the importance of kind payment to the extent of 43 per cent, is mainly due to Madhya Pradesh where 53 per cent of man-days is paid in kind. Among the other States, where kind wages are relatively more important, are Hyderabad (33 per cent) Orissa (37 per cent), Punjab (32 per cent) and Uttar Pradesh (35.5 per cent.).

The Enquiry shows that during and after the Second World War, there has been a noticeable shift towards cash payment of wages, and this the report attributes partly to the rise in prices of food grains as a result of shortages and partly to the system of procurement by State Governments under the rationing system. The quinquennial Enquiry of Rural wages (1944) of Uttar Pradesh also confirms that the shift towards cash payment has been more pronounced after 1939, compared, for instance, to the period be-

tween 1934 and 1939. Thus, in 1934 the proportion of U P villages paying in kind to those paying in cash was 53.5 per cent but it declined to 46.4 in 1939 and to 29 per cent in 1944.

While it is difficult to give any reason for the relative importance of different methods of wage payment in every case, broadly, cash wages appear to be the rule where commercial crops are grown. The degree of urbanisation, presence of industrial establishments and plantations are other factors accounting for cash wages.

Among the States, while in Orissa and Bihar cash payment accounts for about 42 per cent of man-days, the proportions in respect of West Bengal and Assam, as indicated already, are 82 and 96 per cent respectively. It may be noted that in the former two states, the urban population is less than 10 per cent of the total while it is about 25 per cent in West Bengal and 18 per cent in Assam. Moreover, Assam has greater sown area under commercial crops.

In West India, cash payment is important in Saurashtra (86 per cent) and Bombay (75 per cent). The fact that commercial crops encourage the cash system is illustrated by Hyderabad, which has a large percentage of sown area (30) under commercial crops; a striking example is that of the cotton-jowar zone of Madhya Pradesh where 67 per cent of man-days are paid in cash while in the cotton and wheat grow-

ing tracts in the same State, wages are still largely paid in kind. Madhyabharat, where the important commercial crops are sugarcane, cotton and oil seeds, is another example. In the Punjab, cash and kind payments are of about equal importance, and the prevalence of payment in kind may be attributed to special factors, e.g. (1) the big and medium cultivators employ mostly attached workers and casual workers get only occasional employment; (2) small cultivators employing casual labourers during rush periods normally pay in the form of mid-day meals and (3) wages for work relating to harvesting on which most of the casual labour is employed are often paid in kind.

Male, female and child labourers receive different rates of wages for different agricultural operations. There are also geographical variations as between one village and another and from State to State. An idea of the average wage of adult agricultural labourers in the different regions of the country and the proportion that women's wages bear to men's may be gained from Table II. The wages include payments in kind as also perquisites.

The average wage is highest in Northwest India (23 annas) followed by East India (20 as.) and the lowest is recorded in Central India (13 as.). The average shows considerable variations among the States in the different Zones in Central India. Thus, in East India, while the average is 27.8 annas in Assam, and 27 annas in West Bengal, it is as low as 11.5 annas in Orissa. North-west India appears to be the most prosperous Zone, in which Pepsu records the highest average wage, (incidentally the highest in the whole of India) while in Rajasthan, an agricultural worker gets only 19.7 annas. In the South Zone, the average is high in Travancore-Cochin (21.4 as.) but it is only 15 annas in Madras and Mysore.

The All-India average daily wage of a woman worker (10.8 as.) is lower than even the lowest wage of a male worker (11.5 annas in Orissa). It is highest in North India, being 17 annas, followed by North-West and East India (about a rupee) and the lowest is in Central India (8 annas). There are considerable inter-State variations in the average among the different Zones, as would be evident from Table II.

(To be continued)

TABLE I

Percentage Man-Days of Men, Women And Child Workers Paid Under Different Modes of Wage Payment

Zones and States	Time Rates	Piece Rates	Cash	Kind	Cash and Kind	With Perquisites	Without Perquisites
North India	97.9	2.1	56.1	35.5	8.4	62.2	37.8
Uttar Pradesh	97.9	2.1	56.1	35.5	8.4	62.2	37.8
East India	88.7	11.3	50.1	42.5	7.4	50.9	49.1
Assam	100.0	..	96.4	0.5	3.1	42.0	58.0
Bihar	83.2	16.8	41.9	54.6	3.5	42.1	57.9
Orissa	96.9	3.1	41.9	37.6	20.5	9.2	90.8
West Bengal	96.7	3.3	81.6	13.1	5.3	84.4	15.6
South India	97.6	2.4	65.9	21.4	12.7	30.5	69.5
Madras	98.2	1.8	65.9	21.7	12.4	28.4	71.6
Mysore	100.0	..	65.5	15.9	18.6	31.0	69.0
Travancore-Cochin	93.0	7.0	65.6	23.3	11.1	44.1	55.9
West India	98.8	1.2	75.8	18.2	6.0	21.1	78.9
Bombay	99.4	0.6	75.2	19.3	5.5	18.0	82.0
Saurashtra	92.8	7.2	86.3	12.4	1.3	43.7	56.3
Central India	94.0	6.0	46.2	42.6	11.2	1.7	98.3
Madhya Pradesh	87.9	12.1	37.6	53.0	9.4	0.4	99.6
Madhya Bharat	97.2	2.8	77.4	16.7	5.9	4.8	95.2
Hyderabad	100.0	..	50.0	33.3	16.7	0.7	99.3
North West India	99.4	0.6	78.8	13.1	8.1	21.6	78.4
Punjab	97.4	2.6	35.2	32.1	32.7	29.3	70.7
Rajasthan	100.0	..	92.0	4.8	3.2	12.9	87.1
PEPSU	95.0	5.0	69.6	19.9	10.5	64.6	35.4
Jammu and Kashmir	100.0	..	96.4	2.2	1.4	98.1	1.9
All India	94.5	5.5	57.7	32.2	10.1	33.4	66.6

TABLE II

Average Daily wage Rate in Annas of Men and Women Labourers

Zones and States	Men	Women	Women's wage as percentage of men's wage
North India (U. P.)	18.8	16.8	89
East India	19.9	15.7	79
West Bengal	27.0	16.6	61
Bihar	20.2	17.7	88
Orissa	11.5	7.9	69
Assam	29.8	21.9	73
South India	16.2	9.8	60
Madras	15.5	9.5	61
Mysore	14.6	9.4	64
Travancore-Cochin	21.4	13.3	62
West India	18.0	12.5	69
Bombay	17.6	11.8	67
Saurashtra	21.5	..	..
Central India	12.8	8.2	64
Madhya Pradesh	12.8	7.9	62
Madhya Bharat	13.7	9.4	69
Hyderabad	13.1	8.0	61
North-west India	22.8	15.8	69
Punjab	28.6	21.7	74
PEPSU	45.0	13.7	30
Rajasthan	19.7	15.2	77
All India	17.5	10.8	62

Tax on Bonus Shares

Wednesday, Evening

SPITE unfavourable developments, stock markets remain buoyant. When the primary trend "bullish", market analysts believe, stock markets have a habit of ignoring all unfavourable developments. On this definition, primary market trend seems to be "bullish" now. Equities are moving up. They are being talked up further. Speculators seem optimistic though market analysts have, in recent days, issued repeated warnings about the dangers ahead.

Buoyancy in equities is not unjustified on wider economic grounds. Industrial production is mounting. Money supplies and incomes are rising. Success of the two instalments of loans by States indicates a gradual expansion in the volume of investible funds. Industrialists and economists may have some doubts about the shape of things to come during the second Plan period, but stock markets seem to have reached the conclusion that nothing can prevent a spurt in equities as long as the expenditure estimates under the second Plan are implemented according to schedule.

Immediate Outlook

This will not be denied. But the developments in the last few days indicated that the immediate outlook was rather uncertain. For one thing, it is now certain that Indian Iron will not issue right shares. Nobody expects Indian Iron dividend to be higher. And yet, Indian Iron shares are not falling. These shares may be well below the recent peak levels, but they continue to be firm.

There were some reasons for continued firmness, until Tuesday, in Indian Iron. It was argued that Indian Iron might not issue right shares, but the Company might decide to capitalise reserves by issuing bonus shares. That was why Indian Iron were moving up until Tuesday. Subsequent steadiness in Indian Iron is rather surprising. That is what is puzzling some market commentators, though speculative investors do not seem perturbed over latest events.

Last week, the Finance Minister stated in Parliament that the Gov-

ernment had no objection to bonus issues by industrial companies. This was interpreted by stock markets to mean that the Government was in favour of capitalisation of reserves; that, in the circumstances, Government would not impose any tax on bonus issues. That was why Indian Iron continued the upward journey, despite the official denial of rumours about right shares.

This issue has a history. Even while the Taxation Enquiry Commission was investigating the problems referred to it, many companies had applied to the Controller of Capital Issues for permission to raise capital by issuing bonus shares. As the time for submitting the Commission's report approached, it became evident that Government was hesitant to announce its decision on the applications pending before it.

Bonus Issues

New Delhi's hesitant attitude fostered fears that the Taxation Enquiry Commission might recommend a tax on bonus issues. This problem was examined by the Commission. It recommended that no tax should be imposed on bonus issues. New Delhi's reluctance even after the publication of the Taxation Enquiry Commission's report, to expedite decision on the pending applications revived doubts that Government might not accept the Commission's recommendation relating to bonus issues.

When, therefore, the Finance Minister announced in Lok Sabha last week, that the Government was not opposed to issues of bonus shares, the stock markets jumped to the conclusion that the Government will expedite its decision on the applications pending before it, and that Government had finally accepted the Taxation Enquiry Commission's recommendation not to impose any tax on bonus issues.

Tax Fears

While the Finance Minister issued his statement last week on capitalisation of reserves, he made it clear that the question of taxation of bonus issues was under Government's contemplation. On Tuesday last, the Finance Minister announced in Par-

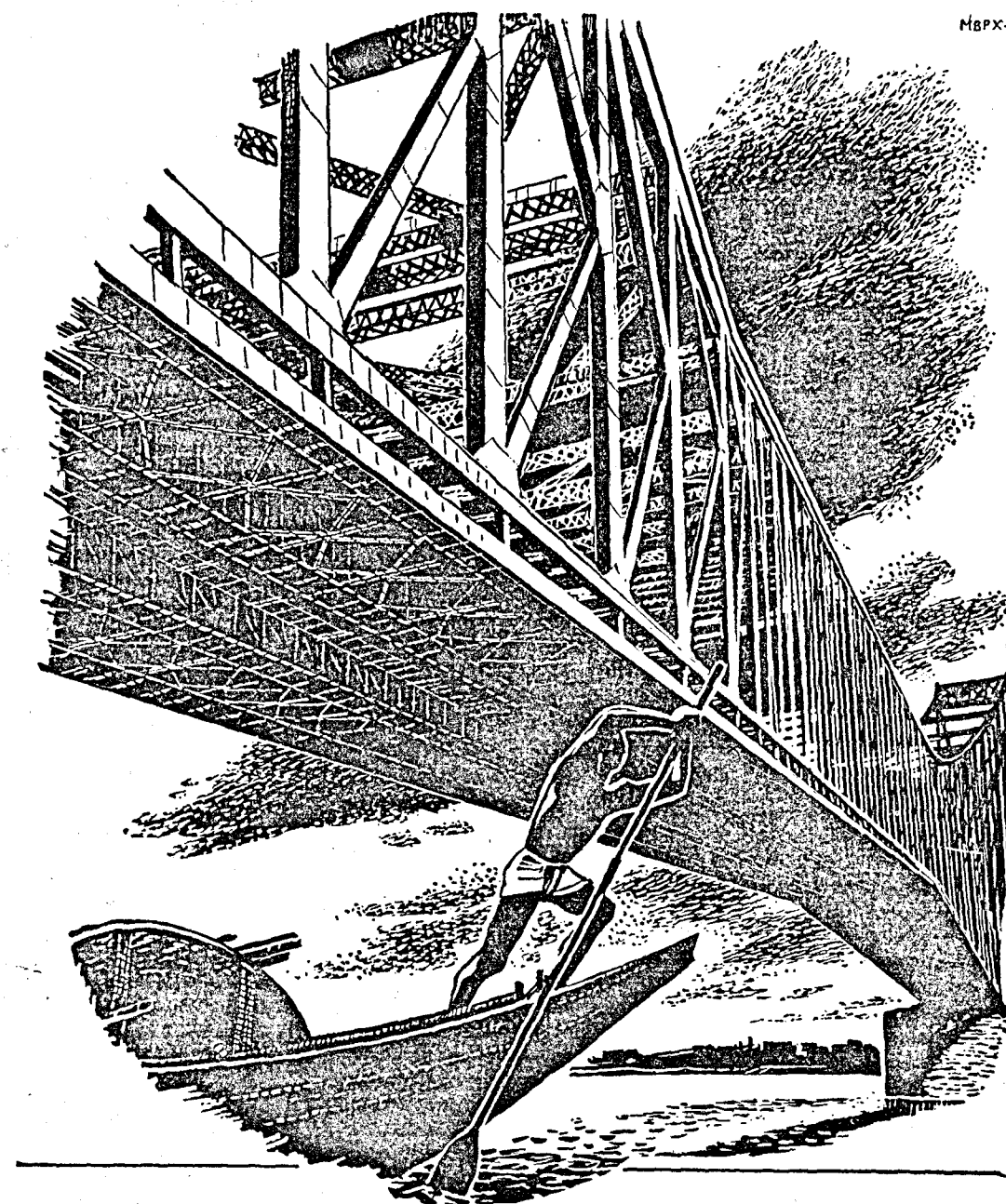
liament that Government might tax bonus issues. Equities fell as stock markets came to know of the Finance Minister's statement on Tuesday evening. But some of the speculative scrips have regained most of the lost ground at the time of this writing.

The issue of taxation of bonus issues has raised a heated controversy. Last week, the Chairman of Tata Steel stated that it was the intention of the Company to capitalise reserves through bonus issues in future. He justified this policy on the argument that issues of bonus shares would go some way in compensating the equity holders for the sacrifices borne by them in the past. Sri J R D Tata's observations as Chairman of Tata Steel make it abundantly evident that he regards bonus issues as part payment of dividend. If that be so, the Government would be justified in imposing a tax on bonus issues.

Lower Raw Jute

Neither the Finance Minister's announcement that Government may tax bonus shares nor the precautionary measure adopted by the Bombay Stock Exchange authorities has had any appreciable adverse effect on equities. Even so, it is clear that the technical position in some of the speculative issues has become vulnerable. On current indications, the speculative counters may remain hesitant for some days in order to help the stock markets to consolidate the ground gained recently.

Though the recent behaviour of equities is somewhat puzzling, the falling trend in raw jute is neither surprising nor unexpected. Both India and Pakistan had bumper jute crops this season. This factor was obscured for a few weeks by the devaluation of the Pakistani rupee, the Pakistani Jute Board's decision not to lower the export minimum price for raw jute and the Pakistani Government's decision to impose an export duty on raw jute. Belatedly, the comfortable supply position of raw jute is making its influence felt on prices.



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Around Bombay Markets

Dalal Street Applies Brake

OF late, speculative activity has reached such proportions as to threaten the healthy functioning of all forward markets. This has been evident in the developments in this month in the bullion and cotton futures markets. Perhaps the month of August could be anything but normal both in the political and economic sphere! The stalemate in forward trading in bullion following the declaration of an emergency, when a leading bull operator refused to square up his transactions, had been preceded by a sharp speculative rise. Another example was the frenzied trading in the August cotton contract, which jumped by over 80 points on the closing day. But for the fixing of the room rates at a reasonable level, and the maturing of the contract in question, a crisis might well have developed in the cotton futures also.

Speculative fever has now caught Dalal Street and the authorities were forced to put brakes on. There are enough bearish factors to keep fluctuation in check. Nevertheless, it was thought prudent to restrict the limit for individual members in the case of Tata Ordinary to 4,000 shares instead of 7,500 shares as hitherto, and that of Indian Iron to 10,000 shares instead of 15,000 shares. The margin for Indian Iron has also been stepped up from Rs. 1-4 to Rs. 2 per share. Simultaneously, Budla limits have been curtailed. The free limit of overall Badla done for individuals has been fixed at Rs. 20 lakhs and that of firms at Rs. 25 lakhs, while a slab system of margin has been levied to regulate transactions above these limits. Whether this would be the answer to the speculative rigging up of prices, it is too early to say. The immediate effect, however, judging from the trading yesterday, appears to have been salutary. However, towards the close of trading even yesterday, rates tended to harden on reports that a leading bull would take delivery in steels against his earlier purchases.

During the week the question of bonus shares affected market sentiment bullishly at first when Sri Deshmukh announced in Parliament that more than 100 companies had been permitted to issue bonus shares. But, the trend was reversed when,

later in the week, the Finance Minister hinted that bonus shares might be taxed. Although this has not been recommended by the Taxation Enquiry Commission, the authoritative pronouncement gave a jolt to the market and Belapurs and Srinivas, which were strongly supported on prospects of bonus issues lost all the earlier gains and closed at their lowest levels.

In the steel section, Tata Ordinary shot up to Rs. 260-12 (ex-div. from Friday 26th, the dividend being Rs 10-8). This is the highest touched by this scrip since conversion, if allowance is made for dividend. Towards the close, Tata Ordinary declined, on fears of stern measures to curb speculative trading, to Rs. 247. Indian Iron declined from the high of Rs. 41-9-6 to Rs. 39-13 but closed higher at Rs. 39-15.

In textiles also, trading followed the same pattern—early gains followed by sharp fall and eventual improvement at the close. Shrinivas was adversely affected by the possibility of taxation of bonus shares and the quotation came down from

Rs. 270 at one time to Rs. 245 on the last day of the week, to be placed finally at Rs. 250.

In the miscellaneous section also, closing rates were around the lowest levels for the week. ACC declined from the highest for the week of Rs. 195 to Rs. 190-4 and closed at Rs. 192-8. Bombay Burma Old closed at Rs. 562-8, the highest and the lowest for the week being Rs. 576-14 and Rs. 560, respectively. National Rayon moved between Rs. 226 and Rs. 218 but closed quietly steady at Rs. 220-8.

In the bank section, Bank of India ruled firm at Rs. 153-4 but New India attracted quite a number of buyers and improved from Rs 47 to Rs. 52-8, closing at Rs. 51-12.

Cotton

Sensational Spurt and Flop

The cotton futures market which opened with a bang, recording a sensational spurt in the maturing August contract, ended in a whimper, when the only operative contract visibly weakened for want of any constructive factor.

MARKET LEADERS DURING THE WEEK

	Aug. 31, 1955	Week's Range		Aug. 24, 1955
		High	Low	
Steel Shares				
Tata Ordinary	248-12	260-12 xd.	247- 0	261- 8
Indian Iron	39-15	41- 9½	39-13	40- 7
Miscellaneous Shares				
Bombay Dyeing	513-12	532- 8	510- 0	523-12
Century	431- 0	440- 8	427- 4	439- 8
Kohinoor	335- 0	349- 0	332- 8	347- 0
Simplex	167- 0	173- 0	165- 0	171- 4
Swadeshi	212- 8	220- 0	211- 8	221- 0
Textile Shares				
Associated Cements	192- 8	195- 0	190- 4	195- 0
Belapur	334- 0	349- 0	333- 0	340- 0
Burma Old	562- 8	576-14	560- 0	573- 2
National Rayon	220- 8	226- 0	218- 0	219- 0
Premier Const.	165- 8	173- 8	164- 8	170- 8
Bank of India	153- 4	153- 8	153- 0	153- 0
Scindia	15-12	16- 8½	15- 8	16- 7
Tata Chemical	15-12	16- 4½	15- 4	16- 3½
New India Assc.	51-12	52- 8	47- 0	47- 0

OILS AND OILSEEDS

	Aug. 31, 1955	Week's High	Range Low	Aug. 24, 1955
Seeds				
Castor Sept. 1955 (per candy)	80-14	86-10	80-12	85- 0
" May	86- 2	88-12	85-12	87- 0
Groundnut Aug.-Sept (per "cwt.)	22- 8	23- 0	22- 6	22-15
Linseed	23- 4	23- 4	23- 0	23- 0
Kardi Ready	14- 0	14- 4	14- 0	14- 0
Nigerseed	23- 8	23-12	23- 8	23-14
Oils				
Castor Oil Com. (per quarter)	9- 3	9- 6	9- 3	9- 6
Groundnut Oil R. R.	11- 9	12- 1	11- 9	12- 6
Linseed Oil	13- 4	13- 8	13- 0	13- 8

A significant event of the week was the expiry of the August contract which went off the Board on Thursday, August 25, at Rs. 700. The authorities of the E I C A, however, cut the rate at Rs 650.

This contract had passed through an eventful career, profiting from the liberalisation of export quota, off and on. Besides, this was the first contract to be regulated by the amended by-laws of the E I C A over which quite a furore was created last year, culminating in the suspension of forward trading.

Trading in August contract commenced on March 29, 1955 at Rs. 569. The lowest level it touched was Rs. 552-8 on April 15. When the Government's intention to liberalise cotton exports was advertised on the last day of June in the form of a general cut in the export duty of Rs. 50 on all varieties of cotton, the contract never looked back again. The climax came, appropriately enough, on the last day of the contract, when it registered a steep rise of Rs. 80, a rise which was mainly the result of speculation and the contract touched the highest level of Rs. 700.

Tenders issued against the August contract were small, being only 13,600 bales as compared with 1,31,000 bales tendered against this contract in the previous season. The small tender was mainly due to the shortage of tenderable quality cotton during the season.

I C C February, the only contract now current opened at Rs. 638-8 and after declining to Rs. 623-4, improved gradually and closed at Rs. 631-8.

In the spot market, both local and up-country mills showed interest in popular varieties while there was good export demand for Wagad, Kalyan and Moglais, especially from Belgium, Italy and Rotterdam. China has completed her purchases against the ad-hoc quota of 40,000 bales allotted by the Government of India.

Oils and Oilseeds

Downward Trend

LACK of export enquiry for oils, satisfactory weather conditions in all the seed belts in the country and arrivals in dribblets in the face of a none-too-encouraging demand from Vanaspati interests contributed to the persistent downward trend in the oilseeds market during the week. The quotations in all sections recorded their lowest levels at the close of the week.

Castor section was devoid of any notable feature, and the castor futures, which were the highest for the week on the opening day, tumbled at the close to Rs. 80-14 for September from Rs. 86-10. May futures came down from Rs. 88-12 to Rs. 85-12 on the last day. The relatively sharper decline in September futures has been due to long liquidation on fears that tenders against the contract would be heavier than expected. Hence operators were inclined to switch over to the May contract.

Groundnut August-September fluctuated between Rs. 23 and Rs. 22-6 and closed at Rs. 22-8 with a net loss of 7 as. over the week. Ground-

nut oil ready lost 13 as. over the week at Rs. 11-9.

Linseed and castor oils both suffered for want of fresh overseas enquiry.

Bullion

Stalemate Continues

Pending the sanction of the Government of Bombay to the amended by-laws, the stalemate in Bombay Bullion Association continues. It is believed in knowledgeable circles that forward trading might be resumed before the middle of September. Meanwhile, spot bullion prices have moved down, reflecting paucity of buying orders.

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CURRENT STATISTICS

BANKING RETURNS

	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
Reserve Bank				
1. Note circulation	1285.09	1297.98	1291.47	1137.35
2. Rupee Coin	110.07	108.63	108.49	104.90
3. Deposits				
a) Central Government's	104.65	90.95	80.24	138.09
b) Banks'	51.36	51.80	54.46	64.65
c) Other Governments'	36.42	25.89	20.19	17.11
d) Others'	16.27	33.43	15.06	33.86
4. Foreign Securities	622.04	637.04	637.04	613.15
5. Balances held abroad	95.50	85.30	80.03	115.42
6. Rupee Securities	543.69	543.69	543.65	421.22
7. Investments	62.65	62.38	61.47	91.73
8. Loans and advances to Governments	0.8	2.44	1.00	3.45
Scheduled Banks				
1. Demand liabilities (net)	601.39	607.65	592.43	542.50
2. Time Liabilities	407.64	409.24	406.59	350.47
3. Cash on hand	34.49	34.48	33.38	29.96
4. Borrowings from Reserve Bank of which against Usance Bills	21.66	7.49	15.15	2.42
5. Advances and Bills discounted of which State Bank's	579.08	557.65	562.78	498.80
6. Investments of which State Bank's	376.03	371.44	368.43	339.20
Cheque Clearance	149.53	115.11	124.03	106.17

†For Reserve Bank and Cheque Clearance week ended 26-8-55. Scheduled Banks week ended 19-8-55.

Bombay Money Rates	26-8-55	19-8-55	29-7-55	27-8-54
Inter-Bank Call Rate	2½	2½	1½	1½
3 months deposits	3	2½	2½	2½
6 months deposits	3	3	2½	2½

Bombay Bullion				
	1-9-55	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	94-4	96-0	94-12	87-11
Forward	†	†	92-4	87-15
Silver (per 100 tolas)				
Spot	164-8	161-0	164-4	154-1
Forward	†	†	159-4	154-8
† no trading				

WORLD COTTON TEXTILE PRODUCTION

Principal producing countries	(million yds/sq yds)			
	1954	1955 1st half	1954 1st half	% change
UK	1,993.6	978.7	1,028.2	- 4.8
India	5,023.4	2,504.2	2,503.4	+ 0.3
Japan	3,051.0	1,455.1	1,535.2	- 5.3
France	1,735.4	867.1	894.3	- 3.0
Belgium	771.0	387.6	378.8	+ 2.3
Italy	1,150.7	514.6	582.3	-11.6
Holland	673.0	332.6	332.6	-
West Germany	2,523.0	1,200.0	1,230.0	- 2.4
USA†	9,812.7	5,015.6	4,993.0	+ 0.4

† includes industrial cloth and mixtures predominantly of cotton.

EXPORT OF COTTON PIECEGOODS FROM MAIN PRINCIPAL EXPORTING COUNTRIES

Principal exporting countries	(million yds/sq yds)			
	1954	1955 1st half	1954 1st half	% change
UK	637.28	281.80	342.94	-17.8
India	897.72	399.35	425.37	- 6.1
Japan	1,278.10	497.78	628.76	-20.8
France	537.72	281.10	260.28	+ 8.0
Belgium	224.28	119.82	109.17	+ 9.8
Italy	108.24	36.98	58.74	-37.0
Holland	230.40	112.44	116.74	+ 4.9
West Germany	230.36	104.02	110.88	- 6.2
USA	605.09	312.98	305.59	+ 2.4
Hongkong	162.60	80.68	93.25	-13.5
Total	4,911.79	2,236.95	2,451.72	- 8.7
TOTAL	4,911.79	2,236.95	2,451.72	- 8.7

World Trade 5,120.00 2,325.00 2,556.00 - 9.0
(Excl. Communist countries)

COTTON TEXTILES EXPORTS TO INDIA'S PRINCIPAL MARKETS BY INDIA, UK AND JAPAN

Countries of Destination	(million yds/sq yds)			
	INDIA 1955 1st half	INDIA 1954 1st half	UK 1955 1st half	JAPAN 1955 1st half
UK	59.06	53.81	-	31.7
Sudan	34.90	41.23	3.6	1.2
Br East Africa	33.10	36.04	6.7	5.8
Br West Africa	31.15	33.57	54.5	28.8
Indonesia	27.08	24.07	1.4	48.1
Aden	24.53	35.51	1.2	3.2
Malaya	24.43	23.44	3.5	40.7
Australia	22.20	23.25	53.7	35.9
Ceylon	11.85	14.05	5.2	15.2
Ethiopia	11.61	13.12	-	2.3
Burma	9.79	26.45	3.1	35.9
Afghanistan	9.65	11.24	-	3.6
Pakistan	8.81	8.03	1.0	2.8
Canada	7.36	5.79	3.6	-
Iran	6.22	2.98	2.0	23.3
Iraq	5.96	6.34	1.2	7.8
New Zealand	5.61	3.76	19.2	0.5

Source : Indian Textiles Export Promotion Council

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-Group	Week ended 13-8-55	Week Ago	Month Ago	Year Ago
I Food Articles:	315.2	315.7	317.8	361.6
Cereals	374	368	368	406
Pulses	286	285	280	286
Others	238	246	252	312
II Industrial Raw Materials:	406.3	400.9	407.2	419.8
Fibres	415	407	410	406
Oilseeds	386	383	395	448
Minerals	415	410	423	423
Others	420	418	420	403
III Semi-Manufactures:	326.6	327.1	331.1	351.0
Leather	331	344	360	373
Mineral Oils	201	201	201	221
Vegetable Oils	386	388	406	438
Cotton Yarn	408	405	408	456
Metals	257	257	256	237
Oilcakes	330	329	327	404
Others	330	329	329	300
IV Manufactures:	371.6	371.5	370.6	374.4
Textiles	408	408	406	416
Jute	426	425	415	421
Cotton	402	402	402	415
Rayon & Silk	474	474	474	460
Woollen	282	282	282	310
Metal Products	352	352	352	340
Others	286	286	286	286
V Miscellaneous:	559.7	560.7	570.1	608.7
All Commodities:	356.9	356.3	358.7	381.4

JUTE CROP FORECASTS

	PRELIM		FINAL FORECAST	
	Area ('000 acres)	Area ('000 acres)	Crop ('000 bales)	Bales per acre
1954-55				
East Bengal	13.04	11.50	27.08	2.35
West Bengal	5.84	5.48	14.65	2.67
Rest of India	7.50	7.25	16.88	2.33
TOTAL	26.38	24.23	58.61	2.42
1953-54				
East Bengal	7.89	7.60	25.03	3.29
West Bengal	5.84	5.50	15.36	2.79
Rest of India	6.85	6.46	15.93	2.46
TOTAL	20.58	19.56	56.32	2.88
1952-53				
East Bengal	17.59	19.07	68.23	3.58
West Bengal	7.52	8.44	24.21	2.87
Rest of India	10.05	9.73	21.84	2.24
TOTAL	35.16	37.24	114.28	3.07

Source : Govts of India & East Bengal; I.J.M.A.

FINAL ESTIMATE OF PULSES

	Area ('000 acres)		Production ('000 tons)	
	1954-55	1953-54	1954-55	1953-54
Gram	20,991	19,754	5,125	4,775
Tur	5,944	5,931	1,661	1,827
Other Pulses	27,069	28,030	3,688	3,856
TOTAL	54,004	53,715	10,474	10,458

Source : Ministry of Food and Agriculture

ELECTRICITY GENERATION AND DISTRIBUTION

(Monthly Average or Calendar Month)

	Generation	Distribution (in million kwh)				Total
		Domestic consumption	Commercial light and small power	Industrial power	Public lighting Traction Irrigation & sewage pumping works	
1948-49	390.1	34.8	20.3	206.0	4.2	427.9
1952-53	525.1	51.5	29.2	275.6	6.0	464.4
1953-54	573.1	68.3	31.7	298.1	6.5	474.0
1954-55	646.6	62.6	28.9	344.6	7.5	517.4
1954 April	613.3	59.9	39.4	318.9	7.0	504.4
May	639.9	61.1	40.5	325.6	6.9	515.5
June	629.4	61.6	37.7	325.9	6.9	510.3
July	633.4	62.3	37.5	338.6	7.1	515.8
August	635.0	64.9	37.2	338.8	7.3	510.5
September	647.6	65.0	37.4	344.6	7.4	523.3
October	626.5	63.7	35.3	336.6	7.7	511.6
	656.5	63.4	35.2	351.2	7.7	534.6
				270.9	8.1	558.0
						545.2

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And, in essence, it operates by equating men irrespective of the size of their property. Or so it should, in principle. But unless the co-operative

movement in India undergoes a sea-change, there are doubts if it will so operate in practice.

The second main plank of Shri Nanda is to re-organize that portion of the private sector where for technological or other reasons co-operation is not a practicable remedy. This re-organisation takes the form of diffusing the decision, — making function both vertically and horizontally. Vertically, it consists in giving workers a distinctive role in the making of decisions affecting the enterprise. Here Shri Nanda adopts the line that the Prime Minister has been taking, after his recent visit to Yugoslavia. In addition, planning of output etc. has to be done by industries as such through development councils and such like organisations. This is not a new idea, inasmuch as we have already set up a few councils of this sort. But how far they can be combined with workers' participation in the manage-

ment of individual units has yet to be seen.

It would seem from all this that Shri Nanda's attack on private property is not a frontal one. He shies away from it because he is afraid of a powerful centralised State. Instead, he would follow a policy of decentralising the rights in property, through co-operatives of one sort or another and through the sharing of decision-making functions. Back of all this is the Sarvodaya philosophy, that power is the evil and that in doing one's duty by society, one derives the maximum benefit.

As an ideal to be striven for, the sort of society which Nandaji envisages has a great deal to commend. But it is a society which is capable of achievement, if at all, through a gradual change in the quality of men rather than in their material environment. Modern technology, with its tendency towards creating mammoth units of

operation is not particularly favourable for the evolution of such men —so at least Nandaji believes. Hence his very definite stand in respect of small-scale and village industries. He considers it a mistake to treat support to such industries as a temporary expedient to meet the needs of employment. Such industries, he says, should be developed as part of a stable and continuing economic structure. Once again, as a general proposition, what Nandaji says is not unreasonable, since the existence of small units does not have to mean a stoppage of technical progress. But it all depends on how one seeks to integrate the small industries with the rest of the planned economy. On that vital question, Shri Nanda like everybody else, is satisfied with stating the obvious—with this difference that the programme for development of small industries should not be of a stop-gap type.

Arabs and Jews

IT is welcome news that, after many days of armed skirmishes, both Egypt and Israel have accepted an appeal by Major-General Burns, the U N Chief Truce Supervisor, for a cease-fire on the troubled Gaza border. But it would be idle to pretend that the cease-fire agreement will, or can, ease the mounting tension between Israel and Arab States. Trouble had been brewing around the Egyptian-Israeli border for some time. Under the auspices of the UN Armistice Commission, negotiations were proceeding between Israel and Egypt for easing the tense situation in the border areas. Immediate causes for the recent flare-up around the Gaza strip seem obscure. But the Israeli Cabinet crisis and the developing events in the Sudan might explain why the UN team's efforts failed, and armed border skirmishes started.

It was when the armed border clashes were going on that the American Secretary of State announced his two-fold plan for frontier guarantees and refugee settlement. There is nothing new in Mr. Dulles's plan for frontier guarantees. Under the Armistice Agreement, America, Britain and France are committed to guaranteeing the

frontiers of Israel and Arab States. Circumstances on the battle front compelled Egypt to accept the frontier of the new State of Israel. Egypt lost the battle of Palestine. But Egypt has never yet accepted that she has lost the war against Israel. She does not recognise Israel as a political, sovereign State. Though other Arab States are not as adamant against or hostile to, Israel, none of them has openly accepted Israel as a sovereign political entity.

Egypt and all other Arab States are still at war with Israel. Egypt has not yet lifted the blockade of the Suez Canal and the Gulf of Aqaba. Both the Cairo radio and the Egyptian Press have rejected the Dulles plan for frontier guarantees. In an interview in Calcutta, Wing-Commander Gamel Salem, Egypt's Deputy Prime Minister, who is now on a visit to this country as a State guest, emphatically denied Egypt's readiness to accept mediation in the Arab-Israeli dispute. There is nothing wrong with Mr. Dulles's plan for frontier guarantees. It will be conceded that some such plan will have to be implemented if Arab-Israeli dispute is to be settled by peaceful means.

But the main defect in any such plan is that it cannot be implemented unless the parties directly involved accept the frontiers which are to be guaranteed by third parties or Powers, or even by the United Nations.

Even those who may have doubts about the manner in which the State of Israel has been brought into existence will concede that Israel has come to stay. It is not difficult to appreciate why Israel is willing, but not Egypt, to accept the Dulles offer. On this major issue, Arab States will have to accept the realities of the situation sooner or later. But the Dulles offer of guaranteeing frontiers raises issues which are complicated. Any such plan for frontier guarantees will ultimately have to be sanctioned and supported by the United Nations. But the Dulles plan has this flaw that it implies guaranteeing of Arab-Israeli frontiers by America, Britain and France. In the circumstances, it is not surprising that the Dulles offer is suspect in Egypt and in the Arab world as a device to draw the Middle East into a military network. The Russian offer of arms to Egypt and other Arab States introduces further complications. In Calcutta

recently, Egypt's Deputy Premier has confirmed the Russian offer of arms to Arab States.

Wing-Commander Salem may be diplomatic in his statement in Calcutta that Egypt will have to accept the Russian offer of arms if the Western Powers do not fulfil their commitments for supply of military equipment to Cairo. But this is an ominous diplomatic game. If Cairo is trying to exploit the strategical importance of the Middle East by playing Russia and the Western Powers against each other, it would be pursuing a suicidal policy. There are obvious reasons why both Russia and America are so assiduously wooing the Middle East. In such an international political set-up, the wisest policy for Cairo is not to get entangled in the tension between the two rival power blocks, but to follow a policy of non-involvement. For reasons entirely different from those implied by Wing-Commander Salem in his recent statement at Dum Dum Airport, Egypt's reluctance to accept mediation of the Arab-Israeli dispute by foreign powers is to be welcomed. Egypt and other Arab States will be wise in negotiating a settlement of their dispute with Israel through peaceful means and without outside interference.

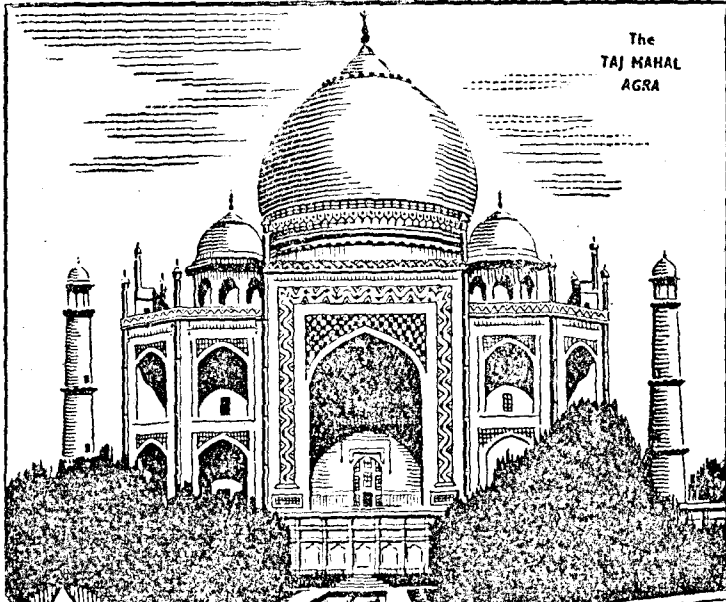
If Mr. Dulles's offer of frontier guarantees is neither new nor acceptable to Arab States, his plan for the settlement of Arab refugees deserves the most careful consideration. Egypt and other Arab States may be unwise in their refusal to recognise Israel, but it is widely realised that Arab refugees are a constant source of trouble and friction between Arabs and Jews. Egypt and Arab States may be wrong in insisting that the refugees must be allowed to return to their homes in Palestine. But Israel has been undiplomatic in her emphatic refusal to accept any responsibility for Arab refugees. Rehabilitation of these refugees is an essential condition for a peaceful settlement of the Arab-Israeli dispute. Mr. Dulles's plan to float an international loan, with American support and participation, to enable Israel to compensate Arab refugees will be welcomed on wider humane considerations.

Egypt and other Arab States may be unrealistic in their refusal to recognise Israel, but Israel is not

entirely without blame for the prevailing Arab-Israeli tension. Israel can ease the tension by adopting a more conciliatory attitude to Arab refugees and to the dispute relating to the Jordan waters. Israel was adamant in rejecting the recent proposal of Jordan and other Arab States to let Israel have a share in the Jordan waters to end the water dispute. She has still time to accept this compromise plan for solving the water dispute as a peaceful gesture to reconcile her dispute with Arab States.

It is to be hoped that Mr. Dulles's plan for an international loan to help Israel assume responsibilities for compensating Arab refugees is not rigidly linked to his other proposal for frontier guarantees. Steps must first be taken to solve the water dispute and the problem of Arab refugees. An agreed solution of these problems will help to create a calm atmosphere in which the fundamental issue of recognition of Israel by Arab States may be discussed and negotiated without passion or bitterness.

The
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AGRA



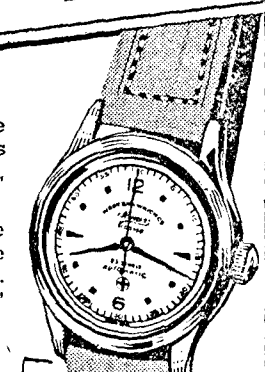
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Weekly Notes

Fear of Complications

NEGATIVE rather than positive considerations would seem to have weighed with the Congress leadership in deciding to discourage and even prevent Indian satyagraha in Goa, both massive and individual. Of the motivating factors, fear of complications has evidently been the most dominant. For obvious reasons, the Congress as the ruling party wedded to certain methods and policies on the Governmental level, cannot easily take on itself the responsibility for leading the Satyagraha movement. And opposition parties have not been slow to take advantage of the Congress embarrassment and make political capital of the Goa issue by providing the necessary initiative and leadership. There is no problem which appeals more to the Indian mind today than the Goa problem, and whichever party sets out to tackle it is assured of considerable public sympathy and support.

With the elections coming, this situation bodes no good to Congress influence and prestige; and there is no knowing whether the mass enthusiasm released by opposition parties over the Goa issue will be content to stop at that, or may not find other outlets for expression. The engine of direct action, set in motion however non-violently, may well be hitched to other pressing issues as well. And the possibility of the States Reorganisation Commission's recommendations being made public soon can be no source of comfort to those who may be in a position to anticipate its likely repercussions. There are some, not altogether cynical folk, who have seen in the Goa demonstrations all over the country not only a preliminary skirmish in relation to the coming elections, but also a sort of dress rehearsal in anticipation of the likely recommendations for the reorganisation of States.

These factors explain, but in no way condone, the sudden reversal of policy by the Congress on the Goa issue, though on the purely international aspect of the question, the Congress is entitled to some consideration. Satyagraha in the international arena is still an untried weapon; and the Portuguese regime, brutalised by dictatorship, would seem to be the least worthy

agency to try it with. What is more, like all other weapons, Satyagraha too would appear to be a double-edged weapon. Anyway, some folk in Pakistan, out to fish in troubled waters, have shown it to be so through their flamboyant threat to launch Satyagraha in Kashmir. To draw a parallel between Goa and Kashmir is no doubt ludicrous in the extreme; but to certain schools of thought in the West, wilfully misinformed on all questions touching India, anything is good enough as an excuse for vilification.

But to say all this is not to ignore the fact that because of a number of extraneous factors, the Goa fight or at least that which is genuine in it has come to be badly let down. One may not see much good in masses of unarmed volunteers hurling themselves against Portuguese guns; but in preventing this, the rising tempo of public opinion in India over the Goa issue and the healthy repercussions that it was having within Goa too may well receive a set-back. The issue has now been left largely to Goans, which might have been quite sensible if they were really in a position to carry on the fight by themselves.

One thing is, however, certain: that by deciding to prevent the Satyagraha campaign, the Congress and with it the administration of the country have taken on themselves the entire responsibility on behalf of India for ending Portuguese domination at an early date. Pandit Nehru at least has no doubt about that. And it is a responsibility that must needs be discharged without delay; or the Congress will have to pay dearly for it. That is the only assurance of action that the country can have now.

Egypt and Israel

THE United Nations Security Council has passed a unanimous resolution sponsored by the U.S.A., France and Britain, calling upon Egypt and Israel to take all possible steps to ensure peace following the cease-fire in the Gaza area. The fact of Russian support to this resolution shows a renewed interest in this area by Russia following a long period of sullen neutrality punctuated with offers of arms assistance to the Arab States and the

staging of anti-semitic judicial trials behind the Iron Curtain. The resolution, as usual, embodies some unexceptionable platitudes which normally would have passed unnoticed except for the fact that they contain some bizarre and impracticable suggestions for restoring peace in Gaza. It is proposed to erect a barbed-wire fence on the cease fire line! General Burns, the Chief of the Supervisory Truce Staff, has made a more sensible proposal, that is to demilitarise a 55-metre zone on either side of the line. This, however, overlooks, what should now be more obvious to the General than any one else, that mere demilitarisation of frontier zones would hardly help matters when both Egypt, as also other Arab States, and Israel have para-military formations and large number of civilians trained in the use of modern weapons, who could easily worm themselves into these demilitarised zones and stage border incidents without support from regular forces. As it is, the resolution hardly comes with grace from Powers who are still supplying arms to the Arab States while withholding them from Israel. Britain, in particular, is committed by a series of odd treaties to supply arms and ammunition to a number of Arab States including Egypt and Jordan. Israeli profits against British shipments of Centurian tanks—which could crush the proposed barbed wire fence to matchwood—and jet fighters to Egypt have been considerably ignored by the British Foreign Office.

On the eastern frontier Jordan's Arab Legion—British-trained and British-financed—is reported to be carrying out battle exercises with a crack British armoured unit based on Akaba, the Jordanian port overlooking Biblical Elath in Israel. All these are gestures hard to reconcile with the spirit of the Security Council's resolution. Peace between Israel and the Arab States can be restored only on condition that the Western Powers and Russia stop wooing the Arab States, desist from supplying arms, and restrain Egypt from interfering with the normal use of the Suez Canal by Israeli ships. The prospects of peace in this area would be brighter if the Great Powers do not treat the Middle East as yet one more part of the cold war area.

Experiment in Self-reliance

THE problem of finding gainful occupation for the rural under-employed has been much talked about, though little has been done in practice. The Village Exchange Scheme which has been in operation in West Bengal for some time now appears to hold promise of assisting such people to make productive use of their "spare hours". The basic features of the Scheme are very interesting. First, it does not involve any capital outlay in terms of money and to implement the scheme, "not one pice worth of material assistance, either in cash or kind is needed". The scheme is based on the idea that each individual can mobilise his latent productive capacity during his spare hours, working with his own tools and raw materials, and producing articles of daily necessity for mutual exchange. Besides, it is being worked almost exclusively by the people themselves, guidance and assistance being provided by the Community Development staff who bring all the people together for discussion of common problems. It thus becomes an experiment in self-reliance and self help. Finally, since both unutilised capacity and time are mobilised for producing articles of daily need, on some of which at least the people would have had to spend money, the fact that they are able to get their requirements through barter, results in a saving of purchasing power, however small this may be. It is said that the Scheme has encouraged a desire on the part of its participants in West Bengal villages, to invest rather than consume the savings made possible by this scheme. Loans are being asked for, not in cash, but in the shape of standardised and semi-processed materials and better equipment. In other words, a process of capital formation is being set up resulting in a net addition to the community's wealth.

The Exchange Scheme was officially started in the Kulkurli village in Birbhum district of West Bengal in December 1954, and the whole movement had its inspiration in certain acts of production and exchange which are illustrative of the pattern implicit in the scheme.

A carpenter is said to have produced a wooden lamp stand in his spare time out of waste wood, while a blacksmith of the same village made a razor in his leisure out of a piece of rusty steel that had been thrown on the scrap heap. In each

case, they were able to exchange these products with similar products made by others. This led the way towards the expansion of the Scheme which had spread to 575 villages by the end of June 1955, covering 2,374 artisans. The value of goods and services exchanged under the scheme is estimated at Rs. 11.3 thousand.

The goods that are produced and exchanged are mainly of daily use, e.g., household requirements, furniture, tools of trade etc. The programme is operated through Village Exchange Co-operatives and accounts are maintained for each member. Exchange value is calculated on the basis of market price and as such no one is aggrieved over the price of the article he sells. There is no problem of finding a buyer, as nothing is produced unless there is an express demand for it.

Specialisation is one of the underlying principles of the arrangement. Gradually only such industries come forward and qualify for further expansion as enjoy special local advantages in raw materials, skills, commercial location etc. An equally important principle, of the Scheme is to improve efficiency of rural industries; special training of artisans is being attempted with Government aid so that village producers may become familiar with new skills and improved processes. Government loans are deliberately planned so as to effect only small improvements at a time, in a balance manner and over a variety of production lines including agriculture and allied pursuits.

Whatever is produced is directly exchanged. Each producer also maintains his own records and accounts. Differences between debits and credits are balanced by producing and exchanging more at a later date, either directly with the same person to whom the balance is due or indirectly for some other participant in the exchange scheme, the latter discharging his debt to the first producer. So far, at any rate, the scheme seems to have functioned smoothly. In the circumstances, it bears watching.

The Companies Bill

LAST week, the Companies Bill registered rapid progress. A significant feature was that the Finance Minister was able to take with him opposition parties in getting through some of the most controversial clauses of the Bill such as

those relating to managing agencies and appointment of directors, though earlier it appeared as though a crisis might develop. Another point of importance was that he was also able to persuade the Lok Sabha to consent practically to all the 'Government' amendments, the most noteworthy being the one in respect of remuneration of managing agents in companies which do not make any profit or make only inadequate profits.

The first of the controversial clauses to be hotly debated was clause 264, which gives the option to a public limited or private company to appoint not less than two-thirds of the total number of directors on the principle of proportional representation either by the single transferable vote or by a system of cumulative voting or otherwise. Both Congress and opposition members strongly pleaded, during the debate,

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that proportional representation should be made mandatory rather than optional, and an amendment to the relevant clause was suggested by a Congress member. In this context, the practice of some American States which have made this principle compulsory in respect of banking companies was cited to drive home the fact that this offered the most effective method for checking abuses of managements by giving the minority a voice in the affairs of the company. It was also argued that left to themselves, industrialists would never choose this method of appointing directors. Shri Tulsidas Kilachand almost supported this argument, though for a different reason, when he said that the companies would not adopt the system as it was unworkable and give rise to quarrels among directors who acted as a cabinet.

The Finance Minister met the arguments squarely, though he made a partial concession to the opposition. He pointed out that he was not personally opposed to the system of proportional representation, but he was afraid that the system, instead of being a method of safeguarding minority interest, might become a means for small power groups to put two or three directors on the board of companies, which may lead to warfare among these groups. He, however, accepted the suggestion that in cases where the minority was oppressed and there was a case for action under clause 407 relating to mismanagement of companies, Government might insist on the adoption of proportional representation. The Lok Sabha finally rejected the amendment to make proportional representation compulsory by 107 votes to 16, so that the relevant clause (264) remains unchanged.

There was also pressure from some members to adopt the system of employee representation on the directorate of companies; and in support of the contention, the example of a 'progressive' Delhi cloth mill was cited. The Finance Minister passed over this demand by pointing out that the question of employee representation was being considered by the Planning Commission, and once a decision was taken by them, it would be embodied, if necessary, in the Companies Bill as also in many other Acts.

Another important Clause which was passed by the Lok Sabha after accepting a Government amendment was that relating to the num-

ber of companies to which a person could be appointed managing director (315). As it is, the Bill limits the number of companies to two. An official amendment was proposed to the effect that the Central Government might permit a person to be managing director of more than two companies if it was satisfied that the companies should, for their proper working, function as a single unit and have a common managing director. In this connection, the case of Tata Hydro-Electric Company was cited. Though there was some opposition to this proposal, it was finally accepted.

Policy Decision

THE most controversial clauses of the Bill, viz., those relating to managing agents (323 to 367), discussion on which provoked a good deal of criticism from opposition parties, were also piloted through the Lok Sabha, though not without considerable effort on the part of the Finance Minister. A notable feature of the discussion relating to managing agents was that Government was able to push through amendments to some of the clauses; and secondly, in response to a persistent demand from opposition members for a definite statement of Government's attitude towards the question of managing agencies' continuance, the Finance Minister announced a policy decision of importance.

Some of the principal amendments proposed were: clause 324—the amendment provides for the termination of the managing agency of a company which was itself acting as managing agent to another company on August 15, 1956. Another important amendment was in respect of clause 351, which provides that the payment of additional remuneration to managing agents in excess of the limit of 10 per cent laid down in clause 347, should be sanctioned by a special resolution of the company and be approved by the Central Government as being in public interest. The amendment seeks to lay down that the limit of 11 per cent of net profits, as specified in clause 197 relating to overall managerial remuneration, might also be exceeded by a similar special resolution.

Members of the opposition, especially Shri Ashoka Mehta and Shri Sadhana Gupta, voiced strong opposition to both. Shri Mehta demanded outright abolition of the

managing agency system by 1960, and asked the Finance Minister to tell the House categorically whether Government proposed to use the powers provided in the Bill (Clause 323) of notifying industries which could not have managing agents. The Finance Minister, pointed out that it was not the intention of Government to continue the system at all costs. The Government would make an inquiry, and if it was convinced that in any particular industry the system was no longer suitable, it would notify the industry concerned. He said that by 1960, the position would be clear and Government would have a lot of data for deciding the future course of action.

Sir Chintaman put the Government's case lucidly when he said that the Government had to consider the possible advantages of the system as shown by past historic evidence and at the same time it had also to satisfy itself that the advantages of the system did not exist either industrywise or in any unit of a particular industry. It was, therefore, the Government's intention to make as comprehensive and honest an examination of all the industries with the help of the available expert advice and then come to conclusion. Until such time the system has to continue. Finally, he announced the Government's mind on this vital issue when he said that it had no "definite intention" at present to abolish the managing agency "steadily and systematically".

With the passing of clauses 197 and 347 relating to remuneration of managing agents, the position stands as follows: the Lok Sabha has accepted the limit of overall managerial remuneration of a company at eleven per cent of net profits; it has also accepted the official amendment that when Government is satisfied that for the efficient conduct of the business of a company, the minimum remuneration of Rs. 50,000 per annum (in respect of companies not making adequate profits or not making any profits at all) is not sufficient, it could sanction an increase (clause 197). Clause 347 lays down 10 per cent of net profits as the limit of remuneration for managing agents, though the Finance Minister assured the opposition that he would take note of the suggestion to introduce a tapering scale of remuneration.

Indian Citizenship

THE long overdue Citizenship Bill, which will rectify the anomalous position created by the Constitution, has now been referred to a Joint Committee of the Parliament. While as many as seven Articles in the Constitution dealt with the question of citizenship, these provided for citizenship only at the commencement of the Constitution. It is true that Article 11 spoke specifically of the power of Parliament to regulate the right of citizenship by law. Presumably, it was expected that such a law would be put into force at the earliest opportunity. Nevertheless, it was unfortunate that no provision should have been made for citizenship at least by birth after the commencement of the Constitution.

The absence of such a provision has meant that those born of Indian parents after January 26, 1950 have not become citizens automatically as they should have. This anomalous position has continued for over five years already because of the delay in bringing forward the necessary legislation visualised in the Constitution. No provision existed in the Constitution also for those who came to the country during the refugee influxes after the inauguration of the Republic. This was perhaps no flaw as it could not be expected to make detailed provisions for the acquisition of citizenship even after it commenced. The power, and the duty, to do this, was vested in Parliament. The present bill attempts to regularise the status of such persons also.

The bill provides for acquisition of citizenship in five different ways—by birth, descent, registration, naturalisation and incorporation of territory. The last of these is of particular significance today because of the merger of the French territories and of the anticipated merger of the Portuguese territories also in due course. In exercise of the powers conferred by Article 11, the bill also deals with the termination, renunciation and deprivation of citizenship in certain circumstances.

While there can be little question about the need for the present bill, and its reference to the Joint Committee is unexceptionable, there is considerable scope for disagreement with particular provisions contained in it. One provision that will cause controversy relates to the acquisition of Commonwealth citizenship on a reciprocal basis in the

case of citizenship by registration. It is true that once membership of the Commonwealth is accepted for the country as a whole, there should be little reason to quibble about double citizenship. But it is not quite clear why this provision should apply in the case of acquisition of citizenship by registration only and not to all citizens.

The one provision to which strong exception may be taken provides for deprivation of citizenship for a person found to be disloyal to the Government. The distinction between the Government and the State should not be lost sight of at any time.

Notable Banker

WHEN the history of banking personalities in India comes to be written, the name of Shri H. C. Captain, former Managing Director of the Central Bank of India Ltd., will rank very high. Sir Sorabji Pochkhanavala founded the Central Bank of India in 1919, and after a quarter century of ceaseless effort, put the Bank on a sound footing. At the time of Sir Sorabji's death, many people asked with anxiety, "What will become of the Central Bank, and will there be any man to guide the destinies of the Bank as successfully as Sorabji?" Well, the answer was the unanimous election of Shri Captain as the Manager of the Bank; and he on his part more than justified his election to the high office by developing this great institution into what it is today, one of the foremost banks in India.

Shri Captain's intention as a boy had been to become a lawyer, and after graduation, he took up the study of law. His mastery of the subject was so quick and thorough that he stood first in the Solicitors' Examination, and second in LL.B. When he was with F. E. Dinshah & Co., who were legal Advisers and Solicitors to the Central Bank, he used to attend to Central Bank matters. In his capacity as a solicitor, Shri Captain gradually came into contact with Sir Sorabji Pochkhanavala. Noticing his keen interest, talent, tact, ability, devotion to duty and other outstanding qualities, Sir Sorabji invited him to take over the responsible position of Secretary of the Central Bank of India, which he accepted.

In a couple of years, the amalgamation of the Tata Bank with the Central Bank took place. This was

a landmark. In the process of amalgamation, Shri Captain played a prominent part in solving many complicated problems and putting matters right.

On the death of Sir Sorabji, Shri Captain was promoted as General Manager, a post which he highly deserved in view of his administrative capacity. His great abilities prompted the Directors to offer him the position of Managing Director. He was accordingly elected to shoulder the responsibilities of this high office. In this capacity he piloted the destinies of the Bank very successfully and brought it to the preeminent position which it occupies today.

At the time of the death of Sir Sorabji Pochkhanavala, there were only about 80 branches of the Bank all over India. Under the able administration and guidance of Shri Captain, the number of branches rose to 370, but owing to Partition, some of the branches had to be closed, and today there are 303 branches operating all over India and in many foreign countries as well.

In the last few years, Shri Captain was not in sound health, and as days passed on, the strain and responsibility of his high office started telling on his stamina. So for reasons of health, he had to relinquish the Managing Directorship of the Bank though he continued to watch its progress with sympathy and interest. In his death, Indian banking world has lost an outstanding figure.

Calcutta Insurance

THE Twentyninth Annual Report of the Calcutta Insurance Ltd., for the year ending 31st December, 1954 shows that in spite of the stress and strain of the previous years and competitive rate-cutting among insurance companies, it was able to make satisfactory progress.

In the period under report, life proposals, including those awaiting completion, valued at Rs. 117.4 lakhs resulted into policies as against Rs. 84.2 lakhs in 1953. Net premium income also increased from Rs. 24.1 lakhs to Rs. 25.5 lakhs in the same period.

Total Claims paid during the year amounted to Rs. 6.75 lakhs of which claims by death accounted for Rs. 1.15 lakhs, against Rs. 6.79 lakhs and Rs. 2.11 lakhs respectively in 1953.

The Company's expense ratio has shown a slight decline to 17.4 per cent from 17.7 per cent in the previous accounting year.

Of the three lines of general business, the Fire department has improved upon its previous year's performance. While its working in 1953 resulted in a loss of Rs 0.23 lakh, in 1954 after charging all expenses and providing for unexpired risks at 40 per cent of the premium income, it has shown a small net income of Rs 1,716. This improvement in its position may be attributed mainly to the department's better claims experience, net claims paid and outstanding having declined from Rs 0.47 lakh in 1953 to 0.03 lakh in 1954.

The Company has earned a net profit of Rs 0.42 lakh during the year, out of which the Directors have recommended the payment of dividend at the rate of 5 per cent free of Income-tax.

It would facilitate comparison if the company furnishes in its annual accounts figures relating to the previous year also.

Sen-Raleigh Industries

ORDINARY shareholders of Sen-Raleigh will welcome the Chairman's assurance that the future profits are likely to cover the balance of losses carried forward from depreciation and that a start towards the payment of ordinary dividends "may be looked forward to at an early date".

In the year to September, 1954, the Company made rapid progress which resulted in a satisfactory reduction in previous losses even after making provision for arrears and current preference dividends and writing off of all preliminary expenses.

Mr. S. K. Sen, Chairman of Sen-Raleigh, is critical of the recent liberalisation of imports. He argues that as internal production is expanding, liberalisation of licences to import bicycles is not warranted. Nor is such a policy justified, Mr. Sen argues, on grounds of maintaining standards and lowering prices.

Bicycles of the world's highest standards are now being manufactured within the country. There can, therefore, be no fear of lower standards if imports are restricted. Prices of imported bicycles have hardly any relation to those of the indigenous ones. Liberalisation of imports is, therefore, not likely to lower the prices of bicycles manufactured within the country.

MARTIN BURN LIMITED

NOTICE is hereby given that an Extraordinary General Meeting of the members of the abovenamed Company will be held at the Registered Office, 12, Mission Row, Calcutta, on Saturday the first day of October 1955 at 11 o'clock in the fore noon to consider and, if thought fit, to pass, with or without modification, the following Resolutions, namely:

1. That pursuant to Section 99 of the Indian Companies Act 1913, the Directors be and they are hereby authorised to cancel the two Managing Directors' Agreements both dated the 25th day of April 1946 and entered into with Mr. T. Leslie Martin and Sir Biren Mookerjee respectively and to enter into fresh Agreements with them.

2. (As a Special Resolution)—That the Articles of Association of the Company be altered in manner following:

(a) In Article 1, after the definition of the words "The Directors", the following new definition shall be inserted:

"The Governing Director" means the Governing Director or the Governing Directors for the time being".

(b) Article 124 shall be deleted and the following new Article substituted therefor:

"124. The Directors may from time to time appoint one or more of their body (but not exceeding two) to be the Governing Director or Governing Directors of the Company and may from time to time appoint one or more of their body (but not exceeding four) to be the Managing Director or Managing Directors of the Company, either for a fixed term or without any limitation as to the period for which he or they is or are to hold such office, and may from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their place or places. For the purposes of Article 141, the Directors shall nominate who shall be the Senior Governing Director".

(c) In Articles 125, 126 and 127, before the words "Managing Director" wherever they appear in these Articles, the words "Governing Director or" shall be inserted.

(d) Article 128 shall be deleted and the following new Article substituted therefor:

"128. Thomas Leslie Martin and Sir Birendra Nath Mookerjee shall be the Governing Directors of the Company and Sachindra Nath Mukerjee and Frederick George Liversedge shall be the Managing Directors of the Company. Mr. T. Leslie Martin and Sir B. N. Mookerjee shall not, whilst they continue to hold office as Governing Directors, be subject to retirement by rotation and they shall not be taken into account in determining the rotation or retirement of Directors".

(e) In Article 129, the words "Managing Director" shall be deleted and the words "Governing Director" substituted therefor.

(f) In Article 141, the words "Senior Managing Director" appearing in lines 1, 3, 6, 8 and 12 shall be deleted and the words "Senior Governing Director" substituted therefor. In the same article, before the words "Managing Director" appearing in lines 4, 10, 11 and 13 the words "Governing Director or" shall be inserted. In the same Article, before the words "Managing Directors" appearing in line 10, the words "Governing Directors or" shall be inserted.

BY ORDER OF THE BOARD

T. Leslie Martin

Chairman

Calcutta,
8th September 1955.

From the Calcutta End

Planning With Tears

CONSISTENCY is a plebian virtue. West Bengal's Chief Minister is not bothered about the obsessions of little minds. He is not consistent in his policy. And the debate in the West Bengal Assembly on the tax proposals of the State discloses that he is surprised that even responsible Assembly members should quote his views and opinions against the Government's tax proposals. Both pressmen and Assembly members have accused him of contradicting himself.

Only a month ago, Dr. B. C. Roy was carrying on a crusade against the Mahalanobis Plan-frame. His main criticism was that it implied restrictions on consumption of the many poor who somehow managed to exist below the subsistence level. Any such policy militated against the avowed aim of economic planning. It would impair the already low standard of living of the masses.

Tax Effects

Dr. B. C. Roy was also opposed to the implied taxation targets of the Plan-frame. Expenditure estimates of the Plan-frame could not be attained without further increases in taxation. Direct taxation could not be pushed further. So the Plan-frame involved further increases in indirect taxation. Dr. B. C. Roy was of the opinion that any further increase in indirect taxation would press unduly on the many poor. It would further affect consumption.

These views were underlined in his memorandum on the Basic Considerations in Framing the Second Five-Year Plan. In his Plan-frame for his State, he relied on voluntary loans. He conceded that such loans were indirect forms of taxation. But his Plan-frame did not directly envisage any increase in tax on the poor. This was one of the main points emphasised by Dr. B. C. Roy in distinguishing his Plan from the Mahalanobis Plan-frame.

Those who hoped that West Bengal's Chief Minister had discovered the magic formula of planning without tears had not to wait long for disillusionment. Dr. B. C. Roy is now chastising Assembly members for their superstitious faith in financial mumbo-jumbo. He is not only the Chief Minister. He is also his Finance Minister. As West Bengal's Finance Minister, he has been piloting

two Bills which seek to impose sales tax on a number of articles of daily consumption.

An aim of one of the Bills is to stop evasion of tax by seasonal fruit dealers. But the main object of both the Bills is to raise revenue to finance the State's second Five-year Plan. So, now, Assembly members and the people of West Bengal know that planning cannot be had without tears. But the people, the Press and the Assembly members are now echoing Dr. B. C. Roy that indirect taxes would curtail consumption of the many poor who are already ill-fed and ill-nourished.

The proposed taxation involves levies on kerosene oil and mustard oil, rape oil and their mixtures. Kerosene oil lights the poor man's home. Despite vitaminised Vanaspati the Bengali still prefers to cook his food in mustard oil. It is not surprising that the proposed imposts on these articles of daily use have created a furore in the Assembly. There is, perhaps, a case for levying a sales tax on some seasonal fruits on the ground of tax evasion. But the people argue that in a State where tuberculosis is so widespread, nothing should be done to make fruits dearer. Of all the proposed imposts, that on the entry of tea into Calcutta and Howrah is the least unpopular.

One can sympathise with Dr. B. C. Roy. Little did he realise that the arguments he had advanced in decrying the Mahalanobis Plan-frame would be used with such telling effect against him. To stress the inconsistencies between the Chief Minister's precepts and practices is not to oppose his measures to raise revenue to finance the second Plan. And despite the threat of a hartal by pawn-brokers and dealers in gold ornaments, his proposal to levy a tax on the sale of gold ornaments will be widely endorsed.

Panchayats

Government through legislation is an essential attribute of democracy. In the States, there is now more legislation. And as there is more legislation, there is more acrimonious debate in State Assemblies. Even before the West Bengal State Assembly could discuss the pros and cons of new tax measures, it

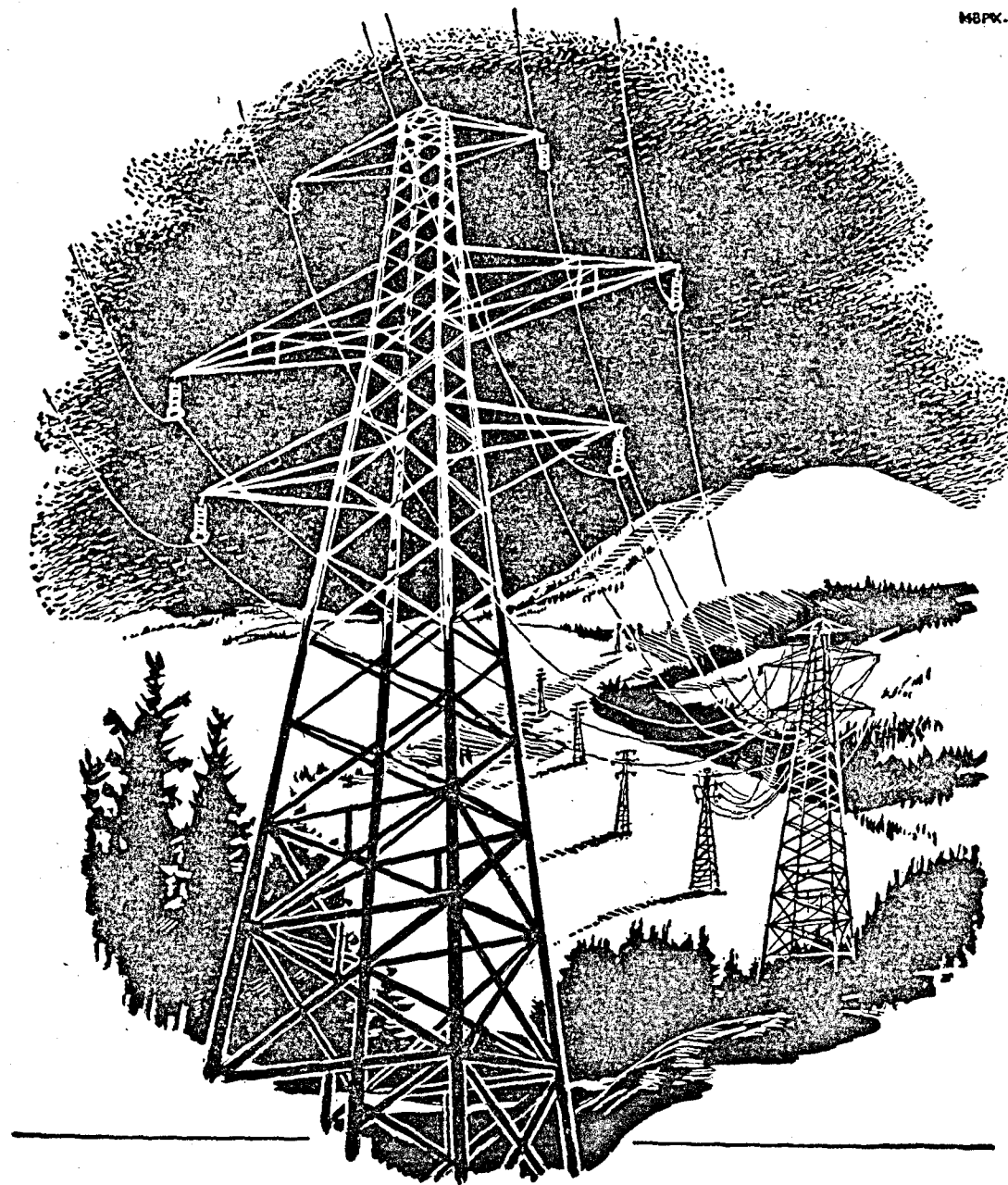
had to deal with another Bill introduced by Government. After a three-hour debate on the preliminary issues involved, the Assembly referred the West Bengal Panchayat Bill, 1955, to a Joint Select Committee of both Houses.

In introducing the Bill, Shri I. D. Jalan, Minister for Local Self-Government, informed the Assembly that the Bill sought to implement one of the directives of the Constitution. Under the Bill, panchayats would be set up to replace the British-sponsored Union Boards. These Boards did not take root in Bengal for obvious reasons. But the panchayats now proposed would be full self-governing units. These panchayats will blossom forth as "Little Republics" in West Bengal's rural areas.

Village Republics

An imposing super-structure is proposed under the Bill to establish village government of the people, by the people and for the people. There will be a Gram Sabha—the general body of all adult people, male and female, of a specified area—which is to meet at least twice a year. Every Gram Sabha will have a Gram Panchayat, in which will be vested all municipal and development functions. A group of Gram Panchayats will elect an Anchal Panchayat, whose functions will include taxation, maintenance of rural police and creation of Nyaya Panchayats (village courts).

It was rather odd that the Minister for Local Self-Government did not stress the close relation between the aims and objects of the Bill and those of the National Extension Service and Community Projects. He was more interested in emphasising that the Bill sought to implement the directive of the Constitution that the village should be the basic unit of government in the Republic of India. One may be in agreement with the underlying principles behind the Panchayat Bill. One may not over-emphasise the elementary fact that even village self-governing units cannot thrive without adequate financial power. But one may be excused in reminding the sponsors of the Bill that Panchayats will not develop into "Little Republics" unless they become the basic unit not only of the State but also of Society.



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Crisis in Britain's Economic Policy

THE current economic crisis is unobtrusively bringing in its train a crisis in Mr. Butler's economic policy. Government's plunge into exhortation, as was manifest in the recent series of restrictive measures to restrain home demand, was by itself an indication that a retreat from monetary orthodoxy was on. Now that the economic crisis has reached a dimension calling for urgent Government action, everyone is waiting anxiously not only to see the particular form which any new measures may take, but how far such measures will represent a departure from the policy of monetary and fiscal control which up to now has been the hallmark of Tory rule.

When Mr. Butler said that he looked "for a positive and significant reduction in Bank advances over the next few months", it was clear that the foundations of monetary orthodoxy were being shaken. Now, with the August loss of £31m. in the gold and dollar reserve, the prospect of Mr. Butler eating the humble pie to the satisfaction of Mr. Gaitskell is a real one.

It can, however, be seen that while the Conservative Government will, for reasons of prestige, maintain the largely uncontrolled character which many of the country's industrial activities have, a determined gamble on achieving solvency at the expense of the British wage earner may be attempted. The giants of industrial vested interests—the Economist, the Banker and the Financial Times—have each, with a steadfast persistence, maintained that the only way of escape from the current crisis is to reinstate the wage freeze.

The argumentation from which this recommendation arises is a familiar one. What is, however, remarkable in the new campaign is that the Chairman of the London Stock Exchange should take the unprecedented step of resorting to a somewhat elaborate press statement in which formidable statistics have been deployed to conceal how much the increase in distributed profits and the cashing of capital gains have done to promote the present inflation. And so the attack on wages has begun.

It is more than a coincidence that the attack should be indicated at a time when the Trade Union Congress

is holding its annual conference. While it is true that some of the trade union leaders may come to be influenced by the argument that recent increases in wage rates have been primarily responsible for the current balance of payments difficulties and, of course, the inflationary rise in prices, the rank and file of trade unions, who will no doubt be adequately represented on the floor of the conference, will be in no mood to succumb to the attack. Apart from the salaried staff in the transport industry, almost every other trade union is in the queue for wage increases. The issue in trade unions has clearly become one of where the leaders must either yield to rank and file pressure or resign themselves to a flood of unofficial strikes.

The choice before the leaders in the trade unions is fully understood by the Trade Union Congress; and this must be the situation since the TUC's report published earlier this week, while emphasising Mr. Butler's own warnings of the gravity of the economic situation, thrusts the blame for the deterioration not on the wage demands of member unions or strikes and strike threats, but on Government's policy or lack of policy. It says that "despite repeated trade union warnings, Government has revealed no positive plan to increase industrial investment, to keep down costs and prices and to stimulate production."

Instead, continues the TUC report, "Government has allowed increases in profits and increases in dividends to outstrip increases in wages." This bald statement is accompanied by a flat charge that Government has put above the interests of the nation the sectional interests of people "with large incomes, particularly shareholders". There appears little doubt that the attack from the industrial front on the part of the great organs of capital are being met with equally powerful attacks from the trade union front.

One of the peculiar features of the current controversy over the economic crisis is the persistent reference to the situation in Western Germany. There appears to be considerable distress among industrialists in Britain that "the German worker is working hard". The British worker is told that the country stands, in the

words of the Prime Minister, "in mortal peril" in view of the disparity in productivity between Britain and West Germany. Up to 1952, productivity comparisons invariably involved the United States. Now, everything is compared with Western Germany.

The reason for this is obvious. In the United States the considerable gains achieved by the "guaranteed annual wage" movement of the Automobile workers has so fundamentally altered the situation that the only other country where workers' living standards and earning power are depressed—West Germany—has become an example to cite. But people in Britain are not easily bluffed into accepting West German conditions as the basis for any effort towards "tightening the belt".

In West Germany, the failure, in many people's eyes, of the rebirth of militarism on the 1933 scale is being balanced by the emergence of a German national spirit to achieve economic supremacy in Europe.

This type of reasoning is attractive as a counterpoise to the need for British workers to restrain their wage demands. In fact, the German worker is involved in some fierce struggles for higher wages and better conditions. It was only at the point of police interference that workers in the Hamburg shipyards were forced to turn back to work. More than that, the drying up of cheap labour inflows in the form of refugees as well as the intake of manpower in the newly-established Wehrmacht will certainly introduce the standard economic forces making for the demand for labour in W. Germany being met at a price.

Nevertheless, the crisis in policy facing the British Government is a real one. The City of London waits with considerable anxiety for the 6 per cent Bank rate as Mr. Butler's final bid to restore what the Economist calls "confidence in the Conservative economic programme".

It is likely, however, that while such a steep rise in interest rates is not outside the realms of reality, any bid to restore balance in the British economy and to solve the balance of payments crisis which is now a fact can only be done by some measure of physical control over the more vital sectors of the British economy.

More Light on GATT

Review of the General Agreement on Tariffs & Trade—Revised Text of the General Agreement and Text of the Agreement on the Organisation for Trade Co-operation. Presented to Parliament by the Minister of Commerce and Industry, May 1955, Pp 128. Price not stated.

General Agreement on Tariffs & Trade—Analysis of Tariff Concessions Exchanged by India with the other Contracting Parties. Ministry of Commerce & Industry, July 1955. Price not stated.

WHEN the negotiations for an International Trade Organisation Charter started immediately after World War II, the British Government in India made its views known to the Indian public through the Trade Policy Committee and the Consultative Committee of Economists. During the deliberations at the Ninth Session of the GATT last year, the present Government of India, however, took into confidence only the official economists and the principal commercial organisations in regard to the line it was going to take.

The general public were not associated with its policy. They were entirely in the dark about the revision of the GATT (until the official communique was issued last April). With the publication of these two documents, people at large are in a better position to appreciate India's attitude towards the GATT and the promotion of freer trade.

The two publications bring up to date the memorandum on the GATT published by the Ministry of Commerce in 1948. Besides an analytical note on the recent review of the General Agreement, the first publication reproduces the text of the revised Agreement as well as of the original Agreement and also of the Agreement on the Organisation for Trade Co-operation (OTC). The second publication describes the exchange of tariff concessions that has taken place under the GATT and its effects on India's foreign trade. It also gives detailed statistics on the value of trade in respect of items covered by the concessions. There are also several items not specified in the usual monthly trade accounts for which statistics have been given. It is indeed creditable that the latest figures given are for the year 1953-54, especially as the latest annual Review of the Trade of India is only for the year 1948-49.

More Flexible

The revised text of the General Agreement is a much more flexible instrument of international co-operation than the original (minus

transitional agreements). India's attitude to the GATT was stated by the Leader of the Indian Delegation in the following words, "We fully accept the basic objectives of the GATT in the field of international trade. Speaking broadly, they are: firstly to reduce discrimination, secondly to lay down rules of fair trading and thirdly to promote the growth of international trade by removing impediments to it".

Important Amendments

From India's point of view, the most important amendments to the GATT are those relating to Article XVIII and Article XXVIII. Article XVIII recognises that it would be justifiable for underdeveloped countries to take protective or other measures affecting imports, in order to implement programmes and policies of economic development. It enables them to maintain sufficient flexibility in their tariff structure so as to be able to grant the tariff protection required for the establishment of a particular industry, and also to apply quantitative restrictions for balance of payments purposes in a manner which takes into account the continued high level of demand for imports likely to be generated by their programmes of development.

A line of procedure is also laid down, according to which an underdeveloped country could apply measures like quantitative restrictions on imports to promote the establishment of a protected industry even when it is not in balance of payments difficulties. In the case of underdeveloped countries, there will be consultations once in two years (and not each year) regarding restrictions applied for balance of payments reasons.

Article XXVIII provides for modification of the schedules of Tariff concessions. It is gratifying to note that although tariff bindings would be automatically renewed every three years, any Contracting party could negotiate for a modification of any binding during the three-year period or before the expiry of this period, any Contracting party could

withdraw or modify a concession already granted even when satisfactory agreement could not be reached with other interested parties, and finally "a Contracting party which does not wish to bind its schedule at all for a further period will be free to keep its entire schedule unbound."

It would appear from the foregoing that GATT has now become an innocuous Agreement. In fact, however, GATT has become more realistic and more an instrument to reduce discrimination and ensure fair trading rather than merely to reduce trade and tariff barriers. It is not necessary here to describe all the provisions of GATT. It may be pointed out, however, that the placing of GATT on a permanent footing and the establishment of a permanent organisation to be known as the Organisation for Trade Co-operation (OTC) to administer GATT and also deal with any other connected issue, would undoubtedly contribute to the stability and development of international trade.

The second document under review is an extremely valuable statistical compendium, which includes the following:

I Details of the concessions received and granted by India by direct negotiation and re-negotiation with other signatory countries;

II Details of the concessions granted by signatory countries which would be applicable to Indian products under the multilateral provisions of the Agreement;

III Summary statement showing the total value of trade in commodities on which India has received and granted concessions directly and indirectly at Geneva, Annecey and Torquay;

IV Exports from India of commodities on which India has received concessions directly and indirectly at Geneva, Annecey and Torquay;

V Imports into India of commodities on which India has granted concessions directly and indirectly at Geneva, Annecey and Torquay;

VI Statement showing preferences enjoyed by India in U K and the Colonies which are affected by GATT; and

VII Statement showing preferences enjoyed by U K and the colonies in India which are affected by GATT.

Background Note

There is a succinct background note which attempts to analyse the wealth of data given in the publication. The following conclusions are brought out:

(a) The total value of our exports of articles, covered by direct concessions received by India, to the countries which had given those concessions was Rs. 60 crores in 1953-54, Rs 74 crores in 1952-53 and Rs 67 crores in 1948-49. On the other hand, the total value of imports of articles covered by the concessions directly given by India from countries to whom those concessions were given was Rs 27 crores in 1953-54, Rs 27 crores in 1952-53 and Rs. 30 crores in 1948-49.

(b) similar figures for indirect concessions (i.e., concessions which were not directly negotiated by India, but which accrued to her as a result of the multilateral nature of GATT concessions) were Rs 75 crores for exports and Rs 62 crores for imports in 1952-53 and Rs 32 crores for exports and Rs 60 crores for imports in 1948-49.

(c) The total value of Indian exports which received the benefit of concessional rates of import duty was Rs 135 crores in 1953-54, Rs 155 crores in 1952-53 and Rs 100 crores in 1948-49. Correspondingly, the total value of imports of items on which India has given concessions, from all countries whether or not belonging to the GATT, was Rs 115 crores in 1953-54, Rs 132 crores in 1952-53 and Rs 122 crores in 1948-49.

(d) About 50 per cent of India's export trade to GATT countries (excluding U. K. and South Africa) was covered by concessions received by India. About 25 per cent of all exports to all countries benefited by the concessions which had been received. About 20 per cent of the total imports of all commodities from all sources was covered by concessions granted by India.

It is not clear what purpose is served by these figures of value of trade, unless it is implied that no trade would have taken place in the absence of exchange of tariff conces-

sions, which is incorrect. Since exchange of tariff concessions took place on the principle of mutual advantage, anyone could jump to the conclusion that India had unduly held down her imports rather than that Indian negotiations had been extremely plucky. What should have been compared is the value of additional exports which could be attributed to the tariff concessions received by India with the value of additional imports which resulted from concessions granted by India.

Futility Of It

Clearly such a comparison is impossible, especially for a period characterised by the continuance of exchange controls, quantitative restrictions, fiscal and monetary controls

etc., and by devaluations, Korean War etc. The futility of such comparison is indeed realised in the note.

Even though the two documents under review throw much light on hitherto-obscure spots, it is still difficult to reconcile India's membership of the GATT with her devotion to planning for a socialistic pattern of society and intensive programme for developing heavy industry.

Even with all the concessions to underdeveloped countries under the revised GATT, India will have to stick to rules of fair trading and any attempts at bilateralism, monopolisation of foreign trade, differential prices, and such other devices would be taboo! This, however, is entirely a different matter.



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

"A LICENCE has been obtained from the Central Government for the establishment of this new undertaking of which a copy is open to public inspection at the Head Office of the Company. It must be distinctly understood that in granting this Licence the Government of India do not take any responsibility for the financial soundness of this undertaking or for the correctness of any of the statements made or opinions expressed in regard to it."

The Subscription List will open on Monday the 12th September, 1955 and will close on Thursday the 22nd September, 1955 or earlier at the discretion of the Directors.

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AUTHORISED CAPITAL :

3,75,000 Ordinary Shares of Rs. 100/- each	Rs. 3,75,00,000/-
1,25,000 Cumulative Preference Shares of Rs. 100/- each	Rs. 1,25,00,000/-
	Rs. 5,00,00,000/-

ISSUED CAPITAL :

1,00,000 Ordinary Shares of Rs. 100/- each	Rs. 1,00,00,000/-
60,000 6% (free of income-tax) Cumulative Preference Shares of Rs. 100/- each	Rs. 60,00,000/-
	Rs. 1,60,00,000/-

The Company was incorporated on 25th March 1955. On or about 2nd May, 1955, a Statement in lieu of Prospectus was filed with the Registrar of Companies, Bombay, and a certificate for commencement of business was granted on 5th May, 1955.

The Promoters, the Directors and their friends have taken up 50,000 Ordinary Shares and 10,000 Cumulative Preference Shares all of the aggregate face value of Rs. 60,00,000/- on which a sum of Rs. 50/- per share has been paid up.

The remaining 50,000 Ordinary Shares and 50,000 Cumulative Preference Shares are offered for public subscription.

The amount payable in respect of both the Ordinary and Preference Shares is as follows:

- (a) On application .. Rs. 25/- per share.
 (b) On allotment .. Rs. 25/- per share.
 (c) The balance of Rs. 50/- in respect of Ordinary Shares and Rs. 50/- in respect of Preference Shares is payable in such calls as may be determined by the Directors provided that no call shall exceed 1/4th of the nominal amount of the shares and there shall be an interval of at least two months between two calls.

The Directors reserve the right to allot in advance of the opening of the subscription list not more than 20,000 Preference Shares out of the present issue.

By an Agreement dated the 23rd day of August 1955, the Industrial Credit and Investment Corporation of India Limited, have agreed to underwrite the said 50,000 Ordinary Shares and 50,000 Preference Shares now offered for public subscription for an underwriting commission of Rs. 2 per cent. In addition to the said commission, the said Corporation is also entitled to brokerage at the rate of 1% on the nominal value of all such shares as are either taken up by and allotted to them or have been subscribed for, through them and allotted by

the Company. In the opinion of the Directors the resources of the said underwriters are sufficient to discharge the underwriting obligations.

RIGHTS OF CUMULATIVE PREFERENCE SHARES :

The said Cumulative Preference Shares shall confer on the holders thereof the right to receive in priority to Ordinary Shares in the capital of the Company out of the profits of the Company from time to time determined to be distributed, a fixed cumulative preferential dividend at the rate of 6% per annum free of income-tax on the capital paid thereon and also the right in a winding up of the Company in priority to all Ordinary Shares to re-payment of the Capital paid up thereon together with the payment of all arrears and accruals of the said cumulative preferential dividend down to the date of commencement of winding up whether earned or declared or not, but shall not confer any further rights to participate in the profits or assets.

DIRECTORS

Shri Gobindlall Bangur, (Chairman) Calcutta.
 Shri Gokulchand Bangur, Calcutta.
 Shri Pranlal Devkaran Nanjee, Bombay.
 Shri Maneklal Premchand, Bombay.
 Shri Ramnath A. Podar, Bombay.
 Shri Gajadhar Somani, M. P. Bombay.
 Shri A. D. Chaudhari, Bombay.
 Shri B. D. Somani, Bombay.

BANKERS

The State Bank of India, Bombay.
 The Central Bank of India Ltd., Bombay.
 The United Commercial Bank Ltd., Bombay.
 Devkaran Nanjee Banking Co., Ltd., Bombay.
 The Bank of Jaipur Ltd., Bombay.

BROKERS

- Messrs. Place Siddons & Gough, 6, Lyons Range, Calcutta.
- Messrs. Harkisondass Lukhmidass, 5, Hamam Street, Fort, Bombay.
- Messrs. Dhirajlal Maganlal Purshotamdass, Stock Exchange Building, Apollo Street, Fort, Bombay.
- Messrs. Batlivala & Karani, New Union Bank Bldg., Dalal Street, Fort, Bombay.
- Messrs. Kothari & Sons, Oriental Building, Armenian Street, Madras.

LEGAL ADVISERS

- Messrs. Payne & Co., Solicitors & Notary Public, Esplanade House, Waudby Road, Fort, Bombay.

- Messrs. Kanga & Co., Solicitors & Notary Public, Readymoney Mansion, Nariman Road, Bombay.

AUDITORS

Messrs. Batliboi & Purohit, Chartered Accountants, 204, Hornby Road, Fort, Bombay.

REGISTERED OFFICE

Shreenivas House, Waudby Road, Fort, Bombay.

OBJECTS AND PROSPECTS :

The Company has been formed, generally for carrying on all or any of the objects and purposes set out in the Memorandum of Association of the Company, and particularly to manufacture white printing and wrapping papers from bamboo and other raw materials.

There are at present 20 Units in the country for the manufacture of paper and paper board with a total capacity of about 1,85,600 tons. Heavy imports are necessary to meet the present demand, requiring valuable foreign exchange.

On the basis of the above figures the annual per capita consumption of paper in India is hardly one lb. This is very low in comparison with that in other countries such as U.S.A. having approximately 400 lbs., Canada 175 lbs. and U. K. 154 lbs.

With the growth of literacy, the expansion of trade and industry, the general rise in the standard of living and the increase in population, consumption of paper in India is bound to increase. The Planning Commission has envisaged a steady increase in the demand and the target fixed for the Second Five Year Plan for the paper industry is 3,70,000 tons compared with the production of 1,55,000 tons in 1954.

The present installed capacity together with the expansion already sanctioned leaves a wide gap to be bridged in order to meet the minimum requirements of the country. The industry, therefore, has bright prospects for further expansion.

The present rate of import duty on paper is 39% ad valorem which provides sufficient protection against undue foreign competition. Moreover there are indications of worldwide shortage of paper as will be evident from the following observations made by the President of the Newspaper Society, London, and the Indian Tariff Board as quoted hereunder respectively :

"We face a famine, a real famine in paper not only newsprint but every form of paper. A new source of supply must be found."

"There is an overall world shortage of paper and pulp, making import of any substantial quantity of these

products into this country from abroad, a remote possibility."

SELECTION OF SITE :

The promoters have selected Dandeli in North Kanara District of Bombay State as the site for the factory after a thorough investigation of all major factors such as raw materials, water supply and effluent, availability of cheap power, technical personnel, transport facilities and natural market. Highly qualified experts have thoroughly examined the location from various aspects and have unanimously acclaimed the suitability of the project. The Chief Engineer of a leading German Machinery Supplier has observed in his report of 25th May 1955, as under:

"The Dandeli site is probably the most suitable of the comparatively few presently eligible locations in India for the establishment of a major pulp and paper making unit based on bamboo."

AGREEMENT WITH GOVERNMENT OF BOMBAY :

By an agreement dated the 13th August 1955, the Government of Bombay have granted to the Company necessary concessions for a period of 30 years, the royalty payable being Rs. 3-2 per ton on paper or pulp going out of the factory and subject to revision after five years and subsequently after every ten years; such revision at each stage shall not exceed 25% of the basic rate of Rs. 3-2 per ton. They have further agreed to grant lease or occupancy rights of 200 acres of land for the Factory and Housing Colony.

CAPITAL OUTLAY :

On the basis of the quotations received from well-known machinery manufacturers, the Directors are of opinion that the capital outlay of the factory of the rated capacity of 60 tons including factory building, township water works etc., will be about Rs. 3 crores as under :

1—Plant and Machinery	Rs. 2,40,00,000/-
2—Buildings	" 50,00,000/-
3—Miscellaneous equipment, vehicles etc.	" 6,00,000/-
4—Brokerage and underwriting commission	" 3,00,000/-
5—Preliminary Expenses	" 1,00,000/-
	Rs. 3,00,00,000/-

and the same will be provided as under :

By Share Capital :

Already subscribed	Rs. 60,00,000/-	
Present Issue	Rs. 1,00,00,000/-	Rs. 1,60,00,000/-

By Loan from The Industrial Finance Corporation of India (already sanctioned)

Rs. 1,00,00,000/-

By Way of Deferred Payment to Machinery Suppliers.

Rs. 40,00,000/-

Rs. 3,00,00,000/-

The working capital, when required, will be provided by borrowings from Banks and other organizations.

The minimum subscription in respect of the present issue on which the Directors will proceed to allotment is Rs. 1,00,00,000/-.

ESTIMATION OF PROFITS:

The Company intends to instal the latest Plant and Machinery which will effect a substantial saving as compared with older plants both in the cost of Labour as well as of chemicals. Modern Soda Recovery and Re-causticising Plants are expected to effect a substantial saving in the cost of chemicals, and the recovery of steam will be another important economic feature.

Taking into account all these factors and leaving an adequate margin for contingencies, the costs of manufacture have been carefully prepared and examined by various technical experts and cost accountants. On the basis of existing selling prices and after allowing for all selling costs, freight, depreciation, overhead charges, the Directors are satisfied that there will be an adequate margin to permit the payment of an attractive dividend on the Ordinary Shares after meeting interest on loans and on Preference Shares.

PRELIMINARY EXPENSES:

The estimated amount of the preliminary expenses (exclusive of underwriting commission and brokerage and also exclusive of the sums of Rs. 30,000/- and Rs. 15,000/- paid to Shri A. D. Chaudhari and Shri M. G.

Kotibhaskar respectively) is Rs. 1,00,000/- approximately.

BROKERAGE:

Brokerage at the rate of Rupee One per cent, will be paid to recognised Brokers, Banks or Industrial Credit and Investment Corporation of India Ltd., on allotments made in respect of application bearing their stamps.

APPLICATION:

Application for shares should be made in the units of 5 shares of either class on the form accompanying the Prospectus or which may be obtained at the Registered Office of the Company, at the Office of the said Underwriters and at any of the offices in India of the Company's Bankers.

Where no allotment is made, the deposit will be returned in full and where the number of shares allotted is less than the number applied for, the balance of the deposit will be applied towards the amount remaining to be payable on the shares allotted and any balance thereafter remaining will be returned.

The shares when issued will be subject to the Memorandum & Articles of Association and Prospectus of the Company, copies of which can be inspected at the Registered Office of the Company during office hours.

Applications will be made to the Stock Exchanges of Bombay and Calcutta in due course for quotation for the shares.

Irrigation and Socio-Economic Change in a Mysore Village

Scarlett Trent

This is one of the series of Village Studies which have been appearing from time to time in The Economic Weekly. The author has spent about ten months in the Mysore village studying the social and economic changes brought about by the introduction of irrigation and by industrialisation, under a Rockefeller Foundation fellowship. She is a research student in the Faculty of Social Studies in the University of Manchester.

CULTIVATED lands in India fall into two major categories, "dry" and "wet". Dry lands are those which depend solely upon rainfall for cultivation, whereas wet lands receive supplementary water supply from rivers, canals, tanks or wells. Irrigation is by no means a recent innovation, but has been practised for many centuries, particularly in South India. The Imperial Gazetteer of India, referring to Mysore, stated that "almost every valley contains a chain of tanks, the first overflowing into the second and so on, until the terminal tank is filled." Irrigation wherever it is possible, is still regarded as the most radical and efficient means for developing agriculture. The five-year plans devote considerable resources to irrigation schemes, ranging from well-and tank-irrigation at village level to large-scale river valley projects.

Irrigation, by making the farmer largely independent of natural rainfall, reduces the risk in agricultural production and increases the rural earning-potential. The artificial supply of water can substantially increase productivity per acre. Large areas of complete waste may be brought within the margin of cultivation once they come under irrigation. Therefore irrigation not only potentially increases the yield per acre, but also the extent of cultivable area. Furthermore, it usually enables the farmer to undertake the cultivation of certain cash crops like sugarcane.

There is little doubt that irrigation creates an important economic-potential, but even the most elaborate irrigation schemes are of little practical value unless the affected farming population exploits the new opportunities. Everyone is familiar with the usual criticism levelled against the farmer. He is called "conservative" because he is hesitant in his attitude to measures of development. Such criticism reflects a lack of knowledge of the full impact of economic change on a village community. Before the farmer is

labelled "conservative", it would be advisable to examine closely what exactly economic progress means to the social life of a rural society. If irrigation creates a new economic-potential, can the farmers exploit this potential with the resources at their disposal? Does economic development, as a result of irrigation, lead to a greater equalisation or concentration of wealth? In what way does economic change affect the organisation of agricultural production, and through agricultural production, social institutions? These questions formulate important theoretical and practical problems, which require an intensive study that utilises the knowledge and conceptual apparatus of both the economist and the sociologist.

I am at present pursuing such type of research in a Mysore village. My particular interest is the study of the interrelationship between economic and social change. I am fully aware of the fact that what has happened since irrigation in one Mysore village cannot be taken as indicative of the whole of India. Many more studies of a similar type will have to be completed before a general theory of economic development is formulated. In the meantime even one village study may help to shed a little light on the mutual determination of social and economic forces. In order to preserve the anonymity of the village I have been studying for the last eight months, I am giving it the fictitious name of "Manhalli". It is a multi-caste village, consisting of ten castes excluding the Untouchables who live a little apart. The Okkaliga, or Cultivator's caste, is dominant both in number as well as in economic and political power. Altogether there are 947 inhabitants living in 192 households. (Each separate cooking-unit represents one household.)

Manhalli is situated in the undulating territory of the Mysore 'plains', about four miles from Bella, a rapidly growing town with a sugar factory. In 1938 Manhalli's cultiva-

ble acreage was recorded as 780 acres of which 100 acres were irrigated from a village tank. The tank depended for its water supply on small contributory nullahs, which were likely to be without water when there was a serious failure of the monsoon. Therefore the tank was never a very reliable source of water supply. Paddy was the major crop grown on the tank-irrigated lands, when there was enough water in the tank. Sugarcane was rare and was grown only for making jaggery. Ragi (*elousine corocana*) and jowar (*sorghum vulgare*), the staple crops, were grown on dry lands. Before the advent of canal-irrigation Manhalli had an economy which could be described as predominantly subsistence. Sericulture provided the only major source of cash income, but was not widely practised.

The watershed in Manhalli's recent history occurred sixteen years ago when irrigation from a widespread system of canals reached the village lands. Unfortunately the local survey authorities have not yet re-surveyed the lands since the introduction of irrigation and it is therefore difficult to compile up-to-date totals of Manhalli's dry and wet lands. The data presented here have been pieced together from several records and from direct investigation to show the economic-potential irrigation has offered to Manhalli villagers. Manhalli now has 720 irrigated acres which include 180 acres of waste brought under cultivation since irrigation. Therefore irrigation has already extended Manhalli's arable land by 23% and there is further scope for the expansion of cultivation. About two thirds of the reclaimed land form part of a sugarcane farm, which employs Manhalli labour and belongs to the sugar factory in Bella, the near-by town. Thus the area of wet land now owned and/or cultivated by Manhalli ryots amounts to 590 acres, an increase of 490% over the tank-irrigated area. Only 190 acres remain dry. A section of this area could be irrigated, but has

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been labelled village-reserve as part of anti-malarial measures. Canal irrigation is the rule over the area previously irrigated from the tank, and the tank has been allowed to dry up. This is another anti-malarial measure, which places the 113 acres of the tank-bed for cultivation by irrigation.

Irrigation has thus considerably increased the area of Manhalli's arable land. The impact on yield per acre is even more significant. Bella's sugar factor, which was established shortly before Manhalli came under canal-irrigation, encouraged the ryots in the vicinity to grow sugarcane as a cash crop on a large scale. A few figures will give some idea of the increased productivity-potential. The average crop of sugarcane per acre in Manhalli amounts to thirty tons which at present prices give a net yield of Rs. 500. The ryot can usually get about two crops in three years. Therefore his annual net receipt per acre of sugarcane amounts to Rs. 333. Paddy is a less remunerative wet crop, but is also widely grown since irrigation, and has replaced ragi as the staple diet of the villagers. Ragi is, however, still a basic food and the staple crop on dry lands. If the ryot grows two crops of ragi per year per acre, his annual net receipts from one acre amount to a total of Rs. 175. These figures are only approximate, but they serve to show that irrigation has practically doubled the farmer's net income per acre, provided he is able to take advantage of the new economic opportunities.

Sugarcane as a cash crop is new to most of Manhalli's peasants. The growing of this new crop was not just a matter of changing over from one crop to another, but involved a far-reaching readjustment in the organisation and practice of agricultural production. Agricultural skill is passed on from father to son. Through time and experience the peasants develop a rhythm of production throughout the agricultural cycle in which each participant has a certain task to perform, and each operation is allocated a certain date and time. Unless the production techniques of a newly-introduced crop harmonise with those of the traditional crops, the new crop is bound to upset the rhythm of cultivation. Sugarcane, the major crop in Manhalli since irrigation is a twelve-or fourteen-month crop, whereas ragi is a three-to four-month crop. The much longer period needed to grow sugarcane forced the ryot, who wanted to change from

ragi to sugarcane cultivation, to re-organise all his cultivation activities throughout the year. Such a re-organisation, which involved new methods and skill, required time for careful planning and attention. Growing a new crop is a venture into the unknown and always embodies a risk; unless there is some authority which ensures a minimum yield to the farmer. Although in the long run irrigation reduces the risk of agricultural production by making the ryot partly or wholly independent of rainfall, in the short run a new crop means a big risk, simply because it is new. What if it fails? The peasant risks most or all of his resources. This is a big stake which no industrialist would risk lightly either. Why then label the ryot "conservative", just because he hesitates and thinks carefully before embarking on a new venture which commands the best part of his resources? Even if the farmer is prepared to take a big risk, it takes time before he and his helpers can acquire the techniques and skill required to grow the new crop. For instance, in order to grow sugarcane Manhalli ryots had to learn furrow ploughing, planting of seedlings, bundling of plants, trenching and several other operations which were new to them. The new methods also required some new equipment which cost much more than the implements for growing ragi. Before the advent of irrigation wooden ploughs were the rule; an iron plough was unknown. Nowadays almost every ryot has an iron plough, the cost of which is Rs. 30 while a wooden plough costs Rs. 5. Four of Manhalli's ryots own Kuper ploughs which are important for cane cultivation and cost about Rs. 80 each. These four men hire out their ploughs to other villagers at the rate of Rs. 1/8/- per day.

Many of the Manhalli ryots who were used to live and work in a mainly subsistence economy before the coming of irrigation found it difficult or even impossible to invest money for costly equipment required for sugarcane. The new crop also required a large amount of costly fertiliser. Even where the farmer was absolutely certain that the increase in yield would be bigger than the proportionate increase in cost, he simply lacked the necessary working capital to see him through. The longer period of a cash crop like sugarcane strains the peasant's resources to the extreme. From the time of ploughing it takes about eighteen months before he can

hope to get his final cane payments. During these eighteen months he has to meet all cultivation costs as well as his household expenditure. Certain measures introduced by the sugar factory in Bella, which is the chief buyer of all sugarcane produced in Manhalli, have ameliorated the lot of the ryots. Factory fieldmen advise ryots on sugarcane cultivation. The factory gives a cultivation advance at 6% rate of interest to help the ryot buy the costly fertiliser. This advance tides the ryot over the difficult period of waiting for cash payment. But these facilities were introduced only some time after the advent of irrigation. Before they were available only few of Manhalli's farmers had sufficient working capital available to enable them to take spontaneous advantage of the new economic opportunities.

Who were these men who could realise the economic-potential? We have noted that the change-over from growing ragi to growing sugarcane requires more than just a progressive attitude; it requires new skills, and considerable funds for fixed and working capital. At present, sixteen years after irrigation, there are only five wealthy men in Manhalli. It is interesting to note that all were traders as well as landholders before the coming of irrigation. One imported ragi to Manhalli, another acted as selling agent for Manhalli's output of silk cocoons and the others were also engaged in some kind of trade. All the five men were at the time of irrigation, and still are, informal moneylenders. They were therefore used to act in a "cash economy", and besides had liquid funds at their disposal which they could employ as working capital or investment. Being experienced traders these peasants seem to have been more ready to enter risky and uncertain enterprises than the bulk of the ryots who moved mainly in a subsistence and/or barter economy. Entrepreneurship is at least as important to economic progress as the availability of capital for experimentation. Some of the peasants with larger landholdings before irrigation lost their predominant economic status simply because they lacked entrepreneurship. They sold part of their landholding in order to benefit from the inflated land values after irrigation. Partly this was due to their lack of foresight, but partly it was a means to acquire working capital so as to finance cultivation in the remaining acres. Land values have soared to great heights since

irrigation. An acre of dry land of average local fertility and in the proximity of Manhalli's village site sold at a price of about Rs. 150 in 1938. The same acre, provided it has come under irrigation, sells now for about Rs. 1500 to 2000.

The information collected on indebtedness in Manhalli shows that it has increased rather than decreased since irrigation even when allowance is made for the general inflationary tendency of the past fifteen years. The increased creditworthiness has led to an increased indebtedness, although it must be said that there is now a bigger turnover of loans than before irrigation. This implies that the local debtors require mainly temporary loans to tide them over until they receive their sugarcane payments from the factory, and indicates the improved economic conditions of the Manhalli ryots. The few men who were the first to take advantage of irrigation are now the main moneylenders in the village. The usual rate of interest of 12% represents another factor in the cumulative increase of their wealth.

Manhalli villagers have a saying that "irrigation made the rich richer and the poor poorer". The first part of this saying is certainly true and the second is true in as far as irrigation sharpened economic differentiation. Economic forces generated by and since irrigation made for a concentration of wealth in a few hands. Yet concentration of wealth has in fact not taken place to any large extent in Manhalli. There are only five ryots who own more than ten acres each and between them they hold in all no more than 66 acres. 33 or 17% of the households are landless labourers and the remaining 154 households own an average of 4.60 acres each. How then can we account for the dispersed landholding in spite of economic pressure towards concentration of wealth? I find that in Manhalli there were social forces at work which, re-directed, and to a certain degree neutralised, the economic forces. The social institution of inheritance is probably the most important single factor responsible for the dispersal of landownership. The prevailing laws and customs governing succession and inheritance give economic powers a vulnerable character. Every son has an equal right to the ancestral estate. As long as the sons continue to live as a joint family, division of property will take place only in alternate generations. But in Manhalli the joint family has

practically disappeared. The practice nowadays is for the married sons to set up separate households after the birth of their first child. The married son with child receives his due portion of the ancestral estate. If the father acquires more lands between the first partition and his death, this additional landholding is shared equally by all the sons after the father's death. This practice of inheritance is an important and dynamic factor in the village economy which leads to a periodic reshuffle in landownership. Whilst the population is stationary or declining, dispersed inheritance presents no serious economic problem. Immediately after irrigation malaria took a high toll of Manhalli inhabitants and the population declined. During the last seven years malarial control coupled with improved health measures has successfully reduced the death rate, particularly the infant mortality rate, and population trends have shown an upward surge. Population growth gives a further impetus to a more egalitarian society in Manhalli. The widespread custom of adoption constitutes another force working in the same direction. Usually if a man is without a son even after a few years of married life, he adopts one or two boys from either relatives or friends. It often happens that in later years own sons are born to the marriage, but the adopted sons retain equal rights with own sons to inheritance and succession. As long as infant mortality was unduly high many marriages were childless or without sons and adoption was then a very frequent practice.

Here we have three important social factors, adoption, inheritance and population growth, which in Manhalli's recent history affected and shaped the nature of economic progress. The actual change that occurred since irrigation is a result of both social and economic forces, which interacted upon each other. Some social institutions are sufficiently flexible to continue to function in a period of rapid economic change and progress, whilst others break down under the onslaught of newly released economic forces. According to development in Manhalli, "caste" falls into the former and "joint family" into the latter category of social institutions.

Caste has successfully weathered many economic and political storms in the past and is still very powerful. If the pursuit of an occupation was ever a rigid criterion for caste mem-

bership, it is no longer the case in Manhalli to-day. There are ten castes and an untouchable community in Manhalli and members of each of these social groups practise agriculture either as owner-cultivators, tenants or agricultural labourers. Under the impact of competition from shops and fairs in Bella, local service castes were forced to give up their traditional caste occupations. Three of the four Manhalli potter households have become whole-time agriculturists, finding it much more remunerative than pottery. The fourth household practises pottery merely as a subsidiary source of income, most of the householder's time being spent on sugarcane cultivation in his two acres of land. The cultivator caste households continue to have their traditional relations with the service castes, such as the blacksmith, barber, washerman, and still make annual paddy payments to the latter, although the economic aspect of this relationship is rapidly losing in importance. Since the demand for village services has decreased the annual paddy payments are more in the nature of a gift than a reward for services rendered. Soap or soap-powder makes it easy for the ryot's wife to wash the clothes herself. Some ryots even take their washing to be done in a shop in the nearby town. Similarly the town hairdresser is a preferred alternative to the local barber. Both washermen and barbers in Manhalli practise agriculture as a subsidiary occupation, and the trend is such that agriculture looks like becoming their main occupation. Competition from the nearby town accompanied by a changed pattern of wants has undermined the demand for the traditional village services. Manhalli is becoming more and more incorporated into the wider national economy. In spite of the fact that the economic basis of caste organisation in Manhalli is disappearing, caste as a social institution is still a strong force. It continues as an endogamous group, and not a single intercaste marriage has taken place, although all the villagers are now part-or full-time agriculturists. The five magnates in the village are members of the Cultivator caste, but some of the service caste households own more land than many Cultivator caste households. Therefore the economic stratification of the village does not coincide with its social stratification. Yet the social stratification persists and is still exemplified in the various ritual tasks performed by the various castes during vil-

lage feasts or marriage ceremonies. The intricate rules governing inter-dining between castes are still observed, more so by the women than by the men. If caste had really been merely an expression of a strict division of labour, evidence of its breakdown should have been forthcoming in Manhalli during the past sixteen years. Caste in Manhalli has shown itself to be a flexible institution which is capable of continuing in spite of changes in occupation and economic status. Perhaps the high stability of Manhalli's population of all castes is the main single factor accounting for the persistence of the caste distinctions. Whether caste differentiation will continue against the impact of industrialisation and a higher mobility of population is a problem which can only be answered after detailed study.

Joint family in Manhalli has proved to be less resistant to change than caste. Out of the 192 households only 19 are joint families and some of these joint families are only borderline cases. Records of landholdings indicate that since irrigation the incidence of partitioning of land among sons during the lifetime of the father has greatly increased. A casual relationship between economic change and the higher frequency of partitioning of landholdings is highly probable. The sugar factory's policy to spread contracts over a large number of farmers was one of the factors which induced partitioning. The joint family was at a disadvantage as compared to the smaller family unit. For instance, if four brothers jointly own 16 acres the factory contracts to buy the crop of three acres of sugarcane from them. But if the brothers divide their property and each claims four acres, each will probably get a contract for one and a half acre of sugarcane. Therefore, instead of three acres, after partition the brothers will have six acres under contract to the factory.

Economic opportunities and the change-over to a money economy after the coming of irrigation encouraged the competitive spirit among Manhalli villagers. A wider pattern of wants put strains on joint resources and led to clashes of interest among brothers, or between father and sons. Elders complain about the extravagant habits of present-day youth and hold this to be the cause for friction within the family and eventual partitioning. Joint families pool their resources and therefore have more capital at

their disposal. Provided the participants of such joint family enterprises work well together and are equally efficient, their enterprise will be more successful than that of the smaller family unit. Otherwise joint family enterprises are unwieldy production units, cumbersome in taking decisions and burdened by slacker members. This becomes particularly evident under the impact of economic development. Economic progress favours the most efficient, the most enterprising men in society. The differential ability of men and their individual acquisitiveness are the main drawbacks of joint family cultivation, when subjected to the stress of economic change and improvement. The continuance of the 'joint family' during a period of growing population would have resulted in an even more unwieldy cultivation unit in Manhalli. The ambitious members in a family would have been probably held back by the less efficient of their brothers. If there is a new economic opportunity the smaller elementary family unit appears to have a better chance for advancement than the more unwieldy joint family. This argument is borne out by the statistics of the All India Agricultural Labour enquiry which indicate that a higher level of living is associated with a lesser number of members per family. The joint family offers a type of social security to its members and naturally has to carry a levy for it. This levy probably acts as a brake to economic improvement, a brake which is discarded when the economic opportunities are sufficiently attractive. Manhalli villagers complain that the mutual aid spirit that prevailed many years ago when they were much poorer has disappeared. The village headman then used to collect ragi from the better off families and give it to the poorer households. Such redistribution does not take place any more. Many of the villagers now have "surplus" cash, but they rarely share it with anybody outside their immediate family circle. The "surplus" money is spent lavishly on marriages and or in daily consumption of country cigarettes or cigarettes, coffee and snacks in hotels, and visits to the cinema in Bella. The new individualistic spirit is exemplified in the non-observance of some of the traditional village feasts. At major festivals of the year the villagers used to have a joint dinner outside the village temple. Each household contributed to the dinner according

to its means and the food was shared equally. This custom has fallen into disuse during the last few years in Manhalli. Temples are the emblem of village unity as well as the places of worship. In the days gone by Manhalli villagers spent a lot of effort and money on the building and upkeep of the local temples. The temples are better built and even more costly than the best village homes. The duty of cleaning the temple and the space in front of it with cowdung was distributed among the various houses in the village. This is another practice fallen into disuse and the villagers these days pay little attention to the maintenance of the temples. This does not imply any disregard for religion, but simply a decline of joint effort, of social action. Instead the villager now pays more attention to his own home. This is supported by the recent tendency among villagers to have elaborate decorations on the interior and exterior walls of their houses. Competition wages among villagers to have the most fanciful decorations and naturally the richest have the most elaborate designs.

Manhalli has not been subjected to any of the intensive development schemes organised by the State. The change that occurred since irrigation can therefore be regarded as "spontaneous" and this change has been far-reaching and has affected all aspects of village life. The relative prosperity of Manhalli and surrounding villages depends directly on sufficient water supply from the canals. If irrigation fails, sugarcane cannot be cultivated and the affected villages are threatened with serious depression. Irrigation did create a substantial economic potential, and considering the risk and difficulties involved in its exploitation, the villagers were anything but conservative in their attitude towards change. Comparative data indicate that the average standard of living has risen considerably during the last sixteen years in Manhalli and per capita income has nearly doubled. There has been a change in production methods, organisation of cultivation, and even in dress, diet and daily habits of the villagers. Yet the change was an evolution rather than a revolution. Some of Manhalli's social institutions were sufficiently strong to transform the economic forces from revolutionary into evolutionary. Other social customs altered or disappeared under the impact of economic progress.

Agricultural Labour II—Wages of Farm Workers

(Continued from page 1067)

AGRICULTURAL labour is usually supplied with some perquisites in addition to cash and kind wages. Perquisites are important inasmuch as about 33 per cent of the total man-days worked by adult agricultural labourers are paid for with perquisites. There is a considerable difference among the different zones and the States in each zone in respect of perquisites. In Central India, the proportion of man-days paid for with perquisites is 2 per cent, while it is 30 per cent in South India. In North and East India, however, payment for the majority of wage-days is supplemented by some perquisites, the proportions being 62 and 51 per cent respectively.

In Jammu and Kashmir, agricultural labour receives some perquisites almost throughout the period of wage employment. West Bengal accounts for the next higher proportion of man-days paid for with perquisites, viz., 84 per cent, and the lowest percentage is found in Madhya Pradesh, viz., 0.4 per cent of man-days. Others on the low side are Hyderabad (about one per cent) Madhya Bharat (4.8 per cent) and Orissa (9 per cent) and States that occupy the mid-portion are Punjab (29) Mysore (31) Travancore-Cochin (44) and Saurashtra (44).

The nature of perquisites differs from place to place. In U P, it is a mid-day meal or gur or sharbat and in Madras it may be ragi meal with chatni and in Mysore, it is a mid-day meal and in some cases a cup of coffee. In West Bengal a mid-day meal and muri (parched rice) are quite common. While in PEPSU two meals and a light breakfast are provided, in Jammu and Kashmir a meal and tea twice a day are usual.

The importance of perquisites in the scheme of wage-payment is perhaps better understood when their cash value is taken into account and related to the regular wages that workers receive. For all-India, on an average, perquisites account for one-fourth and one-third respectively of men's and women's average daily wages (inclusive of perquisites). An idea of the differences among the States in which perquisites are important may be had from Table III.

Although the same labourer is engaged in different agricultural operations, there are inter-occupational wage differences, depending on such factors as the amount of effort involved in an operation, exigencies of work and supply of labour. Of the four important agricultural operations (which account for about 70 per cent of total man-days) viz., harvesting, preparatory, ploughing and weeding, harvesting commands the highest average daily wage, viz. 20.2 annas. The other operations which follow are preparatory (17 as.), ploughing (16.8 as.) and weeding (14.3 annas).

Non-farm Employment

Casual agricultural labourers get some wage employment in non-agricultural work also. 58 per cent of the men and 34 per cent of the women find such non-agricultural employment. The period of employment is about 56 days in a year for men and 41 days for women. Men provide mostly unskilled labour for road building or other public works, house construction, etc., and sometimes they are also employed as lumbermen, wood-choppers, porters and in biri-making and in coffee and tea plantations. Employment in the case of women is more limited and they usually work as domestic servants, and in some parts of the country, they are employed for decortoring of groundnuts and for paddy pounding.

The average all-India daily wage rate for non-agricultural employment is estimated at 17.2 annas for men, and 9.8 annas for women. It is curious to find that both these averages are only slightly lower than

the averages for agricultural employment (17.5 annas and 10.8 annas respectively). In Mysore and Madhya Pradesh, on the other hand, however, non-agricultural wages are higher than agricultural wages, though the difference is not appreciable.

Attached Labour

Although attached labourers are more or less in continuous employment, conditions of work differ from worker to worker, depending on the contract which defines the tenure and terms of employment taking the workers' skill etc., into account. There are, broadly, two types of attached labourers, viz. skilled and experienced labourers, who are employed usually by large farms, and generally well paid, and the less skilled, indigent workers who get attached in order to repay debts and other forms of obligation.

The wage of an attached worker is not strictly comparable with that of a casual worker, as it is fixed for a definite period and is not subject to seasonal variations. Continuous and secure employment may also induce the attached labourer to accept a lower wage than that of his casual counter-part. Subject to these, Table IV on next page gives an idea of the rate of wages of these two categories of labourers.

Trend of Wages: 1939-51

Since 1938-39, wage rates in agriculture and the prices of food articles, which agricultural workers consume, have both increased in all parts of the country. An idea of the relation that price increase bears to the increase in wages may be gained from Table V, on next page which gives the indices of weighted wage

TABLE III
Cash Value of Perquisites in Important States

States (1)	Value of daily wage (in annas) inclusive of perquisites		Value of Perquisites per day (Annas)		Ratio of Ratio of to Col. 4 to Col. 5 Men Women	
	Men (2)	Women (3)	Men (4)	Women (5)	Men (6)	Women (7)
UP	18.3	—	2.6	—	0.14	—
West Bengal	27.6	16.7	7.0	4.5	0.25	0.27
Bihar	18.8	18.5	5.2	5.7	0.28	3.31
			8.3	5.3	0.25	0.19
Travancore- Cochin	24.2	16.7	7.9	7.2	0.33	0.43
Saurashtra	19.2	16.0	4.8	3.2	0.25	0.20
PEPSU	42.5	—	9.9	—	0.23	—
Jammu and Kashmir	25.6	—	8.0	—	0.31	—

TABLE IV
Average Daily Wage of Casual and Attached Labourers (Annas)

Census Zones and State	Casual Labour	Attached Labour
North India (UP)	18.8	15.0
East India	19.9	11.5
Orissa	11.5	7.9
West Bengal	27.0	23.5
South India*	16.2	12.5
West India	18.0	12.8
Bombay	17.6	10.7
Central India	12.8	10.6
Madhya Pradesh	12.8	12.3
Madhya Bharat	13.7	10.1
Hyderabad	13.1	9.1
North-West India	22.8	22.4
Punjab	28.6	19.2
PEPSU	45.0	28.8
All-India	17.5	12.3

* In all the States of this zone, attached labour formed less than 10 per cent of total agricultural labour.

TABLE V
Percentage Increases in Wages and Prices of Food Articles—1938/39 and 1950/51

Census Zones and States	1950-51 Wages	1950-51 Prices
North India (UP)	508	493
East India		
Assam	374	392
Bihar	505	544
West Bengal	399	446
Orissa	437	507
South India		
Madras	287	413
Mysore	261	268
Travancore-Cochin	350	631
West India		
Bombay	296	342
Saurashtra	252	—
Central India		
Madhya Pradesh	312	264
Madhya Bharat	433	623
Hyderabad	255	273
North-West India		
Rajasthan	508	538
Punjab	287	434
PEPSU	676	547

rates and retail prices in 1950-51 (1938-39=100). The wage index relates to ploughing, transplanting, weeding and harvesting operations and wages are weighted according to man-days put in these operations. The prices of food articles are those of rice, wheat gram and other cereals, and are weighed according to the intake of these articles.

It will be seen that in 1950-51 as compared to 1938-39, wages either lagged behind or just kept pace with the increase in food prices in most of the States. The only exceptions to this general tendency were U P, Madhya Pradesh and PEPSU. It is only in PEPSU, where the number of agricultural labourers is relatively small, that the benefits of a rise in the value of agricultural output ap-

pear to have been passed on to agricultural workers. However, before jumping to conclusions, it is better to bear in mind that the wage and price data for 1938-39 are not as reliable as those for 1950-51.

SUBSIDIARY INCOME

The most important source of income for agricultural labour is, of course, to be found in wages earned from work in both agricultural and non-agricultural operations. Some income accrues from the cultivation of small plots of land owned or held on lease by the agricultural labour families. However, they also often derive driplets of income from several subsidiary occupations such as non-agricultural labour and occupations other than farming, especially during the lean months. Owing to a general lack of resources, they cannot take to occupations involving capital outlay. The only non-farm occupations, therefore, which are easily procurable are: selling vegetables and firewood, house repairing and road construction.

In estimating the income level of agricultural labourers and the total wage bill in agriculture, it would be necessary to take note of these diverse sources of earnings, however small in volume. It is also important to include the cash value of wages

paid in kind and perquisites, if any. This, the Agriculture Labour Enquiry, has done by evaluating kind wages and perquisites in terms of the ruling retail prices and the amount has been included on both sides of the family budget. Though the contribution of helpers in each family was reckoned, their share of income was not separately estimated.

For computing the income level of agricultural labour, the Agriculture Labour Enquiry takes the family as the economic unit. For estimating the 'total' for each 'family', data on the income of each individual earner in the family for the year 1950-51 were collected.

The overall income of an agricultural labour family thus includes wage income, cash value of home-grown products and perquisites as also income from other subsidiary occupations. An idea of the average annual income of an agricultural labour family may be gained from Table VI.

It is seen that the total family income is very high in North-West India (Rs 651) followed by North India (Rs 551) and East India (Rs 506). The high level of income in these regions may be explained by a number of factors. In the first place, relatively a small number of

TABLE VI

Average annual income (In Rs.) of an Agricultural Labour Family by sources in some important States

Zones and States	Income from					
	Cultivation of Land	Agricultural Labour	Non-agricultural labour	Occupations other than farming	Others	Total
North India						
U.P.	62	380	56	41	12	551
East India						
Assam	54	320	74	49	9	506
Bihar	45	417	98	32	9	601
Orissa	57	342	65	60	10	534
West Bengal	59	190	66	16	9	340
South India						
Madras	45	404	102	61	10	622
Mysore	73	237	36	27	9	382
Travancore-Cochin	76	226	31	22	10	365
West India						
Bombay	87	202	49	53	5	396
Central India						
Madhya Pradesh	30	384	77	45	5	541
Madhya Bharat	25	288	42	30	6	391
Hyderabad	27	270	39	26	6	368
North-West India						
Rajasthan	54	274	48	30	11	417
Punjab	45	239	40	10	6	390
PEPSU	48	214	64	47	26	399
ALL-INDIA						
	67	272	48	52	16	455
	88	370	78	62	53	651
	167	306	51	70	10	604
	24	352	94	56	81	607
	7	658	63	59	126	913
ALL-INDIA	60	287	53	36	11	447

agricultural labour families in North-West India work on fairly large and fertile holdings. Secondly, the availability of good irrigation facilities and better land utilisation in the Punjab and Pepsu have contributed to a generally higher level of wages; and as indicated earlier, the highest average daily wage of male casual labour (viz. as. 45) obtains in Pepsu, and the average in Punjab is also quite high (as. 28).

Again, as hired employment is low, families in this region are relatively free to follow other pursuits. And this is borne out by the fact that the income derived from sources other than agricultural labour in this region, viz. Rs 281, is the highest for all India. These very factors explain the high level of income in North and East India.

The level of income was relatively low in Central, West and South Zones, and particularly so in the last named zone. The low level (Rs 417) in Central India may be explained mainly by the fact that wage rates here are among the lowest in India, viz. as. 12.8, against the all-India average of 17.5 annas. In West India, hired employment of an adult male is very low at 196 days in a year. Secondly, the proportion of landless families is quite high in this zone, and consequently the income from cultivation of land is also very small. Lastly, it is essentially a millet zone, with some rain shadow districts. The lowest level of income in South India appears to be due to such factors as the small size of the holdings, abundance of agricultural labour and consequently less employment per worker, the high proportion of women labourers and last but not least, the prevalence of low wages.

Inter-State Differences

As regards inter-State disparity in the level of income, it is found that income per family is extremely low in Orissa (Rs 340) and rather high in West Bengal (Rs 622). This appears to be due to the fact that while in the case of Orissa the extremely low rates of wage (viz. 11.5 annas, the lowest for all-India) depress incomes, in West Bengal both wage rates and employment in agriculture are high, with the result that incomes also tend to be high. In addition, the refugee rehabilitation activities in the State further contributed to the high share of non-farm income, viz., Rs. 102 as against the all-India average of Rs 53.

In North-West India, PEPSU records the highest income per family, viz., Rs 913 against the all-India average of Rs 447. In addition to factors such as the fertility of land and better irrigation, the main reason is the predominance of attached labour families (66 per cent of the agricultural labour families in the State) whose average income is generally high owing to longer duration of employment. The total annual wage income in Pepsu at Rs 658 is the highest for all-India.

In South India, the level of income is noticeably higher in Travancore-Cochin (Rs 541) than in the two other States of the region. This is due mainly to the relatively high rate of wages, viz., 21 annas (against the zonal average of 16.2 annas) and the consequent higher earnings from both agricultural and non-agricultural operations.

Disparity in the level of income is noticeable not only as between different zones and States, but as between different categories of families, viz., (a) attached and casual labour families or (b) landless families and families with small plots of land.

The average income of an attached labour family (Rs 489) is higher than that of a casual labour family (Rs 442). This is due to the fact that attached labourers derive higher income from relatively higher average and continuous employment. But in their case, as they are tied by an employment contract, they are generally unable to take up other pursuits, in the result that income from sources other than agricultural labour is lower than that for casual labourers.

The income of a family with land is much higher than that of a family without land, as may be seen from the figures below:

Average Annual Income Per Family (In Rupees)

Casual Families	Total Income	Income from Land
With land	495	128
Without land	393	—
All	442	62
Attached Families		
With land	524	122
Without land	472	—
All	489	38

On the basis of an annual average income of Rs 447 per family, the total income of all the agricultural labour families in the Indian Union (viz. 17.6 million) for the year 1950-

51 is estimated at Rs 790 crores, which accounts roughly for 8 per cent of the National Revenue for that year, viz., Rs 9,530 crores. For the same year, the national per capita income was placed at Rs 265. The per capita income of an agricultural labourer, on the other hand, works out at Rs 104.

The per capita average is generally high in the North and low in the South. It is highest in Pepsu (Rs 176) and the States that follow are Assam (Rs 162) and West Bengal (Rs 159). The lowest average is found in Orissa (Rs 79); and other States on the low side are Madhya Pradesh (Rs 87) Madras (Rs 87), Bombay (Rs 88) and Madhya Bharat (Rs 83).

A comparison between the per capita income of an agricultural labourer and that of an industrial worker would be interesting indeed; but this is rendered difficult owing to the non-availability of data relating to family budgets of industrial labour for the year for which data for agricultural labour is available. The Agriculture Labour Enquiry has, however, attempted a broad comparison on the basis of the available statistics regarding earnings of industrial workers, size and earning strength of their family etc. for the year 1950, an idea of which may be obtained from the figures below:

Per Capita Income of Agricultural and Industrial Labour

	(In Rupees)	
	Agricultural Labour	Industrial Labour
West Bengal	160	268
Bihar	119	332
Madhya Pradesh	87	262
Orissa	79	145
Punjab	121	216
Bombay	88	368

Wage Bill

On the basis of the total income of all agricultural labour families in the Indian Union, it is possible to estimate the total wage bill in agriculture. It was mentioned earlier that the total income in 1950-51 for the 17.6 million families amounted to Rs. 790 crores, and that earnings from agricultural labour accounted for about Rs 500 crores. This gives an approximate idea of the Agricultural Wage Bill, which incidentally forms about 11.8 per cent of the net domestic product of India in 1950-51 attributable to Agriculture, viz., Rs. 4890 crores.

Around Calcutta Markets

Irregularly Lower Trend

EASINESS in equities in the last few days was not unexpected. What was surprising was the absence of a technical improvement in equity prices by the time of the settlement on Wednesday. This is causing anxiety to market operators. It is now being argued that equities may not again touch the recent peak levels in the immediate future.

Technical considerations apart, the general market outlook is not unpromising. Indicative of the surplus resources available to the money market is the success of the series of State loans. Though institutional investors were the main subscribers to the loans of States, informed opinion is inclined to the view that many small savers came forward to subscribe to the State loans.

Basic Factors

In recent months, several companies have issued bonus shares. Expectations are that many more companies will be issuing bonus shares in the immediate future. Though these issues of bonus share do not represent a new issue activity in the proper sense of the term, most of these bonus issues involve some fresh investment of funds. In this respect, issues of right shares are germane to the problem under discussion.

More relevant is the acceptance by the National Development Council of the Mahalanobis Plan-frame as the basis of the second Plan. In the latter half of last week, there were rumours that the Minister for Planning was of the opinion that the Mahalanobis Plan-frame was too ambitious, and that the investment targets would have to be lowered. Subsequent reports showed that the AICC was in favour of a more ambitious plan. Despite inspired and contradictory reports, it is now clear that the second Plan will involve expenditures which are likely to have a healthy effect on stock markets.

ICIC

Recent developments make it clear that the private sector will find no difficulty in securing finance for implementing expansion projects. In ICIC, private industry has a source for supply of finance. This institution is also likely to help the private sector in its functions as a

sponsor of new industries and as an issuing house. ICIC's association with the West Coast Paper Mills is an interesting instance in point.

There are welcome developments. To stress the favourable long-term outlook is not to justify the recent peak levels touched by equities. Some of the assumptions behind the recent spurt in equities were not valid. It is now known that Indian Iron will not issue right shares. It is also evident that bonus shares will be taxed. These factors explain the easiness in equities in the last few days. From fluctuations in equities in the last few days it seems that the immediate trend may remain uncertain.

Tea Prices

Tea shares did not flare up when equities were pushed up to inordinate heights recently. Equities are now lower. But Tea shares are relatively steady. There are reasons for the comparative steadiness in Tea shares. There are, of course, fears that the wages of plantation labourers may have to be raised. The tea workers' claim for bonus for 1954 is widely conceded. These factors will necessarily raise production costs. But the developing events are not discouraging.

A reputed firm of tea brokers are inclined to the view that the world crop position to the end of August last may be ten million pounds down on that of the 1954 season. When the current season started, it was widely believed that this season's supply will far exceed the prospective world demand. As the current season has progressed, the earlier pessimism has gradually been replaced by moderate optimism.

Throughout August, Calcutta auction prices were higher than those in July last. According to the firm of tea brokers mentioned above, auction prices hereafter may exceed those witnessed so far this season. Soon, it is argued, London will have to be in the Calcutta market to buy tea under the new auction arrangements. This may further aggravate the expected increase in Calcutta tea auction prices. These are the reasons which justify expectations of steadiness in Tea shares.

Neglected Jutes

In respect of Jute shares, Clive

Street is wiser by events. Immediately after devaluation of the Pakistani rupee, jute shares moved up. There was a further spurt in jute shares as New Delhi abolished export duties on Indian jute manufactures. Jute shares continued to remain steady as it became known that the Pakistani Jute Board had decided not to lower the export minimum price for raw jute. Pakistan's subsequent decision to impose an export duty on raw jute was evidence that she was interested in enjoying the benefits of currency devaluation at the cost of the other interests and countries involved.

Much has been discussed in the last few days about the action and reaction of raw jute, gunny and Jute shares. In recent days, both raw jute and jute goods have fallen heavily. These are developments which are not necessarily unfavourable to Jute shares. Even so, Jute shares remain depressed because of growing fears of competition from Pakistan. This is the basic factor so far as the future of Jute shares is concerned.

Set-back in raw jute is mainly due to steady arrivals of raw jute in the mofussil markets. In the last few days, mills have been able to buy Pakistani raw jute at prices well below the fixed minimum export price. This has fostered the belief that Pakistan may soon lower the fixed minimum export prices for raw jute. Fall in jute goods is partly a reflection of the decline in raw jute. But it is mainly due to the fact that Pakistan is consistently under-quoting hessian in oversea markets. This is the most ominous development which explains why both jute goods and jute shares are falling.

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Around Bombay Markets

Semblance of a Recession

Thursday Morning

TRADING in the stock exchange during the week under review, such as it was, bore semblances of a recession in the offing. With only two full days' session, namely on Monday and Tuesday, activity in the market was necessarily constricted. It is true that a retreat from the high levels recorded in the past few weeks, off and on, was warranted on technical grounds alone. This apart, high level pronouncements relating to taxation on bonus issues and abolition of the managing agency system had been potent enough bearish factors.

As though these in themselves were not sufficient to provide the desired corrective, the measures adopted by the Stock Exchange authorities to curb speculative activity, towards the end of last week, served to cry a halt to the top-heavy bent of the market. In the event, there was a precipitous fall in values all round with most of the leading counters closing the week (on Tuesday) at around the lowest levels for the period under review.

On the opening day of the week, Thursday, when there was only half an hour's trading, equities tended to rule steady. Coming close on the heels of the announcement of curb measures to set at naught excessive speculation, this appeared to indicate as though the market was out to take up the challenge of the authorities. However, it proved to be but a flash in the pan and sentiment was woefully depressed on Monday when the market opened after three days' closure.

Conditions in the market on that and the following day were verily in the nature of those associated with the proverbial bull in a China shop! The market was rampant with nervous bulls eager to unload their holdings. This was initiated by consistent offerings by a leading bull operator who was credited with having sold about 10,000 Tata Ordinaries while, at the same time, effecting delivery to the tune of 20,000 shares. This brought about a thoroughly unsettling effect on the market and everything pointed to a marked recession in values.

In the steel section, Tata Ordi-

naries which were at one time, on the opening, quoting Rs 251-8 steadily declined during the week to be placed weak at Rs 242-4 on Tuesday. On week advices from Calcutta, Indian Irons too were depressed at the close at Rs 39-0.

As in the case of steel shares which persisted in seeking lower levels, despite a bright outlook for the steel industry, textile share values bore no relation to the bright prospects before the cotton textile industry. It is true that the move to boost up handloom cloth production has apparently had a bearish effect on market sentiment. But in the long run, it may be argued, the restriction of mill production in preference to handlooms, will only result in higher prices being obtained for mill made cloth. Anyway, textile shares in the market meekly followed the declining trend of steels and closed the week with a distinctly bearish undertone. Bombay Dyeing and Kohinoor registered sizable losses to close at Rs 501-4 and Rs 328-8 respectively.

In the miscellaneous section, Bombay Burma suffered a sharp reversal on long liquidation as also on bear pressure and came down from Rs 536-14 to Rs 542-8, to close better at Rs 546-4. Premier Construction, Scindia, Tata Chemical and National Rayon shares also suffered similarly to close the week at Rs 161, Rs 15-5-6, Rs 15-11 and Rs 17-4, respectively.

Cotton

Dull Trading

TRADING in the cotton fabrics market was confined to the first four days and was characterised by dull trading throughout, culminating in a depression of values to the lowest levels in more than a month. As in the case of oil seeds, weather reports acted as a depressant in this market too. There was also persistent selling from Akola and Calcutta operators, and no amount of scattered short covering could keep in check the declining trend. Besides, the single factor, from which the market drew sustenance, namely, the possibility of an early export quota announcement, being no longer there—inasmuch as it was

apprehended that there would be further delay in the announcement—it was clear that the market would not move up.

I.C.C. February which opened the week at Rs 630 declined on the opening day itself to Rs 627-4 for want of any fresh development. On Saturday it opened further lower at Rs 624 and moved up to Rs 627-4 on resurgence of bull support. However, it was patent that the market was inherently weak as witness the precipitous fall on the last day of the week when the February contract touched a new low level to close at Rs 621.

An event of significance to cotton trade during the week was the announcement by the Egyptian Government of a reduction in its cotton tax from 15 to 8 tallaris per canter in the case of Karnak-Menonfi and from 10 to 2 tallaris in respect of Ashmonni-Giza 30. Simultaneously it was also announced that the entitlement system has been abolished for sterling.

Oils and Oilseeds

Considerable Ground Lost

RECORDING a further extension of the bearish trend noticed last week, the oilseeds market lost considerable ground during this week, a feature of the market being sustained speculative pressure from Saurashtra and other centres. This was intiated by reports of favourable weather conditions in all the seed tracts and a consequent upward revision of crop estimates. The prospects of larger crop in the face of growing deterioration in oversea demand for Indian oils and oilseeds naturally curbed the enthusiasm of the market, if there was any.

Owing to recent rains in the groundnut producing areas, traders estimate that the season's crop will be about 1,900,000 tons, out of which Bombay State alone is expected to contribute more than half. On top of this, the world groundnut crop is also expected to be on the high side. While America is expected to maintain her satisfactory level of production, Nigeria promises to report higher crop output.

CURRENT STATISTICS

BANKING RETURNS

	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
Reserve Bank				
1. Note circulation	1292.98	1285.09	1305.80	1149.51
2. Rupee Coin	109.57	110.07	107.62	104.81
3. Deposits				
a) Central Government's	64.38	104.65	76.70	132.75
b) Banks'	54.98	51.36	48.51	64.82
c) Other Governments'	40.15	36.42	10.87	14.83
d) Others'	18.87	16.27	15.78	34.54
4. Foreign Securities	656.81	622.04	637.04	613.15
5. Balances held abroad	63.10	95.50	82.24	116.58
6. Rupee Securities	508.91	543.69	543.64	421.22
7. Investments	63.19	62.65	61.66	94.63
8. Loans and advances to Governments	0.25	0.8	0.85	1.34
Scheduled Banks				
1. Demand liabilities (net)	599.22	592.70	587.54	549.51
2. Time Liabilities	409.06	407.64	409.78	350.62
3. Cash on hand	33.27	34.49	31.91	31.08
4. Borrowings from Reserve Bank of which against Usance Bills	16.48	21.66	12.04	2.33
5. Advances and Bills discounted of which State Bank's	563.90	579.08	558.78	495.50
6. Investments of which State Bank's	103.38	112.50	107.51	104.60
7. Investments of which State Bank's	378.28	376.03	363.71	339.83
8. Investments of which State Bank's	97.15	95.39	93.04	85.10
Cheque Clearance	131.10	149.53	114.73	118.05

†For Reserve Bank and Cheque Clearance week ended 2-9-55. Scheduled Banks week ended 26-8-55.

Bombay Money Rates	2-9-55	26-8-55	5-8-55	3-9-54
Inter-Bank Call Rate	2½	2½	1½	1½
3 months deposits	3	3	2½	2½
6 months deposits	3	3	2½	2½

Bombay Bullion In Rupees and Annas

	1-9-55	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	95- 2	94- 4	95- 0	87- 7
Forward	†	†	92- 4	87-10
Silver (per 100 tolas)				
Spot	165- 0	164- 8	161- 0	155- 6
Forward	†	†	159- 4	156- 3

† no trading

MARKET LEADERS DURING THE WEEK

	Sept. 6, 1955	Week's Range		Aug. 31, 1955
		High	Low	
Steel Shares				
Tata Ordinary	244- 8	251- 8	242- 4	248-12
Indian Iron	39- 6	40- 7	39- 0	39-15
Textile Shares				
Bombay Dyeing	501-14	517- 8	498- 2	513-12
Century	424- 0	431- 8	421- 0	431- 0
Kohinoor	328- 0	335- 0	326- 8	335- 0
Simplex	165- 0	167- 0	164- 8	167- 0
Swadeshi	210- 8	214- 0	209- 0	212- 8
Miscellaneous Shares				
Associated				
Belapur	328- 0	335- 0	328- 0	334- 0
Cements	189- 8	193- 0	188-12	192- 8
Burma Old	545- 0	566- 4	538-12	562- 8
National Rayon	217- 4	223- 0	216- 8	220- 8
Premier Const.	161- 0	166- 0	160- 0	165- 8
Bank of India	153- 0	153- 8	152-12	153- 4
Scindia	15- 7	15-14	15- 2½	15-12
Tata Chemical	15-11	16- 0	15- 7	15-12
New India Assc.	49- 0	52- 0	49- 0	51-12

OILS AND OILSEEDS

	Sept. 7, 1955	Week's Range		Aug. 31, 1955
		High	Low	
Seeds:				
Castor Sept. 1955 (per candy)	81- 8	83-12	80- 0	80-14
" May "	84-10	88- 0	84- 4	86- 2
Groundnut				
Aug.-Sept. (per cwt.)	20-12	22-10	20-12	22- 8
Linseed Aug.-Sept. (per cwt.)	23-12	24- 8	23-12	23- 4
Kardi Ready	"	13- 8	13-12	13- 2
Nigerseed	"	22- 4	23-12	22- 0
Oils:				
Castor Oil Com. (per quarter)	9- 2	9- 5	9- 0	9- 3
Groundnut Oil R.R.	"	10-12	11- 6	10-12
Linseed Oil	"	13- 5	13-12	13- 5

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-Group	Week ended 20-8-55	Week Ago	Month Ago	Year Ago
I Food Articles:	320.5	315.1	314.8	361.4
Cereals	386	374	364	406
Pulses	285	286	273	288
Others	237	238	251	310
II Industrial Raw Materials:	405.3	406.2	407.0	420.7
Fibres	415	415	412	413
Oilseeds	385	386	395	438
Minerals	411	415	411	423
Others	419	420	418	405
III Semi-Manufactures:	326.8	326.6	329.8	351.8
Leather	338	331	358	371
Mineral Oils	201	201	201	221
Vegetable Oils	383	386	399	441
Cotton Yarn	407*	408*	406	457
Metals	257	257	256	237
Oilcakes	333	330	332	412
Others	330	330	329	301
IV Manufactures:	371.4	371.6	371.0	375.2
Textiles	407	408	407	417
Jute	423	426	419	428
Cotton	402*	402*	402*	416*
Rayon & Silk	474*	474*	474*	460*
Woollen	282	282	282	310
Metal Products	352	352	352	340
Others	286	286	286	286
V Miscellaneous: All Commodities:	563.2	562.8	552.5	605.6
	358.6	356.9	357.1	381.7

*Estimated.

INDEX NUMBERS OF SECURITY PRICES

(Base: 1949-50 = 100)

	27-8-55	Week Ago	Month Ago	Year Ago
Industrial Debentures	100.7	100.7	100.7	100.6
Electricity	102.2	102.2	102.1	101.4
Jute	98.9	98.9	98.9	98.8
Plantations	99.1	99.1	99.1	99.6
Sugar	99.0	99.0	99.0	100.3
Coal	90.6	90.6	90.6	90.6
General Engineering	100.7	100.6	100.6	101.0
Shipping	100.9	100.9	100.9	101.8
Others	100.9	100.9	100.9	100.8
Preference Shares	87.7	87.7	87.9	89.4
Electricity	95.9	95.7	96.1	96.7
Cotton	79.9	80.0	80.2	86.7
Jute	85.7	85.4	86.0	88.4
Coal	93.3	92.7	92.5	90.8
Iron and Steel	91.0	91.3	91.5	92.2
Sugar	84.9	84.5	84.0	79.6
Paper	87.6	88.5	88.8	83.7
Plantations	99.6	98.9	98.4	93.9
Miscellaneous	85.2	85.1	85.1	88.6
Govt. & Semi-Govt.				
Bombay	90.3	90.4	90.4	90.3
Calcutta	90.8	90.8	90.8	90.8
Madras	91.2	91.1	91.2	91.1

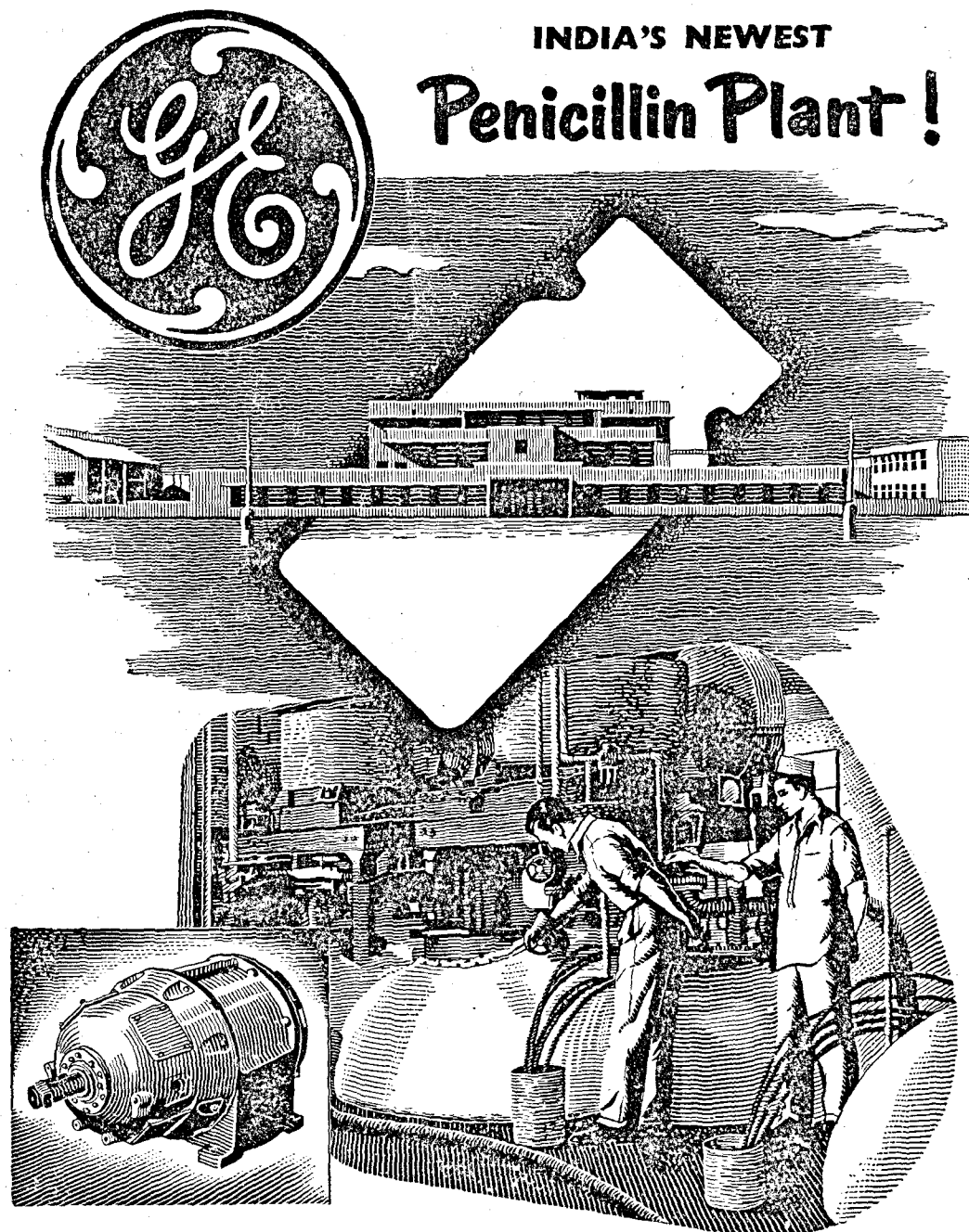
Source: Reserve Bank

INDUSTRIAL PRODUCTION

1955								1954	Monthly Average		
	Units	June	May	Apr	Mar.	Feb.	Jan	May	1954	1953	1952
I Consumer goods											
1) Cotton Textiles	Cröre yds	—	40.10	41.80	42.9	40.2	43.7	42.24	41.65	40.65	38.3
2) Woollen Manufactures	lakh lbs	17.44	—	24.67	26.56	20.44	20.27	15.54	15.63	16.04	13.82
3) Matches	'000 cases	—	—	50.40	48.5	50.6	51.0	39.50	45.0	51.5	51.6
4) Sewing Machines	Nos	8,200	8,401	8,207	8,087	7,100	6,478	6,815	6,683	5,202	4,170
5) Vegetable oil products	'000 tons	24.02	24.23	18.93	21.79	18.52	18.23	23.30	19.23	15.97	15.90
II Raw Materials or Intermediate goods											
1) Cement	'000 tons	351.9	375.4	364.8	380.3	363.7	376.8	373.4	366.5	315.0	294.8
2) Chemicals:											
a) Sulphuric Acid	tons	—	—	13,255	14,350	12,120	13,768	12,129	12,573	9,091	8,007
b) Caustic Soda	"	—	—	2,682	2,992	2,579	2,905	2,347	2,442	1,909	1,422
c) Soda Ash	"	6,768	5,509	6,570	6,955	5,907	5,948	4,293	4,024	4,739	3,694
3) Coal	lakh tons	30.75	31.75	32.33	33.04	32.49	31.53	29.77	30.64	29.87	30.19
4) Cotton Yarn	lakh lbs	—	1,250	1,300	1,350	1,250	1,350	1,285	1,301	1,255	1,208
5) Jute Manufactures	'000 tons	—	81.7	85.7	88.9	81.8	83.9	71.30	77.3	72.4	79.3
6) Non-ferrous Metals:											
a) Copper	tons	620	635.0	647.2	674.0	605.0	336.0	615.0	597.6	410.0	506.6
b) Aluminium	"	613	653.2	599.3	627.5	461.4	486.2	315.1	407.2	313.2	297.2
c) Lead	"	174	170.7	222.4	211.3	162.0	225.0	130.0	149.0	141.2	94.3
d) Antimony	"	50	75.0	80.0	80.0	30.0	5.0	40.0	44.9	10.9	15.1
7) Paints & Varnishes	"	—	—	2,373	2,623	2,616	3,413	3,341	3,068	2,671	2,681
8) Paper & Paper Boards	'000 tons	—	—	15.07	15.04	14.1	15.8	12.69	12.94	11.64	11.46
9) Iron & Steel:											
a) Pig Iron	'000 tons	—	150.9	152.7	150.2	137.9	155.7	143.80	149.4	137.9	140.4
b) Steel ingots & castings	"	—	143.0	144.6	149.1	138.3	157.4	127.70	140.4	125.6	131.5
c) Semi-finished Steel	"	—	123.7	124.0	129.5	115.0	134.5	106.40	121.0	102.5	109.0
d) Finished Steel	"	—	106.3	106.6	115.3	96.3	108.5	98.20	103.6	85.3	91.9
III Capital goods											
1) Machine Tools	'000 Rs.	—	435.5	381.2	432.8	544.6	479.7	478.10	416.9	367.3	369.8
2) Diesel Engines	Nos	683	801	893	914	747	887	662.00	721	310	354
3) Electric Motors	'000 HP	20.7	19.4	20.7	20.6	17.9	17.7	15.30	15.6	13.5	13.1
4) Power Transformers	'000 KVA	47.2	41.5	40.0	42.1	41.1	40.3	32.60	33.3	25.7	17.9

Source: (i) Directorate of Industrial Statistics
(ii) Indian Trade Journal

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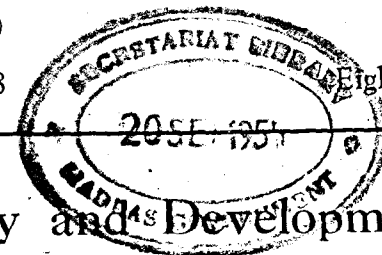
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Convertibility and Development

THE Annual Reports of the International Monetary Fund and the International Bank for Reconstruction and Development for the fiscal years ended April 30, 1955 and June 30, 1955 respectively, which have been just released contain as usual a factual review of the activities of these two institutions and an appraisal of the international trade and payments situation as well as of development problems. From the point of view of the Fund, the past two years can be best described as representing a further extension of *de facto* convertibility "even apart from formal moves in the direction of *de jure* convertibility". Thus, while there has been no extension in the formal sense during the past year or two of the convertibility into dollars of privately-held balances of non-dollar currencies, the area of *de facto* convertibility has been steadily extended. For instance, the United Kingdom has extended 'commodity convertibility' to raw sugar, copra, coffee, cocoa, and the non-ferrous metals. Under this type of convertibility "a country with an inconvertible currency permits its traders to buy certain 'commodities' from countries with convertible currencies against payment in convertible currency, for resale to other countries against payment in its own or other inconvertible currencies, with no obligation to receive the convertible currency through a reverse transaction".

A second type of unofficial convertibility which largely operates in some free markets, particularly Zurich and New York, takes the form of sale of officially inconvertible currencies—mostly sterling—at a discount against dollars. Of course, this type of convertibility depends upon the willingness of countries to permit dollar imports on a larger scale if they are financed by the 'inconvertible currency' rather than in dollars. General developments have aided the growth of effective convertibility such as the extension of sterling transferability in March 1954 to practically all non-dollar countries, the preference of some countries to buy sterling in the free market "rather than purchase it with gold or dollars at the official rate" when sterling is required for purposes of meeting deficits in sterling or for reducing "bilateral positions in advance of monthly EPU settlements".

Commodity switch operations have had the effect of maintaining the free exchange market though they have at the same time exerted pressure on the official rate of exchange. Since February 1955, the United Kingdom has officially intervened in transferable sterling deals in foreign markets. The cumulative effect of all these factors has been to ensure a high degree of *de facto* convertibility of principally two types of currency, viz. sterling and the deutsche mark, into dollars at discounts at about one per cent below the official rates of exchange.

In a lesser degree, this form of convertibility has also operated in the case of other currencies. But in spite of all this, the Fund is still far from its goal of full convertibility. Its Report makes the observation that "despite the extension of nondiscrimination and multilateralism in trade and payments, there is still a great network of bilateral trade and payments agreements which links the inconvertible currencies of the world". Even more significant is the awareness of the Fund that balance of payments difficulties are not the only or even the principal obstacle to the

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further removal or relaxation of quantitative restrictions, particularly in Europe where social and strategic considerations have led to special treatment of individual industries and also agriculture. On the other hand, the obsession of the Fund with the narrower 'dollar shortage' problem appears to have clouded its thinking; the really basic problem is the balance of payments problem and not its manifestation in shortages of specific currencies. The pressing need is to restore the international economic viability of trading countries. Convertibility is not an end in itself; rather it is the reflection of improvement in the capacity to export and willingness to import of different countries. In any case, the restoration of convertibility should take into account the maintenance of full employment and stability in the so-called developed economies and the need for accelerated development in the under-developed areas.

Development strictly appertains to the sphere of operations of the International Bank of Reconstruction and Development. The Bank has recorded impressive progress during the year under review. Its loans amounted to 410 million dollars, which was more than in any earlier fiscal year; and the total volume of lending since the Bank commenced operations amounts to 2,324 million dollars (2,274 million dollars net of cancellations and refundings) spread over 37 countries. The Bank's net earnings have reached the peak figure of 24.7 million dollars, whereas reserves have risen to 184 million dollars. It is noteworthy that apart from the fact that all borrowers met the repayments due, a number of them even made pre-payments i.e., in advance of maturity, amounting to 116 million dollars. This is hardly surprising in view of the rather exacting standards of creditworthiness laid by the bank. Moreover since loans are made only to Governments or private borrowers for whom Governments act as guarantors, the risk of default and failure are negligible and 'bad and doubtful debts' which are the normal incidents of ordinary commercial banking are virtually non-existent. Consequently, it would be misleading to evaluate the performance of the Bank only in terms of its profit and loss account.

Even if it is not entirely realistic to expect the Bank to show that sense of adventure which Lord Keynes had held forth as one of its guiding principles, it would not be

unfair to say that the Bank appears to have a bias in favour of the orthodox type of projects. Of course, it is notoriously difficult to lay down any criteria for investment which would be wholly acceptable to all the parties concerned. Even accepting the criteria of creditworthiness laid down by the Bank, there would appear to be a case for reducing the cost of credit extended by the Bank. This would be one way of narrowing the fringe of unsatisfied borrowers, the other would be to relax the insistence on a Government guarantee in the case of at least a small proportion of private borrowers. A Government guarantee is in a sense an unsatisfactory half-way house. On the one hand it would be invidious for Government to sponsor one of several—perhaps equally credit-worthy—private borrowers, and on the other, the mere fact of a government guarantee might invest otherwise undeserving projects with an unnaturally high credit rating and even prejudice fair appraisal of a proposition by the Bank. All these difficulties have resulted in the creation of what may not inaptly be regarded as an international "Macmillan Gap".

The Bank is undoubtedly alive to the need for filling the gap and has already presented for the consideration of member governments the Articles of Agreement for the proposed International Finance Corporation, which will function as an affiliate of the Bank. This Corporation, whose membership will be open to Governments which are members of the Bank, will have an authorised capital, payable in U S dollars or gold, of 100 million dollars; the subscriptions will be in amounts proportionate to the subscriptions to the capital of the Bank. "The corporation will have authority to invest in any kind of productive private enterprise, including agricultural, financial and commercial undertakings; but its main emphasis is likely to be on industry". The basic difference between the Bank and the proposed Corporation will be firstly, that, unlike the Bank, the Corporation would lend to private borrowers without a governmental guarantee, and, secondly, it will be authorised to make both fixed-interest loans—which is at present the only form of credit extended by the Bank—as well as investments of other types such as purchase of securities participating in the profits of an enterprise. But the corporation will "invest in an enterprise only if it is satisfied

that the private interests concerned are contributing their full share of the funds required, and that the remaining requirements cannot be met from other sources on reasonable terms. It will supplement, and not take the place of private investment". Thus it would appear that the main purpose of the Corporation would be to meet the marginal requirements of venture capital of private enterprise and more particularly of industrial enterprise in the less developed areas. The actual formation of the Corporation will materialise only when at least 30 member governments have subscribed at least 75 million dollars to the capital. Of course, its early operation is a moral certainty but its full effectiveness can be judged only if it is able to extend developmental credit and cheapen its cost.

The Bank to date has been successful in helping to break some strategic bottlenecks in different economies, e.g. shipping in Holland and port modernisation in Belgium, quite apart from the reconstruction loans made to European countries before Marshall Aid. Whether it will be equally successful in initiating, in co-operation with the new International Finance Corporation, a self-reinforcing process of development in the backward areas remains to be seen. But as the Report of the Bank rightly remarks "economic development requires more than machines, more than money. It does not only require the building of great power plants and ports and roads. It has to be an awakening in the minds of millions of people in all walks and conditions of life—an awakening that will move people to work more effectively for tomorrow's rewards".

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Russia and Germany

IF it was the intention of the Western Powers to fight a diplomatic battle with Russia by proxy, Moscow has successfully foiled any such attempt. Some months ago, even before the start of the "summit" talks at Geneva among the four Powers, Russia issued an invitation to the West German Chancellor to visit Moscow for talks on certain issues. Russia let it be known that the discussions would be confined to recognition of West Germany by Russia and promotion of trade relations between the two countries. Dr Adenauer accepted the invitation. But, during his talks in Moscow, he wanted to extend the scope of the talks by including the problems of re-unification of Germany and of return of German war prisoners. Moscow was diplomatically correct in refusing to extend the scope of the talks. When Dr Adenauer found that Moscow was not willing to oblige him by falling into a diplomatic trap, he abandoned his demand to enlarge the scope of the talks.

As a result of the talks, it has been agreed that diplomatic relations are to be established between Russia and West Germany. This was the main aim of the talks. Resumption of trade relations is expected to follow recognition of West Germany by Russia. Both West Germany and Russia are anxious to establish normal trade relations. With the establishment of diplomatic relations, it should be possible for both countries to ensure trade and economic co-operation. West German industrialists will welcome opportunities to resume trade relations with Russia and the Communist States of Eastern Europe. Economic relations between Communist States and Western Powers are in process of being normalised. Without the preliminary step of diplomatic recognition, West Germany's industry would have lost a valuable market to its rivals in Britain and America. There are reasons why Russia is interested in resuming trade relations with West Germany. Through lavish American Aid, West Germany's industry has been rapidly developed since the war. With Russian help, East Germany's industry has also grown. But East Germany, Russia and other Communist Eastern European States were hitherto deprived of the rich coal and iron resources located in

West Germany and Ruhr basin.

It is not difficult to appreciate Russia's intentions in recognising West Germany as a prelude to normalisation of trade relations. West Germany is not uninterested in resuming trade relations with Russia and Eastern Europe. In securing diplomatic recognition from Russia, West Germany has gained advantages which are not without political implications. Russia is committed to unification of Germany. In the circumstances, Russia's recognition of West Germany implies acceptance on her part of the status quo in Germany. There are certain circumstances in which Russia would prefer perpetuating the status quo to unification of Germany. Dr Adenauer was unwise in ignoring this aspect of the problem. In his demand to include the question of German war prisoners in the Moscow talks, the West German Chancellor was making a futile attempt to equate West Germany with the whole of Germany. Moscow was right in retorting that the problem of German war prisoners could not be discussed in the absence of representatives from East Germany. If Dr Adenauer was briefed by some interested Powers to extend the scope of the Moscow talks so as to have a dress rehearsal for next month's Geneva talks among the four Foreign Ministers, Moscow made arrangements to ensure the presence of Herr Grotewohl in Moscow to find out whether Dr Adenauer was willing to allow the East German leader to participate in the Moscow talks.

There were motives behind Dr Adenauer's demand to include the question of re-unification of Germany in the Moscow talks. To allay Russian apprehensions, Dr Adenauer is reported to have assured Moscow that "in the event of re-unification, it is exclusively the business of an all-German Government and an all German Parliament to decide whether to join a system of alliances and, if so, which one". This is in conformity with Sir Anthony Eden's plan for a future, unified Germany. Moscow can reply that Bonn has already forced the issue by ratifying the Paris Agreements. Both Russia and the Western Powers have been forced by circumstances to change their policies to Germany. Russia's present stand is that she has no

objection to holding free elections to unify Germany as long as West Germany does not align herself with the Western Powers as a NATO member. Russia has always insisted that the problem of a future, united Germany is an issue which must be settled primarily through discussions among the leaders of the two Germanys. This is a legitimate stand. But Dr Adenauer and the Western Powers are not willing to accept this arrangement. Bonn refuses to have any relation with the East German Government. Herr Grotewohl and his East German administration are not recognised by the Western Powers.

Dr Adenauer may not yet have realised, but the Western Powers must be aware of the changed circumstances since Geneva. During the "Summit" talks at Geneva, Russia and the Western Powers agreed to settle disputes through negotiation, and without the use of force. Under normal circumstances, and in the absence of any violent provocation by any of the Powers, a third world war is thus ruled out of consideration. This means and implies that Dr Adenauer has lost his bargaining position considerably. Incorporation of the twelve German divisions into NATO is no longer so threatening a menace. Dr Adenauer is therefore deprived of his bargaining argument that either Russia must accept the terms dictated by Bonn or West Germany will permanently align herself with the Western Powers. To emphasise this changed situation relating to Germany, is not to suggest that Germany has ceased to be a European or a world problem. Unification of Germany remains a condition of European as well as of world peace. But, since Bonn's ratification of the Paris Agreements, and particularly since the "Summit" talks at Geneva, Russia has shifted her stand on the German problem. She now emphasises that the problem of a future, united Germany is essentially an issue for discussion among the representatives of the two Germanys. Russia will not abandon East Germany without certain firm assurances. Bonn and the Western Powers are not willing to offer the requisite assurances. This is the main problem which will monopolise the discussions among the four Foreign Ministers at Geneva next month.

Weekly Notes

Cotton Prospects

IT never rains but pours—or so it seems in respect of our raw cotton supplies. Time was when there was not enough cotton to go round, and we were compelled to plug the 'leakage' through exports of the raw material. But now, unless we step up our export quotas every other month, we shall find too much stocks on hand when the new crop starts coming into the market. That would not be a headache if the new crop threatened to be smaller than in the past year. But expectations are that it will be, if anything, 2 to 5 lakh bales more than in 1954-55. This is, in a sense, disturbing since last year's crop was itself a heavy one—of the order of 50 lakh bales. With large carry-over stocks, and the inevitable imports of long-staple varieties, we shall have in the coming year either to produce and consume more cloth, or export more cotton and textiles, or support raw cotton prices at the 'floor' through Government off-takes.

As if this was not enough, we have agreed to take about 85,000 bales of American cotton under the 'aid' programme. When exactly these will be on the Indian market is not clear; but it may be sooner than is generally expected, since the USA would only be too glad to get rid of some of her surplus cotton at the earliest possible moment. Even if the arrival of these stocks does not depress domestic prices, Government will in all probability have to subsidize the 'aid' cotton to attract buyers, and stop comparable varieties of East African cotton from coming into India. Reportedly, Indian Mills have already bought up their normal requirements, and Government may have to wait before the 'aid' cotton is absorbed in sizeable quantities, even at subsidized prices.

It is curious that a commodity which is in plentiful supply should have been chosen for import under the 'aid' programme. Raw cotton has to be sold, for the Government to benefit from the aid. And if sales have to be held over and subsidized, the counterpart funds will be much less than the American value of the imported bales. What really made the Government take on this unprofitable line? Either the Government was not aware of

the domestic supply position, or they were forced to accept cotton in a package deal. Whatever the reason, it is not a particularly sagacious move. If in order to dispose of the 'aid' cotton, we are forced to reduce imports from East African countries, we shall probably be doing harm to them immediately and to ourselves in the long-run. A little less of exports would impinge more heavily on the African exporters than on the USA. And India would, in the process, take on the aspect of an unreliable customer; so that later, when we have to fall back on East African supplies, we may not get the special terms which a steady buyer would.

Turkey and Greece

THE recent anti-Greek disturbances in Turkey touched off by the dynamite outrage in the Turkish Consulate in Salonika are strikingly reminiscent of the Armenian atrocities so distressingly familiar to students of Turkish history. Turkey has yet to live down these atrocities, a fact to which even outside observers like Lord Kinross have referred to not so long ago. Whatever the initial provocation, it can hardly justify the orgiastic display of mob violence under the very nose of the Turkish authorities, who have displayed a strange pusillanimity in the face of civil commotion. Surely a state professedly in the camp of the Western democracies can insist on better standards of conduct on the part of its citizens towards minorities. The Middle East is a hotbed of mob politics and Governments seem to be swayed by the collective frenzy emanating from the bazaar quarters, whether it be the Suq of Istanbul, the Bulak of Cairo, or the riverine slums of Baghdad. The Turkish brand of mass recidivism seems to have been actuated as much by political considerations as by economic rivalry. The Greek in Turkey—in fact anywhere outside his native Greece—is an eminently successful businessman and commercial success of a minority group is hardly likely to endear it to the majority which at least in the Middle East is not particularly known for its business acumen. This is what makes the Greek, the Copt, the Armenian and the Jew a tempting target for mobs in the Middle East. Greece has shown admirable restraint and dignity in the face of grave provocation.

In the meanwhile, the present discord between two states linked by mutual defence arrangements will raise many anxious eye-brows in the Pentagon and NATO headquarters and perhaps more than a snigger across the Black Sea.

Bowing to Logic

THE dissolution of the Fourth Party, successor to the old Muslim League in Bombay State, marks a new trend in Muslim thought, which, under high-pressure communal propaganda, had tended to be largely sectarian, exclusive and obstructionist for more than four decades. League leaders in Bombay were mainly responsible for giving a vicious and even violent twist to Muslim opinion; and it is therefore in the fitness of things that the new orientation should originate from here. And what Bombay decides today, the rest of the country is apt to accept tomorrow, the more so as in the case of Muslims at least, this City represents not only economic and intellectual primacy, but also political leadership. It was some nine years ago at Kesar Baug Hall that Jinnah got his followers to vote for 'indirect action' which led to much disturbance and suffering in the country and in a way paved the way for Pakistan; and now in that very hall, a significant new decision has been taken which may influence the destinies of Muslims for decades to come.

The choice before ex-Leaguers has been fairly clear ever since the advent of Independence, though the long period of isolation and contrariness earlier, initiated and encouraged by themselves, might have made it a little difficult for them to switch over to a new line of thought in a hurry. The little window-dressing that was attempted in Bombay by converting the old Muslim League into the Fourth Party, with supposedly a non-communal approach, did not achieve any good. In the changed circumstances in the country, with secularism accepted both in principle and practice, the ex-Leaguers could not any longer appeal to the narrow communal instincts of their followers and even if they tried to do so, there was little to gain. At the same time, because of the old heritage of the League, the Fourth Party could not win much sympathy from the wider non-communal public or from parties run largely on economic and political lines.

Two Courses Open

THE alternatives before the Fourth Party were: complete stultification in course of time or a voluntary change-over to secular politics. In the latter line of approach, there were two courses open: either to widen the scope of the Fourth Party and make it absolutely non-communal or seek absorption in one of the well-established political parties in the country. The former held little promise, as there was no possibility of the Fourth Party turning out to be the nucleus of a new non-communal party, with a clear-cut economic and political programme, or of its winning any wide support. It would have been clearly superfluous, deepening rather than lessening the confusion that already exists in the political field through a multiplicity of parties with no striking features of differentiation between them. As for the other course, there were quite a few existing parties to seek absorption in; and if the Fourth Party preferred the Congress to other parties, there is nothing surprising about it.

Considerations of stability, strength, assurance of power and evidence of concrete action and of policies being proven in practice must have naturally weighed with the Fourth Party in its decision; and that is not to speak of the negative fact that Leftist ideals have not had much impact on the Muslim mass mind. But what is of significance is not that the ex-Leaguers have plumped for this particular party or that, but they have broken away from their past communal moorings and fallen in line with the present trend of party evolution in the country. The few remaining, but fast disintegrating, communal groups in the land may well take a lesson from this and wind up their rival shows in grace and through deliberate action rather than sink into oblivion from the sheer compulsion of events. Meanwhile, the ex-Leaguers of Bombay, and particularly their go-getting young leader, Shri A. K. Hafizka, deserve to be complimented on the sense of realism they have shown and the initiative they have taken, albeit somewhat belatedly.

Shape of Things to Come

THE country has already had some indication of what is in store for it when the recommendations of the States Reorganisation Commission come to be published. Significantly, the lead in creating misunderstanding and providing an impetus to agitation has been taken

by the Chief Ministers of two States, Andhra and Travancore-Cochin. When the country was being told that the Commission was yet to meet in Delhi to finalise its recommendations, these dignitaries were found giving out seemingly authoritative details about the shape of things to come particularly in relation to their States. This rightly led the public to think that the recommendations had already reached a stage of finality and also that they had been communicated to a few select folk so as to prepare the relevant sections of the people for the announcement to come. Since then, however, these Chief Ministers have received a rap on the knuckles from the Congress High Command which does not signify much.

The moot point is whether these responsible stewards of States had been favoured with a peep into the likely recommendations of the Commission or they were trying on their own to work up public opinion on lines acceptable to themselves and their States so as to force the hands of the Commission in the last and most decisive stage of its deliberation. If the latter assumption proves correct, it will only show how far the linguistic mischief has already gone and how, when it comes to a test, there are few who can retain their balance under its impact.

Linguistic Fury

THAT all this should have followed immediately after the earnest appeals of Pandit Nehru, Shri Govind Vallabh Pant and other top Congress leaders for calmness and sobriety in reacting to the recommendations of the Commission,

strikingly indicates how neither considerations of party discipline nor of Governmental responsibility can be expected to keep linguistic rivalry and fury under check. It may be pointed here that the Chief Ministers who thought it fit to open their mouths and stir a controversy in advance have been and are Congressmen of considerable standing and record of service. But what is so apparent is only a part of what seems to be going on behind the scenes. Not only agitators and other vocal citizens, but also those in authority are fast breaking up into hostile camps, watching one another for likely manoeuvres and preparing frantically for a bitter fight.

As things are, it would seem as though the announcement of the recommendations will be the signal for this cold war to flare up into something neither so cold nor comforting. In this situation, where State Governments are parties directly involved and sadly riven by rivalry, it is only the Union Government that can possibly stand apart and exercise a controlling influence. The Union Government is obviously not unaware of it; but when it is the hard-won unity of the country, the very pivot of our freedom, that is in peril, a little extra caution, a little extra erring on the side of prudence and deliberation should not appear inadvisable. Meanwhile, it is good to learn that the Prime Minister has moved from his earlier stand of investing the likely recommendations of the Commission with an inexorable finality to that of tending to treat them merely as recommendations meriting further consideration.

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Progress on the Food Front

THE general impression that the food situation in the country has shown—considerable improvement since the critical days of the war and post-war years is borne out by recent reports issued by the Ministry of Food and Agriculture. A review of the food position since 1939 in respect of both production and availability, highlights three important factors. First, from the position of a net importer of food grains in the pre-war days, the country has been able to reach a state of self-sufficiency, if not one of substantial surpluses. Second, the increase in production has, for the first time, in the agricultural year 1954-55, assured every Indian a per capita cereal supply amounting to 14.4 ozs, which is 0.4 ozs higher than that required to make a balanced diet as laid down by the Nutrition Advisory Committee, and exceeds the target of 13.71 ozs, for 1955-56, laid down in the First Five Year Plan. Lastly, it is claimed that the improvement in food production is due, in a large measure, to permanent improvements in farming, such as better irrigation, improved methods etc.

The agricultural year 1954-55 witnessed an increase both in the production and acreage of cereals in comparison with 1949-50, the base year (for food production) for the First Five Year Plan. The total production of cereals during the year under reference, at 55.3 million tons represents an increase of 9.3 million tons over that of 1949-50. The area under cereals also increased from 193.6 million acres to 209 million acres in the same period. Against an increase of about 7 per cent in acreage, production rose by about 20 per cent, indicating an improvement in the average yield per acre.

There has been some difference of opinion on the question as to the extent to which the improvement in food production achieved in recent years is due to fortuitous circumstances and to progress in farming. The Planning Commission's Progress Report for 1953-54, while analysing the probable influence that various factors had on the improvement in food production, expressed the view that though favourable weather was an important contributory factor, at least fifty per cent of the increased production must have been due to permanent improvement in farming,

which would be retained in any average year. The Report of the ECFAE for 1954 has also lent support to this view. While it is difficult to be dogmatic on this question, it may not be far out of the mark to say that improved farming is as important as, if not more important than, better weather, in brightening the food situation in India. In fact, in view of the increased average yield, recorded in the period 1949-50 to 1954-55 and in the context of abnormal conditions—floods in UP and West Bengal and drought in Bihar—in 1954-55, considerable credit for the improvement can be given to factors such as better irrigation, liberal use of fertilisers and quality seeds, and better farming methods.

Land Reclamation

ANOTHER sphere in which considerable progress has been achieved in recent years is in respect of land reclamation. Under the reclamation programme of the Community Development Projects, over half a million acres have been reclaimed since 1952. The programme provides also for the supply of improved agricultural aids, like quality seeds, manure and water for irrigation. Over five lakh demonstration plots have been laid all over the country with a view to driving home to the farmers, the advantages of improved seeds, use of fertiliser and compost etc. The minor irrigation programme under the Community Development Scheme to reduce the farmers' dependence on the monsoon, has also made good progress, and an additional one million acres of land are served under this programme.

The reclamation programme under the Community Development and Extension Service Schemes, has been carried out in four stages, viz., in

- Community projects or blocks started in October 1952, (1952-53),
- Community Development Blocks begun working in October 1953 (1953-54),
- National Extension Service Blocks started in October 1953 (1953-54) and
- National Extension Service blocks started in October 1954.

In the first stage i.e. in 1952 about 2½ lakh acres of land were reclaimed; in the next year, 40 thousand acres were reclaimed; under the Extension Service plan started in

1953, 2 lakh acres were brought under the plough; and in the last phase of the programme 48 thousand acres were reclaimed.

First Urban Health Unit

WEST BENGAL enjoys the distinction of trying novel experiments. It is there that the Village Exchange Scheme, which was described in these columns last week, has been put into operation with the help of the Community Development Agency. It is again in Calcutta, that the first urban health unit is expected to commence working in November 1955.

The health unit has been sponsored jointly by the Government of India, the UNICEF, WHO, the Government of West Bengal and the Corporation of Calcutta. The capital cost of the scheme is estimated at Rs 15 lakhs, with a recurring expenditure of Rs 8 lakhs per annum. The scheme will be based on a joint agreement between the Calcutta Corporation, the West Bengal State and the Union Ministry of Health. The buildings for housing the clinics, laboratories etc. are said to be practically ready.

The scheme will cover about 68,000 residents (or 13,000 families) of Ward No 24 in Calcutta. Health and welfare services for these people will be provided and arrangements are to be made for the care of industrial workers, expectant mothers, children, and those suffering from tuberculosis, venereal disease and leprosy. A maternity home with a 30-bed capacity and a nursery will also be provided in the locality.

The health unit is also intended to serve as a demonstration centre for students under training in the All India Institute of Hygiene and Public Health, and the work of the unit is to be carried out jointly by the Institute and the Corporation. The latter will provide the routine health services in the area and the Institute will meet the cost of such additional services as may be necessary for teaching purposes.

There will be a local health council consisting of representatives of business, the medical profession, welfare organisations and residents of the area for enlisting the co-operation of the people in running the unit. The unit is expected to provide a medium through which official and non-official agencies can co-operate in the effort to reach a common goal.

Off the Record**'On a Matter of Facts'**

THE framers of the First Five Year Plan must be today amongst the most embarrassed of men. They are embarrassed not because they urged the country way back in 1951-52 to aim too high but because the targets they then set have been in many cases over-achieved. One might argue that this is no reason for them to feel ill at ease. As citizens, they must be pleased by the turn of events for more than one reason. But as experts, they find to their chagrin that the economy has done much better than they thought, without doing all the things they enjoined or running all the risks they feared. In retrospect, they take on the aspect of a pessimistic lot, fearing the worst because they knew so little about the ways of the economy they were planning with such assiduousness. The very fact that today everybody is asking for a 'bold' plan is a commentary on the lack of boldness in the first plan.

The experts probably feel cheated because real output has increased greatly despite the fact that the public sector's investment—which was the king-pin in the first five year programme—has been less than what was set out in the Plan. It is known that the Planning Commission had to prune drastically the plan submitted by State Governments and Central Ministries so as to keep deficit-financing to an absolute minimum. Having done that, the Commission expected Governments to spend all that they were expected to spend under the Plan. But things have turned out otherwise. Instead of having to curb a spending spree by the executive agencies, the planners have had to urge them to get on with it, and not bother about inflation and runaway prices and what not. True, the perspective for Government spending changed radically in the interval, as a result of international as well as domestic factors, and monetary policy in 1951 helped men to worry less about too much money chasing too few goods. But the real miracle was that many goods ceased to be 'few', and a little more of money in the hands of the spenders was no serious disadvantage.

Here, the planners probably feel that they have been cheated by nature. Two remarkable harvests

have practically eliminated the food problem, which so dominated their minds at the time of framing the First Plan. This is a surprise, it is true, not only for the planners but for everybody. It would be extremely uncharitable to blame the Commission for not anticipating such a sea-change. Even so, one sometimes wonders if that august body does not sometimes feel cheated by those who gave them the basic data to work on.

To say this is not to cast aspersions on those who produced the factual material for the planners to build on. With the best of intentions, they could not have provided all the information necessary to prognosticate the effects of a change in the weather on the supply of wheat or rice. They could not have done so because such information does not, and probably cannot in full, exist. If there was one thing that was known way back in 1951-52, it was that data relating to agricultural supply and demand were scanty and not very reliable. This was known to those who passed on whatever material was available, as well as to those who used it for planning the future. And small wonder that the planners tended to discount future increases, since the figures they had to start with may easily have over-estimated rather than underestimated the actual position. It is easy to be wise after the event, and one can probably now say that the official estimates started by erring on the safe side and this process was carried a step further subsequently.

And yet, one feels like nagging a bit because one sees little indication of anybody concerned with policy being wiser even after the event. In all the confabulations that are going on preparatory to the formation of the Second Plan, lack of adequate data is time and again the argument for deferring judgment. Whenever anything is quantified, it is vitiated to a greater or less extent by hunches about the actual state of supply or demand. Such hunches are, of course, inevitable in looking ahead and that is not what is meant here. It is about the past that we have to guess, and therefore all prognostications become guesses based on other guesses. This, it will be generally agreed is a situation that must be remedied if planning is to

be rational. We ought to know where we are before we decide to step out in one direction or another, expecting this development or that. And there can be no excuse for not going all out to find out where we in fact are.

That in formulating the Second Plan we are hindered by much the same lacunae in data as five years back is, indeed, a sad thing. True, not all the gaps could have been filled in five years. But even those which could and ought to have been, remain and hinder intelligent appreciation of the present state and the future prospect. In respect of some of these, setting up a proper machinery for collection of primary statistics right at the start of the first plan could have taken us a long way towards better planning for the future. And in respect of others, there already was some machinery for gathering the data, and all that was needed was adjustment in methods with a view to reducing the errors of estimation. The tragedy of it is that little has in fact been done even in respect of these tractable cases. And the Planning Commission should, above all, have known that there would be a second and a third plan; and that they could not do any better than in 1951-52 unless they initiated a drive for collection of all sorts of statistics. Obviously, unlike ordinary men, who are incapable of learning from another's experience, the Commission is unable to learn even from its own experience.

All this is not idle reflection, generated by a propensity to find fault. For, there is today a serious problem which could perhaps have been avoided had steps been taken to make official estimates more reliable than in the past. It is common knowledge now that there is more raw cotton in the country today than we expected or arranged to dispose of in one way or another. In the cotton year 1954-55, we have actually produced around 50 lakh bales of raw cotton in the country today than basis of official estimates, to utilise for various purposes only about 45 lakh bales. So when last month the cotton year ended, we suddenly found ourselves with more stocks than was healthy; and inevitably, we are now working out ad hoc arrangements to get rid of them before

the new crop—which very probably will be even larger—comes on the market. The Commerce Minister has now seen the stocks, so to speak, and allowed 2.5 lakhs bales to be exported expeditiously. This does blot his copy book somewhat, but how else could he have remedied when he was officially told that our output was around 42 lakh bales?

Surely this could have been avoided if Government had taken a little more trouble to make its estimates trustworthy. More so because it is not only in 1954-55 that official figures of raw cotton production have been gross underestimates. One has only to compare official estimates for the past seven or eight years with known consumption of Indian cotton to see the extreme unreliability of the official figures. And yet, nothing has been done to correct the estimates and each year, there is a mad effort to keep down the carry-

over stocks to manageable levels somehow. Perhaps the Commerce Minister feels annoyed at having to change his export quotas at the eleventh hour. If so, what prevents him from compelling the Ministry of Food and Agriculture to give him a better estimate of output?

There is a further point. It is believed by the traders that the raw cotton crop in 1955-56 will be of the order of 55 lakh bales, or nearly 30 per cent more than the target set in the First Plan. What is more relevant is that at 55 lakh bales, it would equal the target set for the Second Plan in the Draft Plan-frame. Maybe the traders are pitching it a little high with a view to keeping down the producers' prices. Even so, it cannot, unless something very unusual happens in the next few weeks, be less than 50-52 lakh bales. What happens then to the targets for the Second Plan? Do we keep on to 55 lakh bales and

curb increases in raw cotton output? Or do we step up the cotton target? If we do so, what will happen to the targets for cotton textiles production and the sharing of that by the mills and handlooms? One can go on endlessly relating the likely repercussions of an adjustment in the raw cotton target. But the point is that a decision has to be taken now, and we cannot take the right decision unless we know better the actual size of the crop. And we cannot know it unless we try to find out. Maybe there is some political advantage in setting a target at a certain level and exceeding it in fact when the time comes. But there is little sense in setting targets unintelligently. And as long as we do not make proper arrangements for collecting facts, we will be planning on the basis of wrong estimates and hunches. And we will continue to feel cheated by nature or somebody and probably enjoy it.

The Week of the Old Horse

THE portrayal of the leadership of the Trade Union Congress as an ageing horse in saddle by Mr. David, now Manchester Guardian's cartoonist, was never more apt. At last week's conference of the Congress, the old leaders—over 90 per cent of whom have been on the General Council of the TUC for over 10 years and have earned the title of "Right-wing"—were able as in all previous years to maintain just that degree of restraint and moderation which would in Tory eyes make the TUC an institution worthy of continued praise. But this by no means suggests that the Conference was of little significance.

There was to be perceived at times an almost perceptible movement away from the "sense of responsibility to the broader needs of the country" argument which the platform has invariably used to the satisfaction of the authorities. More than this, the schism between the representatives of skilled workers and the more right-wing leaders of the less organised, unskilled sections was more marked. Another notable feature was the considerably greater attention given by the Conference to national economic policy than to matters of international significance.

For weeks the TUC Conference was heralded by a spate of inspired publicity on the part of the semi-official press about the "dangers" to the economy resulting from the current round of wage claims. It was, therefore, not unexpected that the centre of controversy in the Conference should have been the motion (sponsored by the Electricians), calling for full TUC support to all the wage demands of affiliated trade unions. In the climate of the "card vote"—that hideous practice of Labour democracy—it was inevitable that this motion should succumb to a resolution somewhat milder and less obnoxious to the authorities. And yet the trend of discussion was particularly illuminating and instructive.

The Electricians' resolution had necessarily called for a free discussion of Government's economic policy. That there was a crisis in the economy nobody doubted, and it was expected that the T.U.C. General Council, who before the Conference had had an interview with the Prime Minister, would outline Government's

plans to meet domestic inflation. In its report, the General Council found the policy of Government "obscure and difficult to understand". This was not surprising. What was surprising was the counter suggestion included in the Presidential address and reiterated in the Council's report that (a) the time had come for a "concerted" study to be made of the "national economy" and its attendant problems and (b) that the Conference should not do anything which would anticipate Government's policy. It was clear to all concerned that these proposals were suggestive of nothing more than a lack of policy on the part of the TUC General Council itself.

The crisis in Government policy is a real one. The "credit squeeze" through monetary policy has taken too long to have any effect on inflation, which has already begun to gnaw at the vitals of the price mechanism. Government would wish to add wage restraint to its armoury of economic weapons, but can only do this by limiting dividends and levying higher taxes on profits, and this, of course, is outside the Chancellor's powers. Apart from proving how utterly wrong Government had been in its revolutionary abandonment of controls over the economy, such a step would meet with widespread opposition from the Federation of British Industries and suchlike august institutions of capital.

Taken by itself, the credit squeeze appears to be having greater impact on the living standards of the working man than on profits. The sharp rise in interest rates has pushed up household rents while the current profits boom is able to take the higher cost of borrowing money in its stride.

These immediate effects of the credit squeeze were not beyond the comprehension of the Conference. Indeed, many of the delegates, sensing the negative policy of the General Council, were able to argue, and cogently too, that a large proportion of the blame for the current gap in the demand and supply for resources lay at the door of the rearmament programme. And it must remain one of the more remarkable turnabouts of our decade that official thinking has come to argue on these lines as well.

The Times, that ever loyal interpreter of Government's point of view, in an editorial comment, put the now-publicly-recognised truth thus:

"Naturally, if international tension were to be permanently relaxed, the problem of the double burden would fade away. Without that the prospect is forbidding—those who can see the end of the cold war, can see the escape from the dilemma. For the rest the dilemma remains."

The Financial Times, too, quickly faced up to the reality. It described the rearmament programme as the "storm-centre" of the current inflation. It was, therefore, not easy for the General Council to oppose the resolution for a cut in "call-up",

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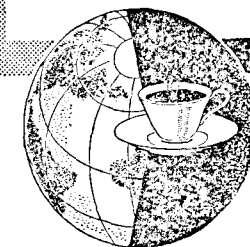
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i.e., a cut in the period of military conscription.

The impossibility of reinstating the wage-freeze, in view of the difficulty the Authorities would experience in placing controls on dividends and profits and the recognition now that a cut in rearmament spending would bring balance to the economy, is possibly the most important lesson that came out of the Trades Union Conference. Another lesson was the exposure of the "inflationary wage-price spiral" argument which has now been peddled for years. By discerning the causes of inflation in the existing economic structure and policy and especially in the rearmament and cold war programme, it could be realised that wage demands were not the starting point of inflation but its reflection. "Prices are not panting after wages", as one dele-

gate put it, "wages are panting after prices".

The failure of the Electricians' resolution by a vote of 5 to 3 and the adoption of a milder resolution moved from the platform did not fully reflect the temper of the debate. What is, however, clear and definite is that the authorities will now not be able to solve the present crisis by means of a wage-freeze.

The split between representatives of the skilled and unskilled workers at the conference was illuminating because had the controversies taken place a few years earlier, the split would have been described as being between the Left and the Right in the British labour movement. The controversy on this occasion was on the question of the granting of powers to the General Council to

intervene in industrial disputes in order to avoid strikes. In the past, the Left always supported proposals for increasing the powers of the TUC. On this occasion the reverse situation was reflected.

The Right-wing now finds that it is the Left-controlled Unions which are more and more resorting to direct industrial action, and it was with a view to circumscribing the individual union's powers in this field that they were prepared to grant greater "sovereign" powers to the TUC which they controlled. The voting was close: 5 to 3.5 in favour of increased TUC powers. It showed that the common ground necessary in trade union policy was sadly lacking: suspicion and mutual distrust were all-pervading. A common front with a common policy was thus not the outcome of this year's Trade Union Congress conference.

From the Calcutta End

Jute Target Under Second Plan

BOMBAY'S prosperity is based on the cotton textile industry. Calcutta is the home of the jute textile industry. There are some other States where there are cotton mills. Statistics indicate a relative expansion in the cloth industry in States other than Bombay. Even so, Bombay remains the major cloth-producing State in this country. West Bengal is the only State which manufactures jute goods. Bengal may have lost its near-monopoly in the world jute industry. But West Bengal retains its monopoly status within the country as the producer of jute goods.

India was formerly a considerable exporter of raw cotton. She is still a minor exporter of short-staple cotton, in which she has a monopoly. India's transformation from an exporter of raw cotton to an exporter of cloth is a partial reflection of her growing industrial status. India was never a large-scale exporter of jute. But partitioned India is an importer of raw jute from Pakistan. India's cotton textile industry is expanding. Her jute industry is threatened with the emergence of Pakistan as a serious rival. After eight years of independence, this seems to be the major economic consequence of partition.

At the time of partition, both the textile industries were faced

with the problem of an internal shortage of raw materials. For the cotton textile industry, the main problem was the shortage in quality cotton. For the jute textile industry, the raw material shortage was both quantitative and qualitative. This was another immediate economic impact of partition. This problem has been solved in respect of the cotton textile industry. For the jute industry, too, there is no longer any quantitative shortage in raw material. This is one of the main agricultural achievements since partition.

Welcome Developments

But quality raw jute is still in short supply. India has to import quality jute from Pakistan. Opinions differ whether India can ever become self-sufficient in quality raw jute. Official efforts have led to an improvement in the quality of raw jute produced in this country. Modernisation of jute mills has, one gathers, minimised the industry's requirements in quality jute. These are welcome developments. But, for some years to come, India will have to rely on Pakistan for supplies of quality jute. This is where Pakistan will continue to have an advantage.

This is also where the Indian Central Jute Committee enters the picture. ICJC does, for raw jute what the Indian Central Cotton

Committee does for raw cotton. Both these organisations undertake agricultural and technological researches to improve the quality of the raw materials concerned. These bodies exist for the benefit and welfare of the growers. Interests of the industries concerned are looked after by separate organisations. IJMA is to the jute industry what the Bombay Mill-owners' Association is to that city's cotton textile industry.

ICJC

Last week, the Indian Central Jute Committee held its annual meeting in Calcutta. A committee was formed to study ICJC's agricultural and technological research on jute. This committee will investigate ICJC's actual achievements of practical utility to the jute-growers and the jute mills. ICJC has also recommended to New Delhi a scheme for undertaking extensive trials all over the jute-growing States to study the performance of the improved varieties of jute and different manurial treatments under varying soil and climatic conditions.

Expansion in jute cultivation since partition has been astonishingly rapid. There has also been some improvement in the quality of raw jute produced within the country. Even then, production of adequate quantities of quality jute remains the main problem before the jute-

grower and the industry. It is welcome news that the industry is modernising so as to lessen the need for imports of quality jute from Pakistan. But recent developments underline the urgent necessity for modernising so as to lessen the need quality jute so as to overcome growing Pakistani competition. ICJC's main task is to improve the quality of raw jute grown within the country. It has a grave responsibility. Well-wishers of the jute industry will wish success to ICJC.

Five Million Bales

Relative self-sufficiency in raw jute is the aim. This was disclosed by Shri K. R. Damle, Additional Secretary, Union Ministry of Food and Agriculture, in his presidential address to the annual meeting of ICJC held in Calcutta last week. Most of the jute-growing States had submitted ambitious production targets for the second Plan period. These targets had to be reduced to suit the available resources. Accordingly, the jute production target for the second Plan has been revised downward to five million bales.

Shri Damle was evasive in his discussion of the problem of minimum price for raw jute. Prices of raw jute depend on the prices of jute goods. Prices of jute goods

are dictated by conditions in international markets. This explains the difficulties in fixing a minimum price for raw jute. But, without the assurance of a minimum price, there may be wide variations in the annual output. There is also a possibility that, without a fixed minimum price, the production target for the second Plan may not be reached. This was the dilemma posed by Shri Damle, but he did not solve the dilemma.

Shri Damle seems inclined to the view that the gradual improvement in the quality of jute produced within the country will help the producer and tend to reduce the margin of variation in prices during the Plan period. He implies that this would help to ensure adequate cultivation of raw jute so that the planned target will be reached. He may not be in favour of fixing minimum prices for raw jute. But he is in favour of enlarging credit, warehouse and marketing facilities to the primary producer, including the jute grower, so that the agricultural output targets in general and the jute production target in particular, are implemented according to schedule.

Producers' co-operatives are being encouraged under the second Plan. These co-operatives will be

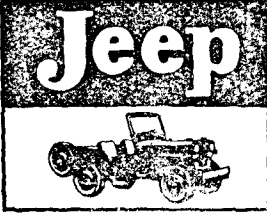
assisted by the Reserve Bank with liberal loans. New Delhi will grant short-term loans for the purchase of fertilisers to farmers willing to accept the advice of technical experts in the use of fertilisers. These are some of the measures advocated by Shri Damle to ensure adequate prices for the crops that the farmers cultivate. Even those who are not as optimistic as Shri Damle will concede that farmers need cheaper credit and better manure.

Every National Extension Service Block will have a warehouse and a seed store in the near future. Arrangements are being made to establish regulated markets in order to eliminate malpractices in the marketing of primary produce. These are measures which should help the agriculturist to secure better prices for his produce. There is much to be said in favour of these measures to protect the interests of the cultivators. There is, in theory, much to be said against any policy of fixing minimum prices for farm products, including raw jute. Means for achieving the end are likely to differ. But the end of achieving planned targets must be attained. And the end cannot be achieved without assuring fair, economic prices to the farmer for his produce.

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Statistics of National Income and Expenditure H/6 Pages 94, Price 6sh. H/7 Pages 98, Price 6sh.

RECOGNISING the difficulties — conceptual, methodological and statistical—involved in the compilation of national income estimates, the United Nations has taken considerable interest in the subject. It has been assumed, of course, that these measures possess some international as well as inter-temporal comparability, and it is from the viewpoint of comparing the incomes of different countries or of examining the progress made by a single country over a period of time that the United Nations has been interested in the subject.

Whatever the reasons for its interest in the subject, the fact is that this interest has resulted in a substantial contribution to the subject from committees of experts set up by the United Nations or from the staff of the Statistical office. The report on Measurement of National Income and the Construction of Social Accounts, published in 1947, contained a classic appendix by Richard Stone, which has formed the foundation of work on the subject in most countries in subsequent years. The report entitled A System of National Accounts and Supporting Tables is a sequel to this classic report. It aims mainly at bringing together the large amount of experience obtained in subsequent years in the field and, therefore, it does not contain any radical departure in principle from the earlier report.

The main purpose of the report is to set out a system of national accounts, with particular emphasis on the development of international standards for concepts and classification. It does not, therefore, give any attention to the statistical problems of compiling and measuring the items entered in the accounts.

The principal chapter of interest is that which deals with concepts. In discussing the problems that arise in the definition of the value of production, the problems covered include the delimitation of the boundary of production, the distinction between intermediate and final products, the separation of gross and net concepts, the difference be-

tween national and domestic concepts, the question of market valuation, and the advantages of the distinction between market prices and factor cost. Other questions raised cover the uses of total product, the finance of products and the characteristic of a system of national accounts. The systematic presentation of material on the subject will be found highly useful by those who are approaching the subject for the first time or wish to have an authoritative exposition of accepted views on this subject.

In chapter III, the construction of the standard accounting structure is explained. This is descriptive rather than analytical and here again there is no attempt to examine alternative views. It would have been appreciated, for instance, if the authors had cared to discuss the relative merits of the official United Nations approach and of the system followed in Sweden and other Scandinavian countries. The proposals for a four-account system made by O. Aukrust in *The Review of Economic Studies* needs to be carefully examined at the official level. A useful chapter on the definition of various flows, together with appendices on the industrial classification of domestic product and the classification of private consumption expenditure, rounds up the report.

The *Methods of National Income Estimation*, as its title suggests, shifts the emphasis to methods of measurement from the region of concepts and definitions. As the report points out, "even in countries with a highly developed statistical service, much ingenuity is required in order to measure the various sets of transactions entering into national income and product aggregates". In view of the numerous adjustments that have to be made to existing data and devious ways that have to be followed in filling the gaps in available statistics, the description of actual methods used by various countries should be found very useful by those engaged in carrying out such investigations. As a basis for the exposition of

methods the theoretical foundations and frame-work proposed in the *System of National Accounts and Supporting Tables* reviewed above and in *Concepts and Definitions of Capital Formation* have been accepted. The study is limited to a consideration of the flows explicitly entering into the income and expenditure accounts in the national income.

Since much depends upon available data, the study proceeds in terms of actual country practice rather than in terms of abstract principles. At the same time, since all methods can hardly be described in a work of this length, nor might it be desirable to do so, a process of selection has become necessary. The hope of the authors that "the methods selected for description here will be found suggestive and helpful" seems to be justified.

The two publications *Statistics of National Income and Expenditure* form the sixth and the seventh in a series being published bi-annually by the United Nations. The information brought together in this way for a large number of countries enables the reader to get a quick glance at the state of affairs in different countries. While it was not to be expected that such a publication would discuss the various concepts and methods used or even explain them at length, the reports do carry notes on these at the beginning of each chapter. It is apparent from the fact that new series are added in almost every issue that an attempt is being made to extend the coverage of these reports.

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Business Manager

Can Mahalanobis Do It?

R J Chelliah and C T Kurian

THE main purpose of this article is to make clear and examine the theoretical implications of the Mahalanobis Plan Frame and the Tentative Framework prepared by the Economic Division of the Planning Commission in consultation with the Finance Ministry and the Indian Statistical Institute. It must be clear even to the casual reader that these documents make a marked departure in some ways from currently held economic ideas. Thus, the Outline of the First Five Year Plan had said, "India has considerable resources of water, power and minerals still to be harnessed and exploited; there is land which can be reclaimed, and industries which can be developed. But to do this it will be necessary to divert to these capital works resources which would otherwise be utilised by the community for current consumption Hence some restraint on current consumption is necessary if the country is to find resources to build up the capital-equipment required for sustained increase of production." (p. 12, First Five Year Plan, People's Edition). But the framework of the Second Plan prepared by the Planning Commission says, "in a poor country where consumption standards are already too low, higher investment and the development of basic industries cannot be made to depend on a curtailment of consumption even in the initial stages."

A Tentative Framework

Again, as a corollary to the statement quoted earlier, it had been said categorically, "First, however, let it be made clear that we are confronted with a definite problem of choice—a choice between, on the one hand, a small or moderate increase in the standard of living in the near future but with only relatively small additions to capital equipment and hence no marked and sustained upward trend; and, on the other, a substantially higher standard of living for the next generation at the cost of continued austerity and privation to the present generation in the interests of rapid capital formation," (P 13, First Five Year Plan, People's Edition) and also, "A large and early increase in consumption and a high rate of capital formation cannot go together." (P. 18, The First Five Year

Plan, A Draft Outline). But now it is said, "An attempt must be made, therefore, to increase both consumption and investment simultaneously by harnessing such resources as are unemployed or unutilised at present." (Tentative Framework, p. 1. bold ours). And again, Prof. Mahalanobis in his Draft Plan Frame says, "Unemployed man power and unexploited resources can be brought together to increase both consumption and investment simultaneously", (p. 4. bold ours). Indeed, in a speech delivered in Madras recently Prof. Mahalanobis seems to have gone further than this and is reported to have said, "I venture to claim that in India the right way is to increase consumption and investment at the same time. I not only claim this can be done. I also claim that this is the only way," and, surprisingly, "But this is not the way of more highly developed economies." (!) (The Hindu, Aug. 3, 1955).

It is interesting in this connection to note what the U N experts' report on Measures For the Economic Development of Underdeveloped Countries has to say on this question of the comparative possibilities of increasing consumption and investment simultaneously in the developed and in the under-developed countries. It says, "In modern industrial communities, the existence of unemployment or of this sort of under-employment, would make it possible to increase capital formation rapidly, without cutting consumption and without inflation Thus, the existence of unemployment would make possible a rapid simultaneous expansion of both consumption and investment." (p. 41) It goes on to say, "Unfortunately, in underdeveloped countries, the process is not so simple". The reasons for this, according to the report, are the high tendency to import on the part of some of these countries and the inelasticity of supply in response to increase in demand. Thus their conclusion is that it is relatively easy to increase investment and consumption simultaneously in developed economies in a situation of unemployment whereas, it is difficult, if not impossible, to do this in underdeveloped economies in spite of the admitted fact of unemployment and under-employment. Needless to say this is

quite the opposite of what Prof. Mahalanobis is reported to have said in his Madras speech on August 2.

We submit that the change in the theory underlying planning of economic development which we have indicated above is a major change with significant theoretical implications. It is surprising that the Planning Commission has nowhere in the Tentative Framework taken the trouble to explain clearly in what sense they claim to be able to increase consumption and investment simultaneously and how they came to change their point of view, except for the cryptic reference to 'unutilised resources,' which term is by no means unambiguous. It is, therefore, necessary to examine this question carefully. It is possible that apparently contradictory statements really mean the same thing or can be reconciled because some of the terms are used in different senses. (cf the controversy about the equality between Saving and Investment.)

Principal Sectors of Economic Activity

Let us divide the economy into four sectors or kinds of economic activity: 1. Industries directly producing consumption goods. 2. Industries producing capital goods or machines which, when completed, can be directly and immediately used to produce consumption goods. 3. Industries producing capital goods or machines or materials which cannot be directly used to produce consumption goods but can be used to produce other machines or capital goods which can be used to produce consumption goods. In other words, Sector No. 3 produces goods or material which can be used in Sector No. 2. 4. Social services like Public Health Services and Education. This is only a rough and ready classification. We realize that it is somewhat artificial to split up investment industries into two sectors. However, we find this a useful classification for our purposes.

In Sector No 1 consumption goods are produced by using part of the existing factors of production at any given time. At any one time, more could be produced only by purchasing and using more of the existing resources. Over a period of time, however, more could be produced either by using more factors of pro-

duction (whose supplies might have increased meanwhile), or by increasing the productivity of the factors used. Increase in consumption or consumption output means increase in the output of Sector No 1.

Sector No 2 produces goods (and services) which directly make possible the maintenance and increase of factors available for use in Sector No 1 and also increase the productivity of the factors used in that Sector. Some of the goods and products in this sector will not take much time to produce, others may take a longer time; e.g. a minor irrigation work will take only a few months at the most to be completed; a huge irrigation project or a factory for producing cloth may take a few years. In an underdeveloped economy, there is bound to be scope for the production of a large number of goods, services or projects which do not cost much and which do not take much time to produce or mature. If we take a period, say, of five years, and plan, among other things, for investment in such products or projects as take less than five years to mature, we would naturally find that consumption output is higher at the end of the five-year period than at the beginning. Indeed as some of the projects need only a few months for completion, consumption output would start increasing soon after the beginning of the plan.

Sector No 3 consists mainly of heavy industries, like steel including manufacture of machines to manufacture steel, machines to make other machines, power etc. The difference between the industries in the second sector, and those in the third lies in the fact that the former produce goods which directly help to increase consumption in a sense in which the output in this sector does not. It might be said that the difference is ultimately only a difference in time-lag. But then this difference is crucial.

Social services are like consumption goods in that they directly satisfy consumers' needs or wants. But many of them, in a poor country, would increase productivity of labour and therefore represent investment in human capital.

Production in the second and third sectors together makes up the total investment in an economy in any given period. It is in this sense that the term investment is used in economic literature. Now in any programme of economic development over a period of time investible funds could and would be divided between

the second and third sectors with the result that at the end of the period total consumption output would necessarily be higher than at the beginning of the period. This is because investment projects in the second sector, as and when they are completed, increase the supply of factors available for Sector No 1 and/or increase their productivity. The less time-consuming these projects, the sooner will it be possible to increase consumption output. Even during the plan period, therefore, consumption output will start increasing. Further by not taking full advantage of the increasing possibilities of increasing consumption output and by diverting continually more factors to the investment sector, it would also be possible to step up the rate of investment. Thus it could be shown that in the plan period both consumption and investment are increasing. In a poor country where consumption standards are low, it follows that total investment must be judiciously divided between the second and third sectors. When Prof. Mahalanobis and the Tentative Framework speak of increasing both consumption and investment, is this what they are saying? Presumably not; it is hard to think it can be so. Undoubtedly the Plan (as a matter of fact any plan) would lead to an increase in consumption in this way and so it is true they have this also in their minds when drawing up their schemes. But if this is all that they mean, there would have been no need to make special mention of it, since this is the essence of economic development as ordinarily understood and therefore obvious.

Let it be noted that in the process we have outlined above, the increase in consumption comes about at every stage as the result of previous investment. That is to say an increase in output in Sector No 1 follows, and is made possible by, an increase in output in the second and third sectors. But the Tentative Framework as well as the Draft Plan Frame of Prof Mahalanobis speak of increasing both consumption and investment simultaneously. Secondly, in these passages reference is made to unutilised resources; it is the harnessing of unutilised, underutilised or unexploited resources that is supposed to make possible a simultaneous increase in consumption and investment. Prof Mahalanobis says, "Unemployed man-power and unexploited resources can be brought together to increase both consumption

and investment simultaneously." (bold ours). Again, "In an underdeveloped economy, where there are idle resources, increased investment need not imply a reduction in current consumption." (Tentative Framework p. 30, para 6.) Therefore it is fair to conclude that it is held by Prof Mahalanobis, and approved by the Economic Division of the Planning Commission, that consumption could be made to increase simultaneously with investment in other ways than by investment at the previous stage. In other words, there can be a simultaneous increase in Investment output (Sectors No 2 & 3) and in the output in Sector No. 1.

Strategy of the Plan-Frame

Admitting that Prof. Mahalanobis holds that investment and consumption can be made to increase simultaneously, through utilisation of resources at present remaining idle, what importance has been given to this factor in his Plan Frame? The basic strategy of the Plan seems in fact to turn on the utilisation of unutilised and underutilised resources. In the words of Prof Mahalanobis: "The basic strategy would be to increase purchasing power through investments in heavy industries in the public Sector and through expenditure on health, education, and social services; and to meet the increasing demand for consumer goods by a planned supply of such goods so that there would be no undesirable inflationary pressures." (bold ours)

This is indeed a novel strategy in planning for economic development. Ordinarily, it would be argued by most economists that in any plan for economic development, the rate of investment must be stepped up at first with as little addition to purchasing power, and, therefore, as little increase in consumers' demand as possible in order to avoid inflationary pressures and that when investment projects have matured consumption output will increase. But such an argument, of course, is based on the assumption of the absence of unutilised resources that could be readily utilised in order to increase consumer goods to meet the increased demand for them. If there are such resources, this argument breaks down. The strategy then could be one of increasing purchasing power. Similarly, the Mahalanobian strategy would break down in the absence of unutilised resources and could be justified, and could succeed, only if there are substantial under-

utilisable resources in the economy which could be drawn into use to increase consumption output (in Sector No 1) at the same time as investment is undertaken. We have already seen that an increase in the output of Sector No. 1 at any given time can take place only by purchasing and using more resources.

Prof. Mahalanobis was asked to draw up a scheme which would lead to the creation of 9 to 10 million jobs to cure unemployment. At the same time it was necessary to step up investment in heavy industries in the long-range interests of the economy. The strategy he has conceived would, if it succeeded, achieve not only the two objectives mentioned above, but also a third one, namely, a substantial increase in consumption output which would raise living standards. It is his preoccupation with the question of unemployment that leads him to put the accent on increase in purchasing power. In one of his recent speeches in Madras, he is reported to have said, "The objective of the plan in India should be to create a demand for consumer goods and also to arrange for the supply of consumer goods." (The Hindu dated, Aug. 9, 1955). A truly unorthodox statement; but Prof. Mahalanobis has set before himself the task of creating a large volume of new employment and that could be done, if at all, mainly by expanding the household and hand goods sector for producing consumption goods.

It is not difficult to see that the strategy advocated by Prof. Mahalanobis is substantially the same as that advocated by Keynes for a developed economy in a situation of (involuntary) unemployment and underemployment. Both wish to cure unemployment to the maximum extent possible in the short-run; both desire to increase demand, and therefore, purchasing power; and for this both rely on public investment. We do not refer to Keynesian theory as such, because there is no overt macro-economic theory behind the Mahalanobian strategy. Keynes, it is well known, advocated deficit financing in order to increase effective demand and thus to draw into production unemployed or idle resources. Created or borrowed money could be spent on public works or public investment and the resulting increase in money income or purchasing power would, via the operation of the principle of the multiplier, continually increase, up to a point, money incomes, and since there are idle resources in most sectors of the economy in a depression, real income

too (i.e. consumption output too). It is necessary that there be increase in investment in this process, as otherwise the increase in National Income cannot be sustained, the marginal propensity to consume being considerably less than unity.

What would we have, if this strategy were adapted to the needs of an underdeveloped economy? Unutilised resources are to be used to increase investment and consumption. Public Investment could, therefore, be undertaken in such a way as to lead to an increase in purchasing power. But since the marginal propensity to consume is very high, the increased incomes, unlike in the Keynesian system, are not likely to generate the required savings to match the original investment. Hence suitable policy measures, like additional taxation, are necessary to supplement increased voluntary savings. This is, in substance, the main argument of the Tentative Framework adduced in support of deficit financing in the

Second Five Year Plan. "For initiating a process of higher investment and higher incomes by fuller utilisation of unemployed and underutilised services, it is not necessary that savings come first and only these are invested later. Credit has to be taken in advance for the additional savings that are likely to arise as incomes and investment increase. Some initial credit creation, therefore, is an essential part of development programme. Nonetheless, if planned investments are to be realised without generating serious inflationary pressures, the initial credit creation must be limited with reference to what savings are likely to be available or can be created by suitable policy measures." (Tentative Framework page 29, para 2.) This, of course, corresponds to the "basic strategy" mentioned by Prof. Mahalanobis, and is clearly seen to be nothing but an adaptation of the Keynesian technique.

(Continued on page 1126)

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Farm Surplus as Source of Development Finance

THERE was a time when countries suffering from a shortage of foodstuffs, especially those in the ECAFE Region, had to look to countries with surpluses to spare for getting allotments. But, with a change for the better in the agricultural picture of such countries, the position has so altered that countries with large surpluses are now trying to seek the aid of the FAO for the disposal of their farm surpluses. Although the prosperity of agriculture in the ECAFE region is partly due to favourable weather, it is equally the result of sustained efforts at improving agricultural practices. In the result, many of the countries in the region have themselves surpluses to spare, and as the latest report of the ECAFE has revealed, countries such as Burma and Thailand are faced with the problem of marketing their farm products. In such a situation it is only natural that there should be frequent international discussions regarding the disposal of farm surpluses and the FAO should strive to suggest a constructive approach.

The FAO Committee on Commodity Problems, entrusted with the task of laying down the principles for surplus disposal, has placed emphasis on three methods of using surplus, viz., (1) to aid additional effort on economic development in under-developed countries; (2) to improve the nutritive standards through direct feeding programmes for special underprivileged or vulnerable groups and (3) to help relieve famine conditions caused by crop failure or other disasters. With a view to assessing the possibilities of using surpluses for aiding economic development, a pilot study was conducted by the FAO staff in India last year. The report of this specialist group*—which was considered by the Committee on Commodity Problems at its last session in May, 1955—examines the problem in certain terms. The Report has illustrative projects. For this purpose, it has selected projects which have not been included in India's First Five Year Plan.

The idea behind the use of sur-

*Uses of Agricultural Surpluses to Finance Economic Development in Underdeveloped Countries—Commodity Policy Studies No. 6, FAO, June 1955. Price \$1 or 5s.

pluses for development purposes, is very simple: the under-developed countries abound in underemployed and unemployed resources. These could be put to profitable use, provided a number of additional development projects are undertaken. Increased outlays on such projects would, however, increase the demand for food, clothing, etc. from the people newly employed. Unless sufficient supplies of food are available, inflationary pressures are bound to appear. It is here that surpluses come in and help in catering for a large part of the increased demand, until domestic production increases. They will also be useful in providing a part of the finance for the project by saving current expenditure on the part of the Government, provided they could be obtained either as grants or as long-term loan on concessional terms.

However, two main conditions must pre-exist in the recipient country for using the surpluses in this manner. First, the limiting factors for a more rapid economic development in the country concerned must be the scarcity of resources including finance. In such a case, surplus farm products would provide a part of the resources either through providing finance obtained by their disposal, or through their direct use in training programmes for labour or in paying for labour in kind. Secondly, the use of surpluses should bring about a net increase in consumption, and not act as substitute for domestic supplies. The increase in consumption should be as large as the sale or distribution of surpluses. Otherwise, the latter will be added to domestic supply and would either bring down the prices of such products on the internal market or effect their international prices by encouraging exports.

According to the pilot study, both these conditions exist in India. An assessment of the progress made in the first three years of the Five Year Plan indicates that finance and skilled manpower are limiting factors in accelerating the pace of development, and there is need for quickening the tempo of activity through larger investments. However, the issue whether foreign farm surpluses could be used in speeding up development, and if so, how much of resources this would provide, is not equally clear. In view of the fact that currently, supply of farm products in India is

plentiful, leading to a fall in prices, and the Government is considering the question of price support, it is feared that the utilisation of surpluses might affect prices of domestic farm products—a result which the FAO is keen on avoiding. Nevertheless, it is suggested that the surpluses, if used for additional projects, might not make the situation worse; thus, if the projects selected put some of the poorest people to work, they and their families would eat better and consumption would rise. While the problem of price would still be there, the country would be better off through higher levels of employment and consumption and through additional real capital having been created by the new projects. It is also possible that the surpluses may help the country to build up reserves for future contingencies.

The Report describes three different types of individual development projects wherein surpluses could be utilised. There are, first of all, projects where wages to labour are to be paid in kind, i.e., the food is moved directly into consumption where the recipients—the labourers employed on the project—add all of it to their own consumption. It should be ensured that the surpluses are not resold by the labourers. It is also necessary, if there is to be a net increase in consumption, that the surpluses distributed should not substitute the food formerly bought by the labourers. If these are taken care of, then the amount of surplus that could be utilised depends on the income elasticity of demand for food; but in any case it cannot be larger than what would be bought by labourers as a result of the increase in their income. Illustrative projects of this kind described by the study include village community and other development projects, milk marketing schemes etc. It must, however, be noted that the direct use of surpluses in this manner involves sizable administrative costs and the use of scarce administrative personnel for implementing the scheme of distribution of wages in kind.

Secondly, there are projects where additional workers are put to work and a part of their consumption is covered by surplus food, such as road construction, irrigation projects etc. A portion of the surplus allotted for any particular project would be used for paying wages in kind and

the balance would be sold and the proceeds used for financing the rest of the outlay on the project. In this event, the extent of increase in consumption of food as also the amount of finance that the sale of surpluses could provide depends on a number of considerations. If there do not already exist pockets of unsatisfied demand for the surplus farm products, the increase in consumption and the finance that could be obtained through sales, will be related to the direct and indirect effects on the demand for food of (a) the expenditure on the project other than on labour, (b) the expenditure of employees on items other than food and (c) the expenditure on transport and marketing of surpluses. This would mean that each expenditure item will have to be traced at least some two or three 'rounds' ahead—and the derived demand for food-grains estimated. If this could be done, it may be possible to know the amount of increase in food consumption brought about by the use of surpluses in financing the project. Clearly the extent to which the outlay on the project can be covered by the surplus, depends on the proportion of labour cost to total, and the proportion of the additional income spent in that particular commodity. In most cases, only a part of the outlay can be so met. For the balance, reliance will have to be placed on other external sources such as the International Bank for Reconstruction and Development. Alternatively, the projects should be such that they are productive in an unusually short time, and help cover part of investments from their own earnings, e.g., where some additional marginal equipment or construction is needed which can be quickly procured and installed.

According to the Report, the utilisation of surpluses would, perhaps, be more effective in financing an increase in the development programme as a whole, than when it is concentrated on a particular project or set of projects. In such a case, it would be easier to take note of the difference that surpluses make to total investments and the rate of capital formation, the consequent increase in incomes etc., if the surplus is made available over a period of years. It is also possible to administer the sale or distribution of surpluses through a central organisation. Above all, in a unified programme approach, it will be possible to balance carefully the various projects to be included and their phasing. The requirements of external

finance may also be more easily assessed—how much of it in surplus foods and how much in complementary foreign exchange, etc., and a careful examination of all these factors will provide the basis for "package deals" of foreign exchange and surplus foods.

After examining the current economic situation in the country, the Report suggests that there are numerous projects potentially suitable for financing in whole or in part, with the help of surplus foods, e.g. educational food scholarships, village community and other local development projects, milk marketing schemes, construction of district roads, hydel projects, forest roads etc. It cites more than half a dozen schemes of this type involving about 536 million over a four-year period, of which \$292 million could be provided by food surpluses.

While no doubt the idea behind the utilisation of farm surplus for financing development projects is simple and the objectives with which the surpluses are offered are laudable, there are certain obstacles in the way of effective implementation of such a policy. Perhaps the most important of these is the price factor. Any commercial disposal of surplus farm products is bound to affect the price of these products on the international markets, and also depress the price of domestic supply of such products in the recipient country. It is well known that surplus countries such as Australia and New Zealand have always been apprehensive of the US policy of disposing of its farm products. The fear has been so grave that at the Gatt, the United States has had to give positive assurances to these countries that its export of agriculture products would be as orderly as possible. In its reply to the FAO regarding the "principles" governing the disposal of surpluses, Australia has drawn attention to the 'principle' that governments undertaking or proposing to undertake large scale releases should, wherever practicable, consult with other countries interested in the possible effects of such transactions. Disposals of surpluses at concessional terms would not cause much worry provided they formed a small part of the normal exports. Australia considers that the placing of large additional quantities of a commodity on the world market even at ruling world prices will depress the markets.

It is perhaps because of such opposition which the U. S. expects from these surplus countries that

she is trying to offer her surpluses through the FAO as a recipe for the problems of the under-developed countries for financing their development plans. But these latter have their own points of view. In the first place, the possibility of implementing the scheme would be limited if an under-developed country itself has a surplus in any commodity. Any international arrangement for surplus disposal would make it obligatory on its part to part with its surplus; but in fact the country concerned may find it difficult to do so unless it receives some form of compensatory assistance from outside. Secondly, the under-developed countries which have had bitter experience of obtaining food from the surplus countries during emergencies such as famine, are trying to become self-sufficient in food and even build up reserves. In such a situation they may not view with favour a scheme which might encourage dependence on foreign imports of food.

As regards the use of surpluses for financing development projects, there are a number of difficulties. Using such surpluses for paying wages in kind involves heavy administrative costs. The effect of these surpluses on the domestic supplies, and the possibility of obtaining finance for the balance of the costs of the project have also to be carefully assessed. It is estimated that even in the most labour intensive projects, labour costs form not more than sixty per cent of total costs of development projects. And of the amount of outlay accruing to labour as wage income, about 35 per cent would be spent on foodgrains. To take an illustration, in a development programme involving, say, Rs. 500 crores, labour costs would account for Rs. 300 crores. Of the latter, about Rs 100 crores or so, would be the expenditure on food, i.e., about 20 per cent of the total costs of the project concerned. On this basis, surpluses could provide about 20 per cent of the total costs of a project. Therefore, unless it is possible to secure the balance of the finance from abroad, it will be difficult to consider additional projects based on such surpluses. It would be more useful, perhaps, if these surpluses are available as free grants for utilisation in programmes such as provision of school lunches, providing better nutrition to voluntary labourers in Community and other local development projects, free scholarships to indigent students, training programmes for labourers etc.

From the Chair

The Jupiter General Insurance Company Ltd

Report of the Administrator Shri R Varadachari

THE Revenue Accounts and the Balance Sheet of the Company with the Auditors' Report appended hereto relate to the year ended 31st December 1954.

The total premium during the year 1954 from all departments including the Life Department, amounted to Rs. 75,30,075/- as against Rs. 73,50,402/- in the previous year and it is a testimony to the inherent soundness of the Company's position and its organisation as a whole that in spite of the great handicaps under which it has been working since July 1951 it has shown such a good performance without any tied business or help from any source in the prevailing atmosphere of cut-throat competition. The financial position of the Company is quite sound and the assets have increased to a total of Rs. 3,64,97,657/- as against Rs. 2,88,36,324/- in 1950.

As there is some misapprehension in the minds of the public about the "Government management" of this Company, I should state that the Government is not placing directly with the "Jupiter" any of its business. The Company's share of premium on account of Government business received through the Indian Insurance Companies' Association Pool, like many other companies, was—Rs. 25,025/- under Fire, Rs. 22,724/- under Marine and Rs. 15,332/- under Miscellaneous Departments—that is, Rs. 63,081/- in all. The day to day running of the affairs of the Company such as the procurement of business, settlement of claims etc., is almost entirely in the hands of the Managers who have been working with the Company for a number of years. In particular, the reputation of the Company for prompt and fair settlement of claims continues to be high both in Indian and foreign markets.

Fire Department

The net premium in the Fire Department amounted to Rs. 15,10,540/- as against Rs. 15,41,959/- in the previous year. Though the premium has been more or less kept up during the last two years, it is about 50% of what it used to be some years back. The fall is due to the

fact that the Company is unable to enter into the cut-throat competition and the terrible rebating prevailing in the field at the moment. The year has, however, been an unfortunate one for the Fire Department. It had to meet a number of claims arising out of a Fire in Burma; the risks in that area were on the books of the Company even during private management for a number of years. Apart from this, certain foreign inward treaties showed rather unusually heavy losses with the result that the Department closed at the end of the year with a loss of Rs. 2,63,992/-, after providing 51% of premium under Reserves for unexpired risks. As the Chairman of a well-known in-

4,80,303/- as against Rs. 4,80,141/- in the year 1953. The profit of this Department was Rs. 1,51,114/- after keeping 141% of premium under Reserves for unexpired risks.

Miscellaneous Department

The net premium amounted to Rs. 18,08,048/- as against Rs. 15,85,798/- in 1953, the increase being due to the fact that premiums due for the two years 1953 and 1954 from a treaty company amounting to Rs. 3,26,640/- were accounted for in this year. This Department has been running at a big loss during the previous two years but this year the loss has been reduced to practically a nominal figure of Rs. 18,159/-, after providing 50% of premium under Reserves for unexpired risks. This is not unsatisfactory as the loss was really due to our having to increase the reserves by over a lakh of rupees on account of the increase in premium. The loss due to the Chief Agency at Trinidad opened by the late management and which worked for about a year was over Rs. 3 lakhs and this is a pointer to the clamour for opening out Branches in far off places without adequate supervision.

Life Department

The New Business completed during the year amounted to Rs. 99,19,000/- covering 3,265 policies as against Rs. 1,06,60,000/- covering 3,332 policies in the previous year. The renewal expense ratio for the year works out to 17.0% as against 18.3% in 1953. The Life Fund increased during the year by Rs. 22,51,392/-. The gross interest earned on the mean Life Fund during the year was 3.8% while the net yield was 3.1%.

In spite of various economies, such as the closing of unprofitable Branches and retrenchment of a number of executive officers, the expense ratio in the Fire Department still continues to be high, but this is largely due to the fact that the premium receipts in the Department have fallen down by about 50%. I should add that the expense ratio in 1950 under private management was not very much below that of 1954 notwithstanding the fact that the premium income in that year was nearly twice of this year.

Shri R Varadachari

insurance company in London remarked: "A company has nothing to be ashamed of in showing poor results in a year in which catastrophe has been experienced. On the contrary, it can be proud that it has been able to fulfil its purpose; namely, to meet at all times whatever calls may be made upon it. It is some consolation to know that although we have had such heavy losses to meet as a result of these catastrophes, we have been able to alleviate the lot of those unfortunate policyholders who sustained such widespread damage to their homes and personal belongings."

Marine Department

The net premium in the Marine Department amounted to Rs.



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The expenses in the Marine and the Miscellaneous Departments are within reasonable limits, while the renewal expense ratio in the Life Department has actually been brought down to 17.0% from 24.4% in 1950 under private management.

Profit & Loss Account

The Accounts of the year have been closed with a small profit of Rs. 38,951/- and adding this to the

balance brought forward from the Accounts of the last year, the total available profit is Rs. 5,72,881/-. After making a further provision for Bad and Doubtful Debts and reserve for taxation amounting in all to Rs. 1,07,565/- the balance of profit is Rs. 4,65,316/- and I propose to carry forward this amount.

The Scheme for the reconstruction of the Capital Structure of the Company in accordance with Section

6B of the Insurance Act, 1938, is pending in the High Court.

Investments

From 11th July 1951 up to date, the investments of the Company in Government securities and first-class debentures etc. amounted to Rs. 74,98,870/-, after meeting all the outgo during the period. The total assets of the Company as on 31st December 1954 amounted to Rs. 3,64,97,657/-.

Supreme Court and Sales Tax

Hannan Ezekiel

BY reversing last week its decision on the question of sales tax on inter-state trade delivered in the United Motors Case in March 1953, the Supreme Court has taken a step whose significance extends far beyond the immediate question which it has now decided. The constitutional provision that "the law declared by the Supreme Court shall be binding on all courts within the territory of India" (Article 141) had been taken so far to mean that it would be binding also on the Supreme Court itself. This view was refuted, however, by the Acting Chief Justice C. R. Das. "There is nothing in our Constitution" he said, "which prevents us from departing from a previous decision if we are convinced of its error and its baneful effect on the general interest of the public."

However welcome the present decision about sales tax on inter-state trade may be, the implications of this statement need to be examined carefully. For one thing, the finality that has so far been the most important attribute of the decisions of the Supreme Court has been destroyed. Yet, the importance of this element of finality can hardly be over-estimated. Until now, once a decision of the Supreme Court had been delivered one could take it for granted that it represented an authoritative exposition of the provision concerned. If the decision of the court was found politically unacceptable, i.e., if it was felt that the decision operated to the detriment of the people, the only solution was to amend the Constitution, however difficult that might be. In this way, the political decision rested with the Constitution amending authority and ultimately with the people. Even if the judges of the Supreme Court felt that the decision was not correct, they could

do nothing but bow to it, though they might as individuals press for the necessary amendment of the Constitution.

Examining this question the Acting Chief Justice argued that in countries governed by a federal constitution it was by no means easy to amend the Constitution if an erroneous interpretation was put upon it by the Supreme Court. In the circumstances, he felt that an erroneous interpretation of the Constitution might quite conceivably be perpetuated or might at any rate remain unrectified for a considerable time to the great detriment of public well-being. I submit that the question of the public well-being is irrelevant to the issue and the Supreme Court has little to do with it except in those cases when the Constitution itself makes the effect of any legislation on public well-being a matter to be determined by the Court. It might for instance very well happen that an "erroneous" decision might be in the interest of the people and the correction of it might operate to the detriment of the people. That would not prevent the erroneous interpretation from being erroneous. The assertion that the judges should be convinced both of the error of a decision and "of its baneful effect on the general interest of the public" seems therefore entirely unacceptable.

Besides, the baneful effects of a particular decision could hardly be considered greater than those of one which removed the finality from decisions of the Supreme Court, which has hitherto been their greatest advantage. Once the Supreme Court has made an interpretation of the constitution, it should be final. Otherwise, the volume of litigation that is taken up to the Supreme Court will show an enor-

mous increase. Cases will be filed with the deliberate object of persuading the Supreme Court to reverse its decision relating to the interpretation of any provisions of the Constitution if that Court has already given an unfavourable verdict in a similar case. The Court will not be able to rely on its own previous decisions but will have to listen to lengthy arguments aimed at persuading it to reverse previous decisions.

Last week's decision was given in an appeal from a decision of the Bihar High Court preferred by the Bengal Immunity Company of Calcutta. This company, having its registered office, laboratory and factory in West Bengal, was called upon to register itself under the Bihar Sales Tax Act as it was selling its medicines for consumption in Bihar. In 1953, in the United Motors Case relating to the Bombay Sales Tax Act the Supreme Court had decided that a State was entitled to levy "any non-discriminatory tax on goods imported from sister States". In its judgment at that time, the Supreme Court had argued that Clause (2) of Article 286 which prohibited the States from levying the Sales Tax on inter-State trade unless permitted to do so by Parliament by law should be read in the light of the explanation to Clause (1) of the same Article. This explanation provided that for the purposes of clause (1) A of Article 286 which prohibited taxation of sales outside a State "a sale or purchase shall be deemed to have taken place in the State in which the goods have actually been delivered as a direct result of such sale or purchase for the purpose of consumption in that State."

In the present case, the Court has decided after a re-examination of

the whole question that "the explanation to Clause 1(A) could not be legitimately extended to Clause (2), either as an exception or as a proviso thereto or read as curtailing or limiting the ambit of Clause (2)." The effect of this decision is that prohibition on the levy of sales tax on inter-State trade unless Parliament permits it by law now stands absolute. It will no longer be permissible for States to levy such taxes and presumably all States will have to amend their Sales Tax Acts appropriately. They have already suspended the collection of such taxes pending further decision. It is now reported that Parliament will pass legislation to legalise the collection of such tax by the States from the commencement of the Constitution till Sept. 6, 1955, the date of the present decision. This would be necessary as the legal

Around Bombay Markets

ALTHOUGH the equities market witnessed sizable losses owing to an over-bought position, culminating in the last settlement, there has been an attempt at recovery with the closing quotations in all counters displaying a perceptibly steady trend. But since the floating stocks in Tata Ordinaries and Indian Irons have been steadily increasing, the uptrend noticed towards the close of the week may not continue for long. No doubt, industries are doing well, and the Second Five-Year Plan is expected to increase the purchasing power of the people and create a healthy economic climate. But Government's emphasis latterly on heavy taxation, and the prospects of a better deal for labour, have had a bearish influence. Unless these bearish factors disappear, there is hardly any prospect of any undue rise in prices of equities.

In the steel section, Tata Ordinaries after moving up to Rs. 247 reacted sharply to Rs. 241-8 to quote finally around Rs. 245 at the close of the week. In the case of Indian Irons, the rise to Rs. 41-6 was occasioned by rumours that the Company might be able to pay a dividend of Rs 1-8. When doubts were expressed as to whether Government would allow the Company to declare such a high dividend, there was a natural decline in values. However, it is strongly suggested in market circles that the dividend might be Rs. 1-4,

position is that the Supreme Court merely interprets the Constitution and by the present decision the levy of such a tax is declared to be illegal from the very commencement of the Constitution. It would also be desirable since the States should not have to repay the amounts collected by them in the past.

What will be done in the future is a matter of speculation. It is unlikely that Parliament will pass legislation authorising the levy of such a tax in terms of the Constitutional provision as currently interpreted. It has been suggested that sales tax on inter-State trade might now be levied by the Central Government. This is what the Taxation Enquiry Commission had recommended. But an amendment of the Constitution will be necessary

for that purpose and the revenue might have to be distributed amongst the States. While this might have some advantages over the existing arrangements, it would mean that there would be one more authority in the country collecting sales tax and considerable duplication of administration, both of which would be undesirable.

Since in any case an amendment of the Constitution will be necessary, why not take advantage of this to cut the Gordian knot of sales tax problems by centralising the entire sales tax? This would be desirable from so many points of view. If only the States could be persuaded to accept centralisation with distribution of the revenue to them, that would indeed be the best possible arrangement.

Bearish Influence

Thursday, Morning

i.e., 4 as. higher than in the previous year. At the close, it was placed around Rs. 39-1 after being down to Rs. 38-13.

In the textile section also, the pattern of trading was more or less the same, earlier weakness being followed by a semblance of steadiness at the close. Bombay Dyeing, Kohlnoor and Swadeshi closed around Rs. 503-8, Rs. 328-12 and Rs. 215/-, respectively.

In the miscellaneous section, ACC were in the limelight. After having been at Rs. 188 at one time they improved to Rs. 196-12 on rumours of a fresh issue on bonus terms. Killick also ruled better, having improved from Rs. 160 to Rs 164-4. Bombay Burma enjoyed considerable investment support and were taken up to Rs. 569-6 on reports that the Company had undertaken an expansion programme in East Africa—an improvement of nearly 30 points over the week.

Cotton

Setback in Prices

THE cotton futures market, which opened the week with a distinctly improved undertone on prospects of an export quota, witnessed a setback towards the close of the week when the actual announcement came. Early in the week it was thought that an export quota was imminent, following the

visit of the Union Commerce and Industry Minister to the City and the discussion that he had had with trade representatives. When it turned out that nothing much could be expected of his visit, the market tended to rule quiet. It was, therefore, not surprising that there was a setback in prices when Government announced on Tuesday an export quota of 2,50,000 bales of Indian cotton with immediate effect. In fact, the slight recession in prices was true to form as it is not uncommon for the market initially to react in the way it did to an announcement of this nature. This does not, however, belittle the importance of the announcement.

With the release of the 2,50,000 bales of Indian cotton for export, the aggregate quota released during the 1954-55 season amounts to a record figure of 7,81,000 bales, clearly underlining the liberal export policy pursued by the authorities. But the increased quantum of export quota has failed to enthuse traders inasmuch as there has been an increase in the production of cotton, the final estimate of which is put around 51 lakh bales for the 1954-55 season. Moreover, as the market had been hoping for some such action on the part of Government, ever since the phenomenal increase in the price of the August contract, traders were inclined to discount the announcement when it was actually made known.

Hence, the market lost as many as five points on the day the quota was released.

Two questions arise from the announcement. In the first place, it is not clear whether the quota released is in respect of the old crop or the new one. However, as the validity period for shipment is only up to the end of December, by which time it may not be possible to have any new crop on hand, it may be presumed that the announcement refers to the current crop (that is, 1954-55). Secondly, while free licensing has been allowed to the export of Zoda cotton, there is no mention of any possible reduction in its export duty. Unless there is a reduction in the export duty of 30 per cent ad valorem, in this variety, traders may not be able fully to capitalise on the relief given by way of free licensing.

ICC February, which opened the week at Rs. 623, improved on the opening day itself to Rs. 627 on expectation of an immediate export quota. On the following day although it improved to Rs. 628, the contract lost about seven points to be placed at Rs. 621-4 on fears that there might not be any export quota after all. On Saturday again, fanned by favourable reports of an export quota, the market improved once again to quote Rs. 624. An extension of this firm sentiment was seen on Monday also when the contract reached the highest for the week at Rs. 630. But thereafter values topped and even the actual announcement of the quota could not cry a halt to the declining trend. At the close on Wednesday, I.C.C. February ruled weak at Rs. 624-8. However, the contract, after moving up to Rs. 630-8 on quota announcement, again declined to close the week at Rs. 621-8.

Oils and Oilseeds

Further Decline

THE declining trend in oilseeds market, noticed last week, was further accentuated during the week under review. In fact, the price of groundnuts has gone down so low as to be even below the fair price suggested by the Union Commerce & Industry Minister, namely, Rs. 1000 per ton. The main reason for the recession in values all round has been the satisfactory weather reports from all the producing areas. Crop reports from overseas also indicated an increase in the groundnut crop in Africa, France and Belgium while America is reported to have maintained her usual standard

in the production of groundnut. Nearer home, Saurashtra, which entertained fears of a shrinkage in groundnut crop only a few days back, has also come out with prospects of improved output following the recent timely rains. In the event, the Bombay market, which is a natural outlet for Saurashtra's surplus, must needs be cautious, and even the buying pressure from Hyderabad traders failed to check the declining trend.

Castor futures, however, tended to rule firm on the whole. In view of the comfortable crop position, longs in the maturing September contract were left with two options, either to liquidate their holdings or to switch over to the distant May delivery. In the September contract, which is approaching its maturity, most of the outstanding business has been squared up. Castor oil prices, however, could not maintain an equally steady trend in view of the decline in prices of castor oil in the oversea markets, particularly in the U. K. and on the Continent.

In the case of linseeds, higher overseas advices helped maintain a steady trend, particularly towards the close of the week.

THE ECONOMIC WEEKLY

Bullion

Steadier Tendency

THERE is as yet no sign of the resumption of forward trading in bullion. A deputation of the concerned interests who waited on the State Finance Minister is believed to have been asked to consult the general body in regard to the proposed changes in by-laws. In order to ascertain the views of its members on this point, the Bombay Bullion Association decided to meet, and the meeting is scheduled to be held on September 21, 1955. The changes in the by-laws, if approved by the general body, are expected to be placed before Government for its sanction, which means an extension, by another month, of the suspension in futures trading in bullion.

Meanwhile, thanks to higher up-country advices, a steadier tendency was imparted to the spot section. Ready silver started the week at Rs. 165 against the previous closing of Rs. 165-8 and improved to Rs. 166-8 on sustained buying support from upcountry centres. Later on in the week, however, there was heavy selling by a leading bull operator which brought down the price to Rs. 165-8.

MARKET LEADERS DURING THE WEEK

	Sept. 14, 1955	Week's Range		Sept. 6, 1955
		High	Low	
Steel Shares:				
Tata Ordinary	245- 0	246-12	241- 8	244- 8
Indian Iron	39- 1	39-11½	38-13	39- 6
Textile Shares:				
Bombay Dyeing	503- 8	507- 8	505-10	501-14
Century	422- 4	431- 8	418- 0xd.	424- 0
Kohinoor	328-12	331- 4	326- 0	328- 0
Simplex	165- 0	166- 8	164- 0	165- 0
Swadeshi	215- 0	216- 8	209- 0	210- 8
Miscellaneous Shares:				
Associated Cements	194-12	196-12	188- 8	189- 8
Belapur	337- 0	338- 0	327	328- 0
Burma Old	565- 0	569- 6	541-14	545- 0
National Rayon	221- 0	222- 8	216- 4	217- 4
Premier Const.	163-12	165- 0	160- 0	161- 0
Scindia	15- 5	15- 8½	15- 3	15- 7
Tata Chemical	15-13	16- 4½	15-10	15-11
Bank of India	154- 0	154- 4	153- 0	153- 0
New India Assc.	49- 0	48- 0	47- 8	49- 0

OILS AND OILSEEDS

	Sept. 14, 1955	Week's Range		Sept. 7, 1955
		High	Low	
Seeds:				
Castor Sept. 1955 (per candy)	86- 4	86- 4	82- 8	81- 8
" May "	87-10	88- 0	84-10	84-10
Groundnut Aug.-Sept. (per cwt)	21- 4	21- 6	20-14	20-12
Linseed Aug.-Sept. "	23-10	24- 0	23- 8	23-12
Kardi Ready "	14- 0	14- 0	13- 8	13- 8
Nigerseed "	22- 0	22- 4	22- 0	22- 4
Oils:				
Castor Oil Com. (per quarter)	9- 6	9- 8	9- 3	9- 2
Groundnut Oil R.R. "	11- 4	11- 4	10-14	10-12
Linseed Oil "	13- 8	13- 8	13- 4	13- 5

THE ECONOMIC WEEKLY

Around Calcutta Markets

Hesitant Trend

Wednesday, Evening

WHEN the stock market trend is "bullish", even unfavourable developments fail to have the expected adverse effect on equities. When, again, the market trend is "bearish", even minor adverse developments tend to have a major "bearish" effect on equities. Fluctuations in equities in the last fortnight reflect this market phenomenon faithfully, although it is as yet early to say whether the primary market trend has turned "bearish".

Some days ago, the managing agents of Indian Iron let it be known that the question of issuing right shares was not under their contemplation. Even then, Indian Iron did not start falling, although the earlier upward movement was mainly due to expectations of an issue of right shares by the company. Subsequently, Indian Iron fell. But these shares failed to move up at the time of the settlement last week. These two unexpected movements in Indian Iron explain the principle mentioned in the preceding paragraph.

In the second half of last week, equities remained steady as it became known that the National Development Council had decided to accept the Mahalanobis Plan-frame as the basis for the second Plan, thereby rejecting the Planning Minister's argument that the Plan-frame was too ambitious for a poor country like India. Decision of NDC not to lower the targets of the Plan-frame was interpreted by the market to mean that investment will be maintained at a high level during the next Plan period.

For the first three days of this week, equities gradually drifted downward as selling pressure persisted. An irregularly lower trend in equities was partly due to the passage of the Companies Bill in Lok Sabha. This could only have a psychological effect on the market, as the consent of Lok Sabha to this Bill was anticipated. It would seem that the main reason for the hesitant trend in equities in the last few days lies elsewhere. There are growing fears that State interference with company management and stock market activities may grow in future.

On the day Lok Sabha passed

the Companies Bill, the Finance Minister disclosed that a Bill to regulate stock market trading will be introduced in Parliament soon. Such a Bill has been in the offing for some time now. It is not difficult to understand why stock markets have reacted unfavourably to the Finance Minister's disclosure in Parliament that the Government will soon introduce a Bill to regulate stock market trading. It will be the aim of such a Bill to check undue speculative activity. But investors should have nothing to fear from such a Bill.

This week's weakness in equities is partly due to technical reasons. From the Budla rates in the last settlement, it is clear that there is an active "bull" position in Indian Iron. Some of the tired "bulls" have since liquidated their holdings. Though healthier, the technical position in some of the clearing shares is still vulnerable. It is, therefore, only to be expected that the market will take some time to complete the process of digestion.

Despite this week's fall in equities, Engineering Shares remain comparatively steady. This is partly due to the fact that there is still interested buying in some Engineering shares in order to acquire control in some companies. It is partly due to the fact that some engineering companies will soon be issuing bonus shares. What of taxation of bonus shares? Operators are now arguing that, despite the Finance Minister's recent statement, bonus shares may not be taxed. That, of course, remains to be seen.

Fall in Tea shares has also not been as steep as in some other shares. For one thing, it is now realised that auction prices may continue to be satisfactory. In the circumstances, it is argued that this year's profits of tea companies may not be as bad as apprehended some months ago. These factors explain why Tea shares are not falling. Even so, buyers are reluctant to lend support to these shares because of fears that the tea industry's production costs may increase owing to higher wage disbursements.

There are reasons why Jute shares remain inactive. Apprehensions are growing that Pakistan will soon emerge as a very powerful rival to

India as an exporter of jute goods. Recently, India lost a valuable American order for hessian to Pakistan. There are reports that Pakistan is still under-quoting hessian in overseas markets. This was the main reason for the recent heavy fall in the prices of jute goods. There has since been a recovery in both raw jute and jute goods. But the situation remains fluid.

Raw jute was falling because of regular and heavy arrivals of the raw material to moffussil markets in both Pakistan and India. A few days ago, rumours were current that this season's Pakistani crop will not be as heavy as estimated in private trade circles. There was a spurt in raw jute prices. But the spurt was not sustained. As raw jute resumed the downward trend, jute goods continued to drift down. Both raw jute and jute goods remain irregularly lower. That is why, jute shares remain hesitant and inactive.

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Paid-up Capital 3,14,54,250
Reserve Fund and other Reserves 4,01,00,837
Deposits at 31-12-54 1,24,21,26,680

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Can Mahalanobis Do It?

(Continued from page 1117)

The "basic strategy" calls for further examination. Let us first deal with the proposed technique of increasing purchasing power "through investments in the heavy industries in the public sector and through expenditure on health, education and social services." It is worthy of notice that in laying down this basic strategy, Prof. Mahalanobis makes no reference to the specific method of financing the investment outlay which is supposed to lead to an increase in purchasing power. It is, of course, clear that an increased investment outlay will lead to an increased demand for consumption goods from those who are newly employed. But will increased investment as such regardless of the method of financing it lead to a net increase in demand for consumption goods in the economy as a whole? If the new investment is financed by taxation or by voluntary savings there need be no net increase in purchasing power. In so far as additional taxation is paid by cutting down consumption or by cutting down savings this is obviously the case; for even if savings and not consumption are cut down, there will be a reduction in the volume of private investment. If, however, the taxes are levied on the richer section of the community, and if they pay them by reducing the consumption of luxury goods, there may be a net increase in the demand for wage-goods.

When, however, we come to the financing of investment from voluntary savings through public loans, it is difficult to see how there could be a net increase in purchasing power. In his article in the *Indian Economic Review* of February 1953, Dr V K R V Rao asks "whether investment outlay need necessarily result in deficit financing in the sense of creating a net addition to National outlay or aggregate expenditure", and goes on to say, "this need not be so if the investment outlay undertaken is equivalent to the expected and realised reduction in the outlay on consumption, i.e. if planned investment is equal to planned savings." (page 57). We are, however, not overlooking the fact that if idle hoards are utilised to pay taxes or to contribute to public loans, there will be an increase in purchasing power. But this increase is negligible and so it appears safe to conclude that increased investment financed by additional taxes or

voluntary savings will not lead to a net increase in demand.

It is, therefore, rather strange that Prof. Mahalanobis should speak as though investment per se will lead to an increase in purchasing power. However, it may be argued, that the Second Plan contemplates deficit financing of the order of about Rs. 1000-1200 crores for investment purposes and that this will generate new demand. This is true. But according to Prof. Mahalanobis, increase in purchasing power is to be brought about through expenditure on social services also. He is reported to have said in his Madras speech, "If they appointed a teacher, his salary would give him new purchasing power, and create a new demand for consumer goods. This latter would have to be satisfied either through factory production or hand-production." (*The Hindu*, Aug. 3, 1955). In this connection we wish to recall the Finance Minister's declaration at his Press Conference in Madras on May 26, 1955, that expenditure on social services, (as distinguished from investment) should and would be financed only through tax revenue. (*Indian Express* May 28, 1955).

If this be so, it is difficult to see how the new teacher's salary, coming as it does, through a diminution in other people's salaries, will lead to additional demand which has to be met by increasing consumption output. This part of the basic strategy would not work at least as far as the social services are concerned.

Let us now consider the second part of the strategy, i.e., increasing the supply of consumption goods. It may readily be granted that an increased output of consumer goods (leading to a marketable surplus) if this were possible without slowing down the rate of investment, would facilitate a higher rate of investment, for more labour could then be supported in the investment sector without affecting the consumption of others. But for a simultaneous increase in consumption output to be possible, there must be enough of idle but utilisable resources in the economy to make possible not only increased consumption output, but also higher investment. In other words, it is not just a problem of increasing the marketable surplus of consumption goods, "but of doing

it in spite of the increase in investment.

The term 'unutilised resources' might be used to mean the following different kinds of resources: (a) Excess capacity in organised industries represented by under-utilised equipment and under-employed skilled personnel; (b) unemployed, unskilled labour; (c) unexploited resources like deposits of various ores, unreclaimed land and water for hydro-electric projects; (d) under-employed craftsmen and under-utilised equipment in the household industries; (e) under-utilised land. All these resources facilitate economic development; but not all of them are in a readily utilisable form nor can make possible increase in output without prior investment. Thus, unexploited resources are not utilisable until after the capital goods necessary to exploit them are ready. Unemployed labour may have to be trained for many purposes. Even apart from this, when unexploited resources and unemployed labour alone are brought together, not much can come of it. Unutilised resources coming under categories a, d, and e, would be helpful in increasing consumption output at the same time as investment. But the presence of any one resource alone is of no great use. Thus, the existence of under-utilised equipment by itself cannot ensure a quick increase in consumption. Increased quantities of raw materials etc. must be available. In an economy based on division of labour, the production of a commodity is a long process. In order that increase in output may be possible, excess capacity must be present at every stage. For instance, there must be the possibility of increasing transport services to distribute the products or to transport the raw materials. If there is no excess capacity in such services, the necessary performance of the same services in the investment sector will be impeded.

It has been assumed by many economists including Dr V K R V Rao, that in an under-developed country like India, there is not enough excess capacity in the economy to make possible a quick rise in consumption output. That is why they have argued that as a result of a rise in investment, the multiplier will work in money terms, but not in real terms. To quote Dr Rao, "Thus the primary increase in investment and therefore increase in income and employment leads to a secondary and tertiary increase in income, but not to any noticeable

increase in either output or employment, in either the agricultural or non-agricultural sector. The multiplier principle, therefore, works with reference to money income but not with reference either to real income or employment." (*Indian Economic Review* page 60 No. 1. Vol. I)

The Multiplier Ignored

The operation of the multiplier principle seems to have been ignored by Prof. Mahalanobis. He has made no mention of it and the idea or aim as seen from the Draft Plan-frame, seems to be to attempt to increase consumption output to just the extent necessary to meet the demands from those who are newly employed in (Public) investment sector, social services and Public works. But whether or not Prof. Mahalanobis has taken into account the operation of the multiplier, we have to reckon with it in any scheme designed to increase purchasing power. When new purchasing power is injected into the system there is a primary increase in the demand for consumption goods. In the Plan-frame this is supposed to be met by arranging for increase in the supply of consumer goods. But when this is done, the workers in the consumption goods sector will have new or higher money incomes and these will generate (a secondary) increase in the demand for consumption goods. This increase in demand will be more or less equal to the new incomes created because the propensity to consume is high in India. This process would continue, but only upto a point and not indefinitely, because part of the increased incomes will be saved and another part will be taken away in taxation. However, the ultimate increase in the demand for consumption goods will be much greater than that arising from the primary rise in incomes in the Investment industries. It follows that the increase in consumption output necessary to prevent an inflationary rise in prices will have to be larger than what is necessary to absorb the purchasing power created in the investment sector. If the strategy is one of "increasing purchasing power", then the amount of unutilised resources has to be considerable.

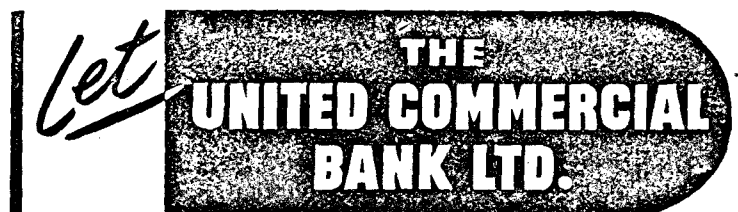
It might be argued that the increase in consumption output is certainly not going to be brought about merely by the utilisation of idle resources and that the investment that has been, is being, and will be undertaken (in Sector No. 2), will increase the resources necessary to

produce consumption goods. The Tentative Framework does hint at some such thing (p. 6, para 22.) But the crucial question is, on what is the main reliance placed in the 2nd Plan to increase consumption—on the utilisation of idle resources or on investment itself? If it is the latter, the basic strategy could not be one of increasing purchasing power in the initial stages. We would have to start with the resources for investment made available through voluntary savings and taxation and then, if necessary, increase purchasing power as and when consumption output increases. This latter would enable the absorption of increased output and thus prevent a fall in prices which might distort the relative price structure and bring distress to many sectors of the economy. This would be the part that credit creation would play in a development programme. But according to Prof. Mahalanobis the main or basic strategy is to be one of 'increasing purchasing power' and 'creating a demand' for consumer goods. And this could succeed, as we have shown, only if there are considerable amounts of idle resources.

The extent of the idle or unutilised resources present in our economy is not exactly known. The Tentative Framework refers to the existence

of considerable excess capacity in some of the organised industries. There may also be some excess capacity in the house-hold sector. But these by themselves will not be sufficient to support a large investment programme based on the technique of 'increasing purchasing power'. There must be general slack in the economy such as to be found in an advanced economy in a time of depression.

When the U N Report we have referred to earlier, argues that Investment and Consumption cannot be easily made to increase at the same time in an under-developed economy, it is arguing on the basis of lack of effective excess capacity. When Dr V K R V Rao argues that the multiplier works only in terms of money incomes, he also bases his argument on the lack of effective excess capacity. Thus the Mahalanobian strategy runs counter to the theory developed in recent times. Not that thereby he is proved wrong. It is too early to make a judgment on that. But if his basic strategy of increasing purchasing power is adopted and is successful, it would lead to a revision of some currently held ideas. The presence of a large volume of unutilised resources will call for an explanation on other than Keynesian lines.



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CURRENT STATISTICS

BANKING RETURNS				
Rs Crores				
Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1301.65	1292.98	1307.13	116.26
2. Rupee Coin	109.32	109.67	107.73	104.28
3. Deposits				
a) Central Government's	58.47	64.38	75.02	135.16
b) Banks'	48.39	54.98	53.73	59.24
c) Other Governments'	13.92	40.15	9.44	11.16
d) Others'	16.37	18.87	15.65	34.58
4. Foreign Securities	671.81	656.31	637.04	613.15
5. Balances held abroad	49.22	63.10	81.94	117.81
6. Rupee Securities	493.91	508.91	543.68	421.22
7. Investments	48.77	63.19	62.02	95.41
8. Loans and advances to Governments	0.37	0.25	3.37	1.45
Scheduled Banks				
1. Demand liabilities (net)	593.67	599.22	590.79	545.95
2. Time Liabilities	409.78	409.06	410.41	351.87
3. Cash on hand	33.18	33.27	34.37	30.37
4. Borrowings from Reserve Bank of which against Usance Bills	20.62	16.48	8.99	3.42
5. Advances and Bills discounted of which State Bank's	572.71	563.90	561.12	501.77
6. Investments of which State Bank's	379.45	378.28	369.91	342.63
Cheque Clearance	127.70	131.10	109.79	101.43
†For Reserve Bank and Cheque Clearance week ended 9-9-55. Scheduled Banks week ended 2-9-55.				
Bombay Money Rates	9-9-55	2-9-55	12-8-55	10-9-54
Inter-Bank Call Rate	2½	2½	2	2½
3 months deposits	2½	3	2½	2½
6 months deposits	3	3	2½	2½
Bombay Bullion	15-9-55	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	95- 4	95- 2	95- 0	87- 9
Forward	†	†	†	87-11
Silver (per 100 tolas)				
Spot	165- 8	165- 0	161- 0	155-10
Forward	†	†	†	156- 0
† no trading				

COTTON STATISTICS						
Mill Consumption (in '000 bales of 400 lbs each)						
Description:	May '55	Apr '55	Mar '55	Feb '55	Jan '55	Sept '54 to May '55
Indian	335.8	345.9	350.1	322.6	348.6	3054.7
Foreign	48.1	47.2	51.1	50.1	57.3	491.2
of which						
American*	9.6	12.6	13.2	13.4	14.9	135.2
Egyptian	15.0	14.7	15.6	15.1	17.9	153.2
E. African	18.4	15.3	16.7	18.4	20.5	165.1
Sudan†	4.7	4.03	3.9	3.2	2.7	28.2
Pakistan	xx	0.12	0.99	0.09	0.87	4.8
TOTAL	431.6	393.1	401.2	372.7	405.9	3545.9
Consumption in corresponding periods a year ago:						
Indian	321.01	322.6	314.9	311.4	348.1	2908.2
Foreign	64.80	61.7	58.3	56.4	55.7	525.9
TOTAL	385.81	384.3	373.2	367.8	403.8	3434.1
* Includes both United States and Peruvian cotton.						
† Includes both Sudan Egyptian and Sudan American						
xx Negligible						
Mill Stocks of Cotton (in '000 bales of 400 lbs each)						
	May '55	Apr '55	Mar '55	Feb '55	Jan '55	
Indian:						
1954-55	1587.4	1478.4	1346.4	1161.2	1043.9	
1953-54	1280.2	1252.0	1168.5	1032.1	907.3	
Foreign:						
1954-55	145.9	138.9	145.8	135.4	135.7	
1953-54	209.0	201.8	163.9	146.2	167.3	
Source : East India Cotton Association						
Cotton Imports (in '000 bales of 392 lbs each)						
Source	May '55	Apr. '55	Mar '55	Feb '55	Sept '54 to May '55	
USA	2	0.5	19	19	91	
East Africa*	30	35	16	12	165	
Egypt & Sudan	20	15	8	34	140	
Other countries	1	2	1	1	9	
TOTAL	53	57	44	66	405	
Total imports in corresponding months of the previous year						
	114	96	92	40	508	
*Includes Kenya, Tanganyika and Uganda.						
Source : Indian Trade Journal						
Cotton Exports (in bales)						
Exports from 1st Sept '54 to 25th Aug. '55						
Destination	1954-55		1953-54		1952-53	
United Kingdom	43,852		14,566		16,250	
Continent	67,655		26,533		105,304	
China, Hongkong	5,603		293		318	
	23,128					
Japan	121,826		69,119		155,597	
USA	17,115		12,919		43,138	
Other foreign countries	2,587		1,603		6,486	
Total all foreign countries	281,764		125,033		327,093	
Coast Ports	152,376		165,526		141,349	
TOTAL	434,140		290,559		468,442	
Source : East India Cotton Association.						

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-Group	Week ended 27-8-55	Week Ago	Month Ago	Year Ago
I Food Articles:	318.5	320.5	313.3	365.1
Cereals	386	386	364	405
Pulses	267	285	278	306
Others	236	237	246	317
II Industrial Raw Materials:	404.6	405.3	414.6	426.5
Fibres	414	415	427	430
Oilseeds	380	385	390	430
Minerals	420	411	422	411
Others	419	419	418	403
III Semi-Manufactures:	325.1	326.8	325.7	352.8
Leather	337	338	316	372
Mineral Oils	201	201	201	221
Vegetable Oils	371	383	390	443
Cotton Yarn	407	407	406	458
Metals	257	257	256	238
Oilcakes	332	338	339	415
Others	330	330	329	302
IV Manufactures:	370.6	371.2	371.8	377.2
Textiles	416	407	408	421
Jute	416	423	429	448
Cotton	402	402	402	415
Rayon & Silk	474	474	474	464
Woollen	278	278	282	310
Metal Products	352	352	352	340
Others	284	236	286	286
V Miscellaneous: All Commodities:	562.4	563.2	554.6	610.2
	357.2	358.5	357.2	384.8

GOLD HELD BY INTERNATIONAL AGENCIES AND GOVERNMENTS

(Millions of U S Dollars)

	1937	1953	1954	March 1955
World Total	25,250	35,950	36,500	—
International Agencies	4	2,048	2,089	—
International Monetary Fund	—	1,702	1,740	1,744
European Payments Union	—	153	153	153
Bank of International Settlements	4	193	196	204
United States	12,780	22,091	21,793	21,763
Canada	180	986	1,073	1,092
Latin America	725	1,950	1,850	—
Continental EPU Countries	5,975	5,100	5,650	5,775
United Kingdom	4,141	2,300	2,550	2,450
Other Sterling Countries of which India	500	650	675	550
Rest of the world	(274)	(247)	(247)	(247)
	975	850	825	825

World Gold Production* (Millions of U. S. Dollars)

	1937	1952	1953	1954
World Total	1034	852	849	900
Sterling Area	546	512	519	569
South Africa	411	413	417	463
Gold Coast	19	24	25	27
S. Rhodesia	28	17	17	19
India	12	9	8	8
Canada	144	156	142	152
United States	144	67	69	65
Latin America	82	61	62	56
Asia—excluding India	81	30	32	32

*Excluding USSR, China, Bulgaria, Czechoslovakia, Hungary, Rumania and North Korea (beginning 1948).

Source: International Financial Statistics

ELECTRICITY GENERATION AND DISTRIBUTION

(Monthly Average or Calendar Month)

		Distribution (in million kwh)						
		Domestic consumption	Commercial light and small power	Industrial power	Public lighting	Traction	Irrigation & sewage pumping	Total
1948-49	..	390.1	34.8	20.3	206.0	4.2	23.8	14.7
1952-53	..	525.1	51.5	29.2	275.6	6.0	27.7	19.4
1953-54	..	573.1	68.3	31.7	298.1	6.5	29.7	19.1
1954-55	..	646.6	62.6	28.9	344.6	7.5	31.7	20.0
1954 May	..	639.9	61.1	40.5	325.6	6.9	33.8	23.6
June	..	629.4	61.6	37.7	325.9	6.9	32.6	22.2
July	..	633.4	62.3	37.5	338.6	7.1	31.9	15.6
August	..	635.0	64.9	37.2	338.8	7.3	27.3	11.7
September	..	647.6	65.0	37.4	344.6	7.4	27.6	18.4
October	..	626.5	63.7	35.3	336.6	7.7	30.8	14.9
November	..	656.5	63.4	35.2	351.2	7.7	31.9	22.5
December	..	683.5	63.2	36.2	370.9	8.1	33.2	23.0
1955 January	..	668.5	62.1	36.3	362.5	8.0	32.1	21.4
February	..	628.7	60.8	35.1	346.7	7.5	29.4	20.7
March	..	693.7	63.3	38.7	375.5	7.9	35.2	24.2
April	..	691.1	62.6	43.6	368.9	7.6	32.0	25.6
May	..	706.5	64.2	39.7	377.2	7.8	34.1	21.5

Source: Ministry of Irrigation & Power

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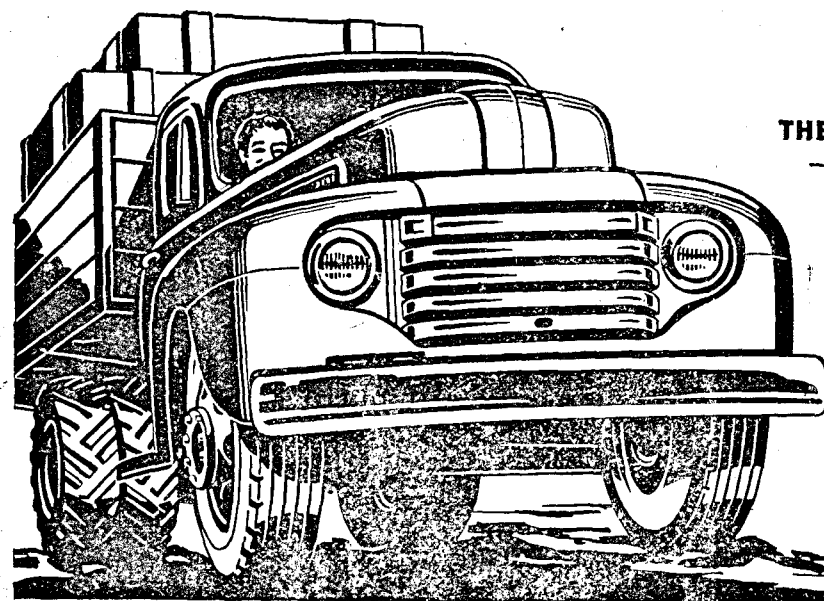


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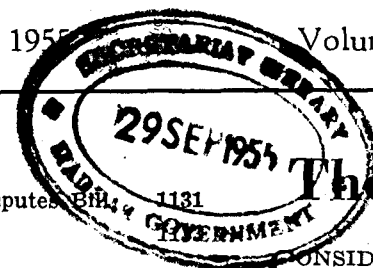
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The Industrial Disputes Bill

CONSIDERING the issues of principle and practice involved, it will be a miracle if the Industrial Disputes (Amendments and Miscellaneous Provisions) Bill, 1955, introduced in the Lok Sabha this week by the Union Minister for Labour, has a smooth passage. The Bill aims at setting right, in consonance with the ruling Government's views, the balance of power between the employer and the employee. And as in all cases of this sort, endowing one of the parties with certain privileges—howsoever reasonable they may be—will make the other fight ferociously before yielding. The House is not wanting in members with pronounced leanings towards one or the other of the parties involved in industrial disputes. Such of those who are not so openly attached to Labour or Capital might find it difficult to take a firm judgment on the various clauses of the Bill. They will either succumb to the better organised lobby or try conscientiously to hedge the privileges so as to prevent their being misused. All this will result not only in delay, but probably also in significant changes in the provisions of the Bill. For better or for worse, a democracy has to make allowance for these.

It is, therefore, too early to visualise the shape that the Bill will take when it is finally passed by Parliament. But it is not too early to discuss whether or not the direction in which the Bill wants to take us, and the speed with which it desires us to move are the right ones. Such discussion is of supreme importance because no earthly being, however sapient he might be, can decide what the right course is for society as a whole. Indeed, all judgments as to whether a particular step is the right one in the right direction has to be ex post facto. Ex ante, one can only surmise on the possible advantages or disadvantages of altering the balance of power between Labour and Capital through a particular legislative measure.

The proposed Bill aims at two things. Firstly, it seeks to amend the Industrial Employment (Standing Orders) Act of 1946, with a view to conferring certain rights on the workman which he so far did not have. It seeks, in the second place, to repeal the Industrial Disputes (Appellate Tribunal) Act, 1950 and provide an alternative machinery for settlement of industrial disputes. Of the two, it will probably be the former that will arouse heated debate. For, the suggestions regarding the machinery for settling disputes are linked to the question of solving the disputes, once they have come up. But the amendments to the standing orders are concerned with narrowing down the area of dispute, by clarifying the procedure to be adopted in changing the conditions of work.

It is, of course, possible that the suggested changes in procedure might in practice prove ineffective. That apart, the objective is based on the philosophy that by hedging meticulously the scope for unilateral action, open conflict might be avoided. And it is on this that people will disagree—depending on whether they consider workers as having at present too much or too little power to decide the conditions under which they will work.

September 24, 1955

THE ECONOMIC WEEKLY

The main extensions of the workman's privileges consist in the provisions (a) that the employer shall not introduce any change in respect of certain specified matters without giving to the workman twenty-one days' notice of his intention to do so; and (b) that workmen might henceforward take steps to modify the existing standing orders. The first of these obviously limits the power of the employer to introduce changes suddenly, while the latter extends to the workmen a power which only the employer so far had. Ideally, these provisions could help resolve differences of opinion between the worker and employer regarding the suitability of any change in working conditions through discussion and negotiation—since notice of the change has to be given, and the workers have an equal chance of initiating amendments to the standing orders. But in actual fact, it may cause conflict if either of the parties approaches the issues without due sense of responsibility.

It will doubtless be argued that where good relations exist between the employer and the workmen, these alterations in legal status are unnecessary. The wise and sagacious employer will, whether law requires it or not, try to get his employees to agree to a change in conditions of work before introducing it. Equally, workmen with a sense of responsibility for the well-being of the concern in which they are employed will not suggest modifications that are impracticable or injurious to the other party or parties concerned. But not all employers or employees will be cast in this mould. And in an acquisitive society, energy will be devoted to enlarging personal gain, even if it be at the expense of someone else. Where the employer-employee relationship is such that each tries to utilise every opportunity to mulct the other of his share, these modifications will probably increase rather than diminish conflict. In other words, neither the very good nor the very bad will be affected by the modifications suggested. It is the in-betweens that might find some comfort.

Judged from the point of view of equity, it is right that the workman should have a clear say in the matter of how and under what conditions they will work. It is enough for a modern society

to say that if a worker does not like the conditions of work, he is free to quit the job. It is a freedom which few workers can in real life exercise without suffering for it. Even more important is the fact that for the economic well-being of a community, conditions of work should be such that the worker is eager to put forth his best effort; and this he will not do if he has no voice in deciding the environment for his activity. Despite all this, the Bill will provoke many to cry havoc. There is amongst the vocal elements in the industrial field already the complaint that the Government is trying to pamper labour; and that as a result of this, it is impossible to get labour to work efficiently. Probably, there is some truth in the argument that a feeling of security of tenure is conducive to laxity and laziness. But there is little doubt that the remedy lies not in making the worker feel powerless and completely at the mercy of his employer, but in giving him discretion and a stake in the well-being of the concern, as well as the community. It would, therefore, appear to be neutral that the Bill is oriented in the right direction, at least in so far as the amendments to the Industrial Employment (Standing Orders) Act are concerned.

On the other side, the Bill proposes the abolition of the Labour Appellate Tribunal and the setting up of three types of original tribunals, viz., Labour Courts, Industrial Tribunals and National Tribunals. The last of these are intended to cover disputes which involve questions of national importance, or which are such that establishments in more than one State are likely to be affected by the dispute. Reference of disputes to the National Tribunals will have to be by the Government of India. In regard to the other two, the jurisdiction would be limited to disputes in specific areas and references may be made to them by the parties concerned or the State Governments.

Whether this three-tier machinery will prove more efficacious than the existing system in resolving industrial disputes speedily and satisfactorily has to be seen. But one cannot help feeling that a new area of dispute is opened up by this hierarchy viz., deciding which disputes are of national importance and which are not. To the extent that any dispute leads to a strike or

lock-out and results in reduced output, the economy as a whole suffers. In that sense, national considerations creep in every time there is an industrial conflict. Some of these are palpably more injurious to the economy than others—such as a railway or dock strike or a bank strike. But there will be many border cases, in respect of which the propriety of leaving the matter for settlement to a Labour Court or Industrial Tribunal might be questioned.

Presumably, some arbitrariness in these matters is inevitable. That apart, there is probably some advantage in dispersing responsibility for the settlement of disputes. Proliferation of these bodies will mean that more men will have to look into cases of industrial conflict, and this in itself might help a careful appreciation of the position taken by the contesting parties. In any event, Government cannot avoid resorting to an alternative method when the feeling is general that the existing machinery is inadequate to ensure industrial peace. Whether the three-tier system will yield better results than the industrial Courts and the Labour Appellate Tribunal is, as we said earlier, yet to be seen.

Measures like the one that is before the Lok Sabha are, at best, palliatives. They cannot and should not be expected to usher in an era of industrial peace and concord. It is in the very nature of modern society that such disputes should arise, since men will not always agree, with the best of intentions, on the share of the national product that should go to the workers on the one hand and the entrepreneurs on the other. But there are things on which everybody could agree—and these are that the status of the workman in society should be raised, and that no dispute can be solved to the complete satisfaction of one of the disputants. Given such general agreement, the Labour Minister's Bill should find favour with the country. Otherwise, even the minor advance towards industrial welfare envisaged in the Bill will become impossible of achievement.

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Spirit of Geneva

WHEN Moscow frowned, the Western Powers argued that there could be no understanding with a potential aggressor. Now, when Moscow has assumed a smiling 'new look', they are intrigued by Moscow's overtures. Ever since the start of the 'cold war', Russia has demonstrated that diplomacy is a game at which two can play. Moscow has always had the diplomatic initiative. Throughout the 'cold war', Russia has claimed that peaceful co-existence is possible. For a long time, the Western Powers refused to accept this claim. Only the grim realisation of the fearful consequences of an atomic war forced the Western Powers to accept co-existence as a basis of understanding with Russia. At Geneva, during the 'summit' talks, the Western Powers were impressed by Russia's peaceful intentions. Dr. Konrad Adenauer, Chancellor of West Germany, has expressed his belief that Russia is sincere in her desire for peace.

Russia's peaceful intentions are now conceded. But it is insinuated that she has ulterior motives in desiring peace. Moscow has never been insincere in her reasons for ensuring world peace. M. Khrushchev is honest to a fault. He is blunt, but not dishonest, in his warning that Moscow's smiles should not be interpreted to mean that Russia has any intention to abandon Communism.

Not only will Russia not reject Communism, but, in urging the Western Powers to reach an agreement to maintain world peace on the basis of co-existence, she has made it abundantly evident that she will not abandon her policy of converting other countries to Communism. She hopes to establish the superiority of Communism through competitive co-existence. This is a legitimate aspiration as long as it is pursued through peaceful means. Like Russia, the Western Powers are equally entitled to demonstrate the superiority of Capitalism. Any lasting agreement between Russia and the Western Powers can only be reached on the clear understanding that each side will work for the spread of respective ideologies.

This is the wider canvas against which Russia's post-Geneva moves have to be assessed. Russia's peaceful deeds multiply. At her initiative, diplomatic relations have been estab-

lished between Bonn and Moscow. Russia has signed a treaty to restore East Germany's sovereignty. She has offered amnesty to Russian collaborators with Germany during the last war. This is a generous gesture. Other Communist States in Eastern Europe have already made similar offers of amnesty. There are reasons why Moscow is more lenient in her attitude to Eastern Germany than in her policy to Western Germany. But it is welcome news that Russia has agreed to discuss the question of return of German war prisoners with Eastern Germany.

Equally significant, is Russia's gesture to Finland. Even those who may be inclined to stress the diplomatic motives behind Russia's recent policy towards the two Germanies will concede that her gesture to Finland is generous. Russia's renunciation of her naval base at Porkkala in Finland is as dramatic as it is magnanimous. There has been a tendency to belittle this Russian gesture on the argument that Russia has lost no strategic advantage in withdrawing from the Finnish naval base. Admittedly, Russia now has alternative naval bases in the Eastern Baltic.

But it should not be ignored that Porkkala is a naval base which can be readily fortified to bring Leningrad within easy striking distance of the fleet air-arm. Nor should it be forgotten that Finland joined Germany in invading the Russian mainland. Russia was under no political compulsion to show mercy to her former enemy. Finland is an independent-minded, non-Communist State to which Communist Russia might be expected to be rigid, if not hostile. By reaching an agreement with Finland, with whom Russia can feel no social or political affinity, Russia has demonstrated her desire to come to an understanding with Western Powers on the basis of peaceful co-existence.

Though peaceful, Russia's recent overtures to the two Germanies need to be appreciated in the context of the forthcoming Geneva Conference of the four Foreign Ministers. Even as Moscow has recognised Bonn so as to facilitate economic intercourse later, there are reasons why Eastern Germany's sovereignty has been restored. With sovereignty restored, East Germany is now free to discuss her relations with West Germany.

Admittedly, there are motives behind Russia's diplomatic moves to foster direct talks between the two Germanies to reach an agreed plan for a future, sovereign, united Germany. Russia has made it abundantly evident that she will not agree to a plan for Germany which involves West Germany's integration with NATO.

It may be assumed that an agreement between Russia and the Western Powers on Germany must imply a comprehensive arrangement for the security of Europe. But, while the Western Powers approach the German problem on the assumption that they and Russia will have to devise a solution, Russia is more diplomatic in implying that the problem of Germany is the prime concern of the people of Germany. Russia's recent moves are aimed at encouraging the two Germanies to reach an agreement through mutual negotiation. This is a diplomatic triumph which Russia has scored on the eve of the Geneva talks among the four Foreign Ministers next month.

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Weekly Notes

Principles, Parties and Persons

THERE is not much cause for surprise in the decision of Mr. Ghulam Mohammed, Governor-General of Pakistan, to relinquish his office a little more than a month after his going on leave. The nature and course of his illness made it almost certain that he would have to quit power sooner or later. What is surprising, however, is the manner in which a section of the public and the press seemed to hush the ailing Governor-General out of office. There appeared to be little grace in the controversy that had been worked up over his illness, his leave and the treatment that was being given to him at State expense. It is true that Mr. Ghulam Mohammed was not given to much ceremony in disposing of political opponents or those who did not meet with his approval. Whether there should have been any return of compliment, now that he is unable to hit back, is a question that is bound to assail those who still set store by certain decencies of public life.

Democracy may be no respecter of persons; but there has been evident in Pakistan a trend which would make of public men no more than handy instruments to be used for a particular purpose and then thrown on the scrap-heap. Were there well-organised, well-disciplined parties in Pakistan, this would not have mattered much to the progress of the country. But with a few able individuals bulking larger than parties there, one feels that there might well be a little more care in expending leadership material. Political stability can come only when there is faith in basic principles, parties or a few dependable individuals; but when there is abiding faith in none, the outlook cannot be very encouraging.

The argument that the lack of too much faith in leaders is a healthy antidote against dictatorship carries little conviction in the case of Pakistan at least; for while Jinnah or Liaquat Ali Khan were alive and in power or Ghulam Mohammed was in good health and in a position to assert himself, their rule had all the elements of a personal dictatorship. The political forces in Pakistan may have no respect for fundamental human values

which are of an enduring type; but they certainly appear to have a healthy regard for bravado and obvious strength, which are apt to pass away and which provide no lasting foundation for political evolution or national growth.

Mr. Ghulam Mohammed came to power at a time when, with the passing of Jinnah and Liaquat Ali Khan, there seemed to be none in view to take control of the troubled affairs of Pakistan and when power-seeking politicians were at one another's throat and political groups were disintegrating as fast as they had sprung to life. Within a short time of his coming to power, he showed that he was not going to be a mere figure-head; and in three years, through bold decisions and drastic actions, he came to be the only man that mattered in the whole of Pakistan. Politicians were reduced to playthings, the legislature was reduced to a convenience, and triumphing over them all was the executive personality of the Governor-General operating through a puppet-show of Ministers.

A Man of Crisis

IT was the triumph of what may be called the one-track 'service' or bureaucratic mind over the squabbles, hesitations and bargainings of politics; and though in the process, democratic processes were set at naught, the country was saved again and again from serious trouble, albeit temporarily. For that, credit is certainly due to Ghulam Mohammed, and also perhaps a certain measure of gratitude from his people; but thoughtful people, seeing the host of problems that he has left unsolved behind him, may well ask whether in purchasing stability at such great cost to democracy, Pakistan acted wisely at all. It may be that if Ghulam Mohammed could guide the destinies of his country for a few years more, he would have tidied up things in his masterly way; but as things are, this must remain a piece of idle speculation. And Ghulam Mohammed is less likely to be known to history as an outstanding administrator, a far-seeing statesman or a leader who put Pakistan on her feet than as a plucky ruler or rather as a man of crisis.

Succeeding him is Major-General

Iskander Mirza who also answers to the strong man type, though perhaps without the vast administrative experience, the power of handling men and mental agility which distinguished the retiring Governor-General. In a sense, Mirza faces a situation in Pakistan not far better than what his predecessor had to face, though one may not go so far as to describe it as definitely worse, what with the damage that has been done to democratic growth in the preceding years. Anyway, the posture of affairs would seem to be not unfavourable to the conversion of the one-man rule of the previous regime with the trappings of democracy into a full-fledged dictatorship without the trappings—frank and unabashed. And Major-General Mirza is an Army man. Whether the power that has passed out of politicians' hands into those of servicemen will see yet another transfer is a question that cannot but agitate those in Pakistan who are still trying to keep their faith in democracy alive, however disillusioning the experience of the past might have been.

It is a question that is bound to cause concern to democratic-minded people outside Pakistan too. And the first few actions of the new regime, particularly the arrest of Khan Abdul Gaffar Khan, have not been such as to obviate this concern. One may not deny that Pakistan has been facing an extraordinary situation for some time now; but in resorting to extraordinary measures to deal with an extraordinary situation, irreparable harm may be done to ordinary values—the values that constitute the very springs of human rectitude and righteousness. The immediate past has been too redolent of this to escape notice.

Cambodia

OF the three States in Indo-China, in Cambodia alone have general elections yet been held under the Geneva Agreement. Laos will hold the elections later this year. In Viet Nam, the situation has been complicated by the refusal of South Viet Nam to discuss arrangements with North Viet Nam to hold the elections. M. Diem, South Viet Nam's Premier, has let it be known that

he owes no obligation to accept the Geneva Agreement as it was concluded by France, and not by his Government.

In the Cambodian elections, Prince Norodom and his Popular Socialist Community Party have swept the elections held recently. After the Geneva Agreement, Prince Norodom abdicated the thrown in favour of his father to fight the elections. His victory was not unexpected, though only a few could have anticipated that he and his party would capture all the seats. Prince Norodom is a colourful political personality. He, it has been remarked, has the make-up of General de Gaulle. His party has been compared with the General's "People's Assembly". It is not without significance that Prince Norodom and his Popular Socialist Community are opposed to the parliamentary system of government. Abolition of direct elections and the introduction of indirect voting by village assemblies are the major issues on which the Prince and his party fought and won the elections.

Some of the statements issued by Prince Norodom since his party swept the elections would seem to indicate that his political rivals were wrong in labelling him as a dictator. He may dislike the Cabinet system of government. But he is in favour of limited monarchy. Prince Norodom would, perhaps, not mind being described as a benevolent despot. His constitutional plans may not vest sovereignty in the people. But his plans seem to be aimed at establishing the village as the basis of Society and of the State. Cambodia is the only Hindu State in Buddhist Indo-China. Prince Norodom's political ideologies are not entirely unfamiliar to Hinduism.

While there may be speculation as to whether Prince Norodom is an aspiring Ataturk, his enunciation of his foreign policy discloses that he is familiar with world affairs. He rejects the status of an Associate State of France for Cambodia unless the French offer means and implies a status similar to the status of a member of the Commonwealth of Nations. His foreign policy is based on non-involvement in power blocs. He will recognise both Communist and non-Communist States. He will try to be independent of American financial and military aid. He will seek membership of the United Nations. His attitude to the neighbouring States is not undiplomatic. He will

not recognise Viet Nam until elections are held, nor China as long as the two Chinas continue to exist. Prince Norodom is, admittedly, a Cambodian patriot. There will be hope that the former King will not exploit the circumstances to assume dictatorial powers.

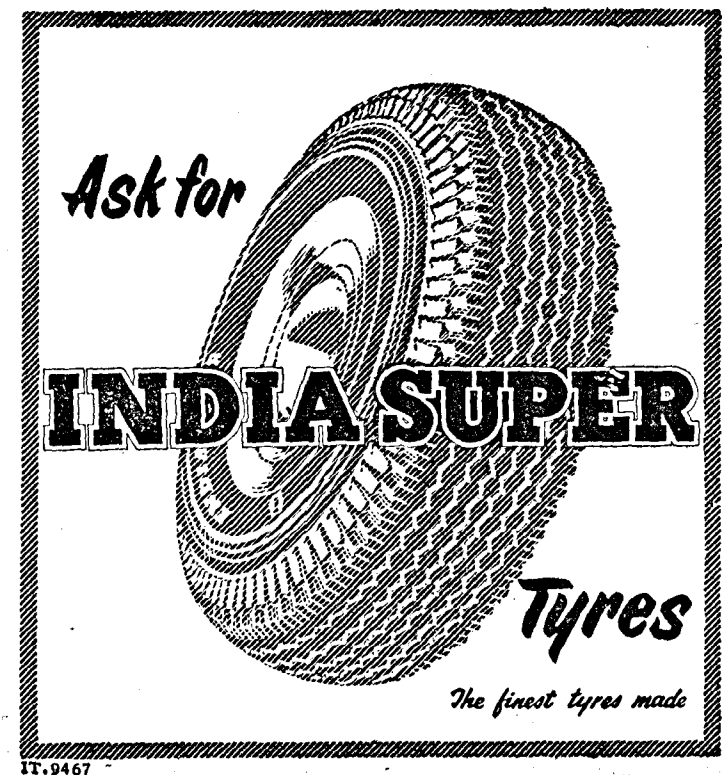
Andaman and Nicobar

RECENT reports suggest that the Government of India are paying more attention than hitherto to the Andaman and Nicobar islands. The main aim of the plans currently being implemented is to augment the supply of labour and other productive resources available in the islands by encouraging the immigration of people from the mainland and providing them, as well as the original inhabitants, with the finances necessary for exploiting the rich natural resources. It is intended to clear 20,000 acres of land for paddy cultivation and allot it equitably to 4000 agricultural families by 1958. About 1257 families (or 5000 persons) from West Bengal, Travancore-Cochin, Madras and Bombay have already been settled since 1949; and during the current year (1955-56) out of 500 agricultural families expected to settle in the islands, 431 families have already moved in. Each family in the islands is to be allotted 10 acres of land, 5 acres of

which would be from the cleared area, for purposes of cultivation. A loan of Rs. 1730 towards house-building, purchase of live-stock and agricultural implements and a grant of Rs. 1050 for maintenance purposes are also given.

There are other schemes of development for the welfare of the community: a sum of Rs. 3.23 lakhs has been provided in the current year's (1955-56) budget for dispensaries, hospitals, etc. The possibilities of tapping oil deposits in Port Blair will also be explored. It is further proposed to develop several extractive and processing industries in the islands. By the end of the present Plan period it is expected that timber valued at Rs. 2.5 crores would be available for use and export. There are plans to develop the production of coir, mats, shells etc. and to encourage fisheries.

The main obstacle to development of these islands is the lack of adequate transport and communication—both within the islands, and between them and the mainland. It is of interest to note, that in the FAO Memorandum on the use of surpluses published recently, transport development in the Andamans is cited as a project eminently suitable for financing through food surpluses, because of the immediate results it will yield in the form of timber and other saleable forest



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products. Apparently, the planners have seen the point and schemes are in hand for increasing the number of ships plying between Port Blair and the mainland ports, and for building a network of roads inside.

Natural Gas in Andhra

SCARCELY two years after the discovery of natural gas at Sui in Baluchistan had revolutionised the economic situation in West Pakistan, another discovery of natural gas has been made in the sub-continent—this time in the Amalapuram area in the East Godavari District of Andhra State. If, as has been claimed, immense reserves of natural gas exist in the area, the discovery will bring about a sea-change in the economic prospects for South India. It would go a long way towards solving the problem of energy supply in the South. South India has no coal reserves worth the name. Though extensive deposits of lignite exist in the region, their utilisation is still limited by certain technical factors. The tremendous burden thrown on the economy by the need to transport coal over long distances from the coalfields of Bihar and Bengal, has made industrial development in the region difficult in the past. Hydroelectric power is not plentiful and must be supplemented by thermal power, which implies once again dependence on coal. Natural gas can be used for generation of electricity or directly as a source of power.

Uneasy Argentina

TROUBLE has been simmering in Argentina for some time now. Though the June revolt proved abortive, it was evident that President Peron was fast losing his popularity. Many complex factors explain Peron's fall. In Argentina, as in all Latin American countries, the Army is the most powerful influence. It has been evident that President Peron has been losing the support of the Army, and especially of the Navy. Basically, President Peron's fall is due to his quarrel with the Catholic Church. Since the abortive June revolt, the "descamisados" were encouraged to indulge in wholesale burning of churches. Peronist purges in the armed forces must have fanned the flame of revolt in the Navy. It is clear that the rebels had the support of the large landowners who have always been hostile to the

Peron regime. Even the military leaders in the capital did not support Peron this time. But the events indicate that the rebels are too strong to ignore the military junta which tried to form a provisional government after the fall of Peron.

Argentina has been under the Peron dictatorship for many years. Though a dictator, Peron was not without popular support. His policy to the landowners had popular support. He encouraged trade unions, though he exploited the movement for his personal aggrandisement. His policy of separation of Church and State had the support of all progressive elements in Argentina. Though the revolt has been successful, the rebels have yet to declare their policy. It is not yet clear whether they will retire from politics after they have helped the establishment of a regime. It will be a bad day for Argentina if President Peron is replaced by a reactionary army dictatorship.

Bombay's State Transport

EIGHT years ago the Bombay State Road Transport Corporation commenced operations with only 35 vehicles covering a few small routes in the State. Today, with a fleet of over 3,000 buses and a route mileage of 48,000 miles, the organisation can claim to have expanded sufficiently to cover the whole of the State. Impressive figures can be advanced about the daily mileage of State Transport buses and passengers carried by them which average 2 lakh miles and 5 lakh passengers respectively.

It is more important, of course, to know how the Corporation has gone about its job. There has been some severe criticism of the Corporation in the Bombay Legislature—not necessarily well-informed—and since this has been directed at its financial position, it is good to know that the Corporation has been able to pay the prescribed dividend of 4½ per cent on its capital after meeting its expenditure and contributing to the necessary funds for depreciation, insurance etc. It has been argued that this is not enough; that apart from the payment of interest on the capital invested in it, the Corporation should be able to show a substantial profit. This argument is, not necessarily valid, and criteria other than profitability must be applied to nationalised industries, provided

lack of profits is not due to inefficiency and waste.

While all may not be well as yet with the Corporation from this point of view, the fact that breakdowns have declined from 3.56 per 10,000 miles in 1950-51 to 1.53 and that the regularity has improved from 74 to 92 per cent is encouraging. The Corporation also seems to have gone about its task of providing amenities to the public in the shape of bus stations, waiting rooms, canteens etc. with alacrity, and even though the entire State has not yet been fully provided with such amenities, much has been done.

In spite of the provision of these amenities and 'an overall rise of about 50 per cent in the operation costs,' the Corporation has been successful in maintaining the original fare rate of 9 pies per head per mile. It is claimed that this has been possible because of rationalisation of the staff structure and operational schedules, improvement in stores purchase policy, conversion of petrol into diesel operated vehicles, undertaking of body building and retreading of tyres and better preventive maintenance of vehicles. The assurance that the drive towards reduction in operation costs still continues has been given by the Chairman of the Corporation, Shri R G Saraiya.

Whatever may have been the merits or demerits of the Bombay Government's policy of nationalisation of road transport, the way in which State Transport has functioned leaves little room for doubt about the successful implementation of that policy. We would like to know more, however, about the experiment in freight transport on which the Corporation embarked some time ago.

Tata Locomotive

THE Tenth Annual Report of the Tata Locomotive and Engineering Company Ltd. for the year ended 31st March 1955 records all-round progress in its working, and the company appears to have been able to make an impression on the locomotive needs of the country.

The manufacture of locomotives continues to rise, and the output during 1954, at 47, compares favourably with the average of Chittaranjan at approximately 55 per annum (275 between 1950 and 1954). The company has plans to increase the capacity of the locomotive division to 100 complete locomotives per annum by 1958. Again, despite diffi-

culties due to a temporary shortage of indigenous plate supplies early in the accounting year and labour troubles about the end of 1954, the output of boilers reached 92 units—which marks an increase of about 50 per cent over the previous year's output. Progress has also been recorded in the manufacture of underframes—both broad and metre gauges—as also in the work of the automobile division; the work in the division is actually ahead of schedule, and during the year under report, the company assembled as many as 443 Tata Mercedes Benz trucks, which are said to have been well received in all quarters; and it is heartening to learn that demand for the vehicles far exceeds the capacity of the company's automobile division to supply. However, with a view to meeting the growing demand, the company proposed a doubling of the capacity of the automobile division. An interesting feature of the automobile line of business of the company is the arrangement made for aftersale service.

As a result of operations in the year under review, the company has been able to show only a nominal profit of Rs. 3,303, after meeting expenses, providing for managing agent's remuneration and depreciation. Provision for depreciation has also declined from Rs. 96.8 lakhs in 1953-54 to Rs. 35 lakhs in 1954-55. Again no allocation has been made during the year to the Company's Reserve Fund. There are a number of reasons which explain this apparently gloomy financial picture. In the first place, since the prices for locomotives and boilers supplied during the year under review have not been agreed upon between the Railway Board and the Company, the profits under this head have not been taken into account. Secondly, though there is an increase in the total profits earned during the year to Rs. 4.65 crores from Rs. 3.32 crores in the previous year, the net profit is only nominal; and this is partly due to the fact that there has been a noticeable increase in the Company's expenses, mainly under sales, publicity, commission (Rs. 3.2 lakhs) and interest charges (Rs. 16 lakhs)—these and other items accounting in all for Rs. 21.49 lakhs against Rs. 8.1 lakhs in 1953-54.

With a view to financing the expansion of the automobile division of the Company, 200,000 additional shares of the value of Rs. 100 each were issued during the year, and of this 120,000 shares have been allotted

to the existing shareholders and the balance to the Company's Associates, M/s Daimler-Benz A. G.

Jupiter General Insurance

THE Annual Report and other accounts of the Jupiter General Insurance Company Ltd. for the year ending 31 December, 1954 show that despite keen competition, the Company has been able to show satisfactory results. Total premium income during the year from all lines of business, including Life Assurance, amounted to Rs. 75.30 lakhs as against Rs. 73.5 lakhs in 1953, and it is good to know that the Company, which is under a Government-appointed Administrator, has been doing well, without any tied business or help from any source. The Report points out that though the Company is in the hands of an Administrator, day-to-day affairs, such as the procurement of business etc. are almost entirely in the hands of Managers of the Company.

There has been a slight fall in the new Life business written in 1954 to Rs. 99.19 lakhs from Rs. 106.6 lakhs in the previous year. The renewal expense ratio has, however, shown improvement, having decreased from 18.3 per cent in 1953 to 17 per cent in the year under review.

Net premium income in the Fire business has shown a decline from Rs. 15.41 lakhs in 1953 to Rs. 15.10 lakhs in 1954. The year under review has been particularly bad for this branch of business inasmuch as the Company had to meet a number of claims owing to a fire in Burma. In addition, certain foreign inward treaties showed unusually heavy losses, with the result that Fire business had to close with a loss of Rs. 2.53 lakhs in 1954. Despite efforts at economy, the expense ratio has been high, but this is said to be due to a drop in the premium income of this branch of business, by as much as 50 per cent, from what it used to be a few years ago.

The Miscellaneous Department has been running at a big loss for the last two years; during the year under report, however, its loss has been reduced to a nominal amount of Rs. 18.1 thousand only.

On balance, the Company has been able to make a profit of Rs. 38.9 thousand. If this is added to the Profit brought forward from last year, the total profit available

amounts to Rs. 5.72 lakhs. Out of this, the Administrator of the Company, has proposed to provide Rs. 1.07 lakhs for bad and doubtful debts and taxation reserve, and carry forward the balance of Rs. 4.65 lakhs.

Oriental Life Assurance

THE Directors, at their meeting held on September 14, decided to recommend to the Extra-ordinary General Meeting to be held shortly to consider the Actuary's Report on the Valuation as at 31st December 1954 Bonuses to With Profits Policyholders at the increased rate of Rs. 18/- on Endowment Assurances and Rs. 22-8-0 on Whole Life Assurances per Rs. 1000/- Sum Assured per annum. This represents an increase of 50% over the bonuses declared at the last Valuation, viz., for the triennium ended 31st December 1951.

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Letters to the Editor

Land Redistribution

I HAVE read with deep interest the comments offered by you in the Weekly Notes column of your Issue dated August 27, 1955 on the Bhoodan Movement. You have raised some important questions regarding redistribution, which are of wide public interest. I, as a person actively participating in the Movement, would like to clarify the position.

Land received as gift, but not yet distributed to the deserving, lies with the donor himself. Vinobaji has time and again urged all the donors, whose lands have not yet been distributed, to cultivate them and pay the taxes till such time as they come to be distributed by Bhoodan Samitis. The donors have been requested, if they so desire, to give the produce of the donated land, after deducting expenses, to the Bhoodan Samiti concerned for proper disposal. It will be clear from this that the responsibility for idle lands does not rest with the Bhoodan Samiti, nor does any land lie idle with it.

As regards the attitude of State Governments towards organising cultivation, it has been one of help and co-operation in almost all the States of India. Bihar Government has offered to give Rs. 60 per acre of barren land brought under rice cultivation. Bhoodan Samitis do not reject Government help either in principle or in practice. The Village Reconstruction Programme—which is but a naturally corollary to the Bhoodan Movement—encompasses such a wide field and is of such immense magnitude that no organisation can hope to cope with it single-handed. Government, social organisations and the public themselves, all must co-operate in this gigantic work of Village Uplift.

It is, unfortunately, true that the pace of land redistribution has been alarmingly slow. Vinobaji has recently drawn the attention of all the workers concerned to the vital role of the redistribution of land in the Bhoodan Movement. Apart from the paucity of capable and efficient workers for distributing land, the nature of the work itself is such as to require a lot of time. It has been our experience that it takes nearly a week's preparation on the part of two or three workers to organise distribution in a single village. Another practical difficulty, which greatly delays the redistribution programme, is that particulars such as

plot numbers, demarcation details etc. in the case of nearly 50 per cent of the donated lands have not been filled in by the donors. In the heat and haste of the Movement, the workers too were not so particular about these things. This deficiency is keenly felt to-day.

The needy have, however, definitely become aware of their want. The landless are eager to receive and cultivate lands. The question is of providing necessary facilities to them in implements and funds before they can stand on their own legs.

In Bihar, where the second year of Land Redistribution is running, one can see lands being cultivated by former landless labourers now working for themselves and by themselves. But, even now, it would be premature to arrive at any opinion on an all-India scale. But the experience so far gained is neither gloomy nor disheartening. The claims of social justice, as you have stated in your article, will be found, we hope, to square with the requirements of productivity and economic utilisation.

Govindrao

All-India Sarva Seva Sangh,
Gaya,
September 16, 1955.

Seven Eminent Bengalis

YOUR Calcutta end, I am afraid, is slipping up. The piece in the issue of August 27, for instance, is shot through with errors. There are mistakes, grammatical and typographical. Some of the other comments require further explanation, and here it is. But before that, why must your correspondent use the word 'eminent' a dozen times in a couple of paragraphs?

Your Calcutta correspondent's explanation of the lack of J.P.'s in Calcutta is just the sort of conclusion a stranger would jump to; and, I am afraid, your correspondent must be a stranger in Calcutta. The Economic Weekly, if none else, must know that a province's life is determined more by economic factors than by any other; and here is the obvious explanation why there are J.P.'s in Bombay and there aren't in Calcutta. Trade and industry have always been dominated by the British in this State. Quite the contrary was, and is, the case in Bombay. Forget this basic differ-

ence, and you will soon get everything wrong about Bengal and Bengalis. Bengalis are not important in business; they haven't got the dough; and they haven't had a say. The British are gone, and the Marwaris have taken their place, whence it comes about that there is a Marwari in the West Bengal Cabinet, and in recent years there has been at least one Marwari mayor.

It may be that it is the Bengalis' fault they don't know how to make quick and big money; but once you have accepted that, and there is nothing else to do, I do not see any point in telling Bengalis that this is bad and that is worse. Which, I fear, is what your correspondent seems to be doing week after week with his superior intelligence. He makes no secret of his dislike of Bengal and everything Bengali. It may be no bad thing to understand Bengal slightly better, and to that understanding critical judgment has no more to contribute than sympathy.

Who told your correspondent that Sunil Chatterjee is not a Sanskrit scholar?

Wasn't Radhika Goswami a great singer? Tarapada Chakravarti?

A Bengali

Calcutta,
September 19, 1955.

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West Bengal Government
Press
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Off the Record

On Spending and Scrutiny

CONSIDERABLE excitement was caused by the Public Accounts Committee's report on the Defence Services Appropriation Accounts for 1951-52 and 1952-53, on account of what is commonly known as the Jeep Scandal. There were a host of irregularities, and not a few personalities, connected with that affair and naturally the press and the public lapped it up. Interest was particularly great because last December, the Finance Minister had requested Parliament to treat the matter as closed—on the plea that, while there were errors of judgment and procedural irregularities, there was no evidence of negligence or mala fides on the part of those connected with the deal. The Committee had, a few days prior to the Finance Minister's appeal to the House, been given a note by Government on the matter, with the request that the Committee reconsider its views regarding fixing individual responsibility for the misuse of Government money. But before the Committee could convey its decision, Government had put the matter before the House. Not unnaturally, the Committee felt piqued by this irregularity. That apart, after studying Government's note, the Committee still felt that the extent of individual responsibility in the jeep and allied affairs should be assessed by a high-level committee, consisting of one or two High Court Judges.

All this is ammunition for the trouble-makers, since Government's eagerness to see the matter closed can easily be equated with a desire to protect the reputation of some highly-placed persons. It was perhaps unwise of Government to have tried to force the pace. With so much waiting to be done in so many fields of Government activity, they probably wanted to spend less time and energy on apportioning blame for past mistakes. But a Parliamentary Committee should not be bypassed, whatever the intentions—or the whole fabric of parliamentary control will be weakened. Even if one is not interested in personalities, one might still support the Public Accounts Committee's recommendation that the matter should be judicially appraised.

It is nonetheless a little unfortunate that public attention should have been focussed on the Jeep Scan-

dal, to the neglect of several other important issues raised in the Committee's Report. For the jeep business is a case in point of the sort of contretemps that arise in spending Government money by its nominees. In principle, public money should be most carefully spent—especially when the aggregate of Government spending forms such a large chunk of total expenditure by the community. Those entrusted with the task have a special responsibility since the mistakes they commit inflict not a personal but a social loss. To safeguard that money is not ill-spent, detailed rules of procedure are laid down, both for authorising the expenditure and for actual spending. It is the business of the auditors and the Public Accounts Committee to see that these rules are observed. When they are not observed, they have to insist on Government taking such steps as will help prevent repetition of the same irregularities in future.

There is little dispute about the need for such vigilance. But the point is that extreme absorption with questions of procedural irregularities is apt to cloud one's appreciation of the other aspects of public spending. Indeed, the fear of spending without proper authorisation is responsible for the tendency to 'err on the safe side', on which the Committee has commented strongly. It is observed that since 1949-50, actual expenditure on the Defence Services has fallen appreciably short of the amounts for which Parliamentary approval was obtained either in the Budget or subsequently. Such 'savings' might cause satisfaction in certain quarters, and might be considered a sign of good husbanding of resources. Equally, it might indicate an incapacity to estimate properly the likely expenditure, or to put through with speed the projects for which financial sanction has been obtained.

When Government is enlarging its activities in order to further economic development, these are serious short-comings in the management of public spending. These findings are not special to the Defence Ministry; they afflict all the executive departments of Government. Otherwise, we should not have had to bother so much about the shortfall in development outlay. The Public Accounts

Committee has rightly emphasized that closer estimating is very essential, so as to ensure that the greatest possible value is obtained for the money available; without this, the demands for grants will always be in excess of the actual spending; and because of this overestimation of the annual expenditure, Government will develop a tendency to budget for more revenues than it need have.

To say this is not to cavil at the taxation or loan policy of Government at the moment. That is a

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separate issue. What is suggested is that with closer estimation, it is possible that instead of ending the year with some unintended saving, the programme of expenditure could be widened in scope. What is more important, the capacity to estimate the outlay more correctly implies a capacity to judge the speed at which different branches of Government can spend, once the projects are voted. Much of the 'saving' emanates from the delay in taking in hand and making arrangements for the execution of the jobs proposed. Part of this delay, it is true, arises from the procedure to be observed in drawing Government money; and unless steps are taken to ensure that this sort of delay is avoided, actual programmes will fall behind schedule. But part of the delay is also due to the fact that the spending departments do not start the year with carefully worked out plans, on the basis of which appropriations could be demanded of Parliament. Admittedly, it is in many cases impossible to foresee the lines along which a particular project will develop, and therefore estimate the costs involved. A certain flexibility about the demands for grants is conceivable. Even so, there is little doubt that with proper planning, the difference between estimates and actuals can, save for extraordinary cases, be narrowed down. Not to pay attention to the desiderata in this respect is a trait worthy of criticism, and the Public Accounts Committee has done a service in pointing it out—albeit it does so with reference to defence expenditure. This is in present-day context a more significant observation than the one relating to procedural laxity in the jeep deal.

Akin to the above is another pregnant comment viz., that relating to stores accounts. The Committee is not satisfied with the state of these accounts, and suggests proper and periodic reconciliation of ledgers, after conducting a physical verification of the ground balances. Further, military stores, like railway stores, apparently suffer from over-indenting and over-provisioning of stores. What the book-value of military stores is as of today one does not know. But considering the variety of items involved, and the size of the defence budget, it must be a very large figure. And even a small percentage change in the size of stocks could well mean a sizable saving of Government funds for other purposes.

One will readily agree with the Committee that building up idle stock, especially when the stock is liable to become obsolescent or to suffer from lack of proper storage facilities is a luxury that we can ill-afford. At the same time, we can think of extenuating circumstances, especially in respect of military stores. For a country like ours, the stores have to be distributed among a large number of depots—for reasons both of safety and logistics. Information regarding the type and size of stocks has to be limited to a very close circle. In such conditions, it is possible for one depot to be not fully informed about the size of stocks in another, and therefore it may buy up goods which are already in stock elsewhere. True, much of this can be and should be remedied. But they cannot for technical or other reasons be always avoided. And perhaps, for a country like India which depends largely on imports for her military equipment, it may not even be wise to cut down on stores. All this notwithstanding, failure to maintain satisfactory stores accounts must needs attract adverse comment.

Some of these observations of the Public Accounts Committee deserve a better appreciation than Parliament or the country seems to have accorded them. Indeed, the objective of having a committee of this sort is to enable Parliament not only to decide action in respect of individuals who have carelessly or otherwise misused public money, but also to suggest ways and means of avoiding procedures that prevent Government from getting the best out of its spending activities. When we are embarking on huge development outlays, it is of the essence to make such adjustments in financial procedure as will encourage more effective spending without increasing the scope for misappropriation or corruption. It is on these that our eyes have to be focussed. Of course, punishing past offenders has a role to play in all this, inasmuch as it puts the fear of penalty in those entrusted with public funds. But unless other steps are taken simultaneously, a drive to fix individual responsibility will lead to so much hesitation in spending that all plans will come to nought.

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From the Calcutta End

Refugee Rehabilitation

IF employment is the main aim of the second Plan, refugee rehabilitation is the main problem of West Bengal. Next month, members of Parliament of the Eastern States will meet at Calcutta to discuss the problem of displaced persons from East Bengal. This will be followed by a Conference of Rehabilitation Ministers of the States concerned. Plans, thus formulated, will be examined jointly by the Union Ministry of Rehabilitation, the Planning Commission and the Government of West Bengal.

Plans for rehabilitation of East Bengal refugees have been under preparation for some time now. A statistical survey of displaced persons has been proposed. Its aim is to find out the number of displaced persons, how many have already been settled and what steps need to be taken to place displaced persons from East Bengal. Such a survey has already started in West Bengal. It will soon begin in Assam, Bihar and Orissa will start such surveys later.

Outlines

Outlines of the Plan for refugee rehabilitation are already clear. It is now conceded by New Delhi that the solution of the problem of East Bengal refugees is beyond the resources of West Bengal. It is equally clear that there is not enough land in West Bengal to settle all the East Bengal refugees. Nor is West Bengal's current and potential industrial capacity such as to enable this partitioned State to accept the responsibility of providing employment to East Bengal refugees. West Bengal will be responsible for those refugees who will be staying within the State. Those who have to be settled outside the State will be New Delhi's responsibility.

West Bengal's second Plan has been framed on the assumption that the rehabilitation of refugees and some other development projects will be undertaken and financed by New Delhi. Refugee rehabilitation, it is estimated, will cost Rs 114 crores to New Delhi. Four major projects like reclamation of southern and northern salt lakes, disposal of sewage and production of sewage gas and the Durgapur projects will

be undertaken through separate, independent development corporations.

Attempts have been made to settle East Bengal refugees outside West Bengal. These efforts have not been very successful. There are two reasons why these efforts have not succeeded. There are refugee colonies outside West Bengal. But no attempt has yet been made to establish refugee townships outside this State. That seems to be the main reason why efforts to settle East Bengal refugees outside West Bengal have not been successful.

Complications

Most of the refugee colonies are in the neighbouring States of West Bengal. Experience suggests that these refugee pockets have intensified tension between West Bengal and the neighbouring States. In West Bengal, the demand for linguistic States is inevitably linked with enlargement of the boundaries of this State at the cost of Bihar, Orissa and Assam. This has further complicated the problem of settling East Bengal refugees. Tentative plans are to settle Bengali refugees in States far away from West Bengal, and in areas which have some social and climatic affinity to former, undivided Bengal.

It is already known that an irrigable area in Hyderabad has been selected to settle a number of Bengali refugees. An area in Orissa is likely to be made available for settling these refugees. Andhra, Mysore, Vindhya Pradesh, Rajasthan and Madhya Pradesh are some of the other States which will be explored by the Union Ministry of Rehabilitation, the Planning Commission and the West Bengal Government for similar sites to settle Bengali displaced persons. It would be idle to pretend that these efforts to settle the displaced persons are bound to succeed. Bengali refugees seem unable to reconcile themselves to new and strange surroundings.

Townships

But the way in which refugee townships are now being planned encourages the hope that these townships will fare better than refugee colonies. In the proposed townships, attempts will be made to settle groups of Bengali refugee families. Social and language difficulties are not, thus, likely to hamper their

settlement. There will be an organisation in each of the proposed refugee townships in the various States to look after the grievances of the refugees, and help them get acclimatised to new environments. The question of setting up such organisations is as important as that of considering the suitability of the areas selected for refugee townships.

Bengali refugees' incapacity to adapt themselves to new surroundings is one of the main reasons why refugee colonies have failed to solve the problem. But this is not the only reason why the problem of settlement of Bengali refugees persists. Even at the risk of repetition, one must emphasise that attempts at settling Bengali refugees outside West Bengal are doomed to failure unless the proposed townships offer adequate opportunities to absorb the refugees in gainful employment. It simply means that the townships must be industrial townships. It augurs well for the plans now under preparation that the projects visualised include the establishment of medium and cottage industries to provide employment to refugees. Simultaneously, efforts will be made to absorb the displaced persons in Government undertakings like Sindri, Chittaranjan and Kharagpur and in new projects like Rourkela and Durgapur.

Jadavpur

Jadavpur is a suburb of Calcutta. One part of Jadavpur, the Tollygunge approach to this suburb, is becoming a thickly populated refugee colony. There is another part of Jadavpur in which are located famous research and educational institutions. Jadavpur's College of Engineering and Technology is symbolic of Bengal's patriotic spirit as well as of the munificence of eminent Bengali landlords and lawyers. This College is a byproduct of the Bengal partition of 1905. It started as a University, though it is now better known as the College of Engineering and Technology. Under a Bill, now before the West Bengal Assembly, Jadavpur will be raised to the status of a University.

With Jadavpur are intimately associated some of the illustrious sons of Bengal. It was built up on generous donations from Brojendra Kishore Roy Chowdhury, Subodh

Chandra Mallik, Surya Kanta Acharya, Sir Rash Behari Ghosh and Hirendranath Datta. Sri Aurobindo was once a teacher at Jadavpur. It had two chairs for Indian history and Philosophy. Jadavpur has always shown interest in the humanities. It is built on the model of the Massachusetts Institute of Technology. It is wider in scope and conception than the Engineering institutions in Britain.

Jadavpur was a successful challenge to the British Raj. When it was started, a National Council of Education was established. Many private schools were affiliated to this Council. Only later, it developed as a Technological Institute. For long, the engineering graduates of this College were not officially recognised. But even before independence, the graduates of Jadavpur had come to be recognised as be-

ing as efficient as the graduates of other colleges and universities. With the achievement of University status, the Jadavpur College of Engineering and Technology will gain more prestige. Technology will remain the main course of studies in the Jadavpur University. It is widely welcomed as a Government gesture to a private institution. It richly deserves such recognition.



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From the London End

Whither Germany?

THE outcome of the Russo-West German talks has provoked a debate of considerable significance for the future of European politics. Stripped of trimmings, the debate boils down to the question of whether the outcome of the negotiations was a victory for Moscow or for Bonn.

It is significant for the European political scene because it poses the all-important question: which way—East or West—will Western Germany veer in the search for all-German unity? Put in a more cynical form, as done by the *Times*, the apparent ending of Russo-German enmity can promote "a thorough-going deal or alignment between them" which would "play havoc with the balance of power in Europe".

Historically, the rest of Europe has always been sensitive to the size and power of both Russia and Germany. It is this historical estimation that now conjures up in the minds of every Western foreign office possibilities of considerable consequence for Europe. The "stakes in Germany" in the words of the *New York Times*, "are huge".

Essential Calculations

Its 70 million people are among the more industrious and skilled in the Western world. More than that, the great industrial complex of the Ruhr has twice in one generation armed German aggression. These facts provide the essential calculations in current diplomatic thinking, and this is the approach to arguments in regard to the side to which German foreign policy can be drawn. It is the foundation of the historical European "political balance".

That such calculations have instead led European politics into a cycle of war and disaster is often forgotten. The approach of international relations in terms of alliances, combinations and political "equilibrium" has been ipso facto the starting-point of military preparedness (lest the very combinations so delicately poised be upset), and hence war. This alternate possibility which twice in a generation became a reality, is once again sadly ignored under the myopic assumptions of the present debate.

One would have expected that with the lessons of the last 50 years, coupled with the new circumstances of the H-bomb, the aim of having a

disarmed, neutral and thus peaceful, but united Germany would meet the requirements of tranquillity on the European continent and indeed in the world. In a word, the idea of peaceful co-existence in Europe is synonymous with the idea of a disarmed and unified Germany. And yet the unfortunate trend of Western policy has been "unification before disarmament", a "strong" Germany and as the *Economist* described it "alignment with the West."

Material Change

The Moscow negotiations have resulted in one material change in the complexion of Europe—the establishment of diplomatic relations between the Soviet Union and the Federal German Republic. It is this which poses the superficially important question which prompted the *Times* to phrase as follows: "who, in fact, stands to gain most . . ." from the opening up of diplomatic relations?

To answer this correctly, it is more than necessary always to keep before us the foreign policy objective of the Adenauer regime in Western Germany. West German pretensions, which were in fact publicly banded around long before the London and Paris Agreements were concluded and which, somewhat earlier, led to the stalemate of the Berlin Conference of the Big Four Foreign Ministers (1954), were shaken by the Moscow negotiations to the point of Dr. Adenauer suffering some loss of diplomatic prestige.

These cherished pretensions: that West Germany is not West Germany but the German Reich in the frontiers of 1937; that the East German State did not exist; that the Potsdam-agreed frontier on the Oder-Neisse was not conclusive; and in fact that World War II did not take place—were all abandoned in one way or another. Considered in this light the short answer to the poser of the *Times* is that Dr. Adenauer did not gain much, if any at all.

If he has gained anything, it is the return of German war criminals and prisoners-of-war in Russia. But even this return will involve the appointment of a mixed Commission on which both West and East German representatives will serve. And this entails some recognition by the Bonn Government of the existence of a viable authority in Eastern Germany.

The estimation of the worth of the Moscow negotiations on the foregoing lines and more so in terms of "who gains" can, however, never be fundamental or significant for European politics. In essence, the exchange of diplomatic relations between Bonn and Moscow gives permanence to the status quo in Europe. So long as the London and Paris Agreements provide the framework for a rearmed Germany or more basically, as long as there is disagreement between the Big Four on all-European security, Germany will remain divided. Contrariwise, German unification is dependent on agreement to obtain European security on the basis of a "non-aligned" Germany. And according to the Russians, the basis of peaceful co-existence in Europe is a disarmed Germany — the "vacuum" which the Americans have found to such considerable distaste.

Diplomatic recognition of the Federal German Republic by Russia is thus the clearest possible indication that a unified Germany, with other things remaining unchanged, is now outside the realms of reality in Europe. And it is the recognition of this fundamental fact that prompted the *Economist* to write:

"...it is better to have no 'agreement'...that is why the re-union of Germany as a free democracy is necessary before a state of real security can be achieved." And typical of the double-talk and curious logic which we have come to expect in the argumentations of European politics, the *Economist* goes on to insist that "the more Germany becomes integrated in the Western system, the greater the security for the Russians."

Basic Weakness

The Western powers in the German policy of "Western integration" are beset by a basic and ever-present weakness. They stand the risk—an extremely real risk—that some time or other influential West German politicians, schooled in the traditions of the Real-politik, would throw overboard the Western link, take on the garb of neutrality and so obtain a single German State. This, indeed, is the policy of the German Social Democrats—the largest and most powerful minority in West Germany.

The Russians, on their part, can wait—and wait without labour—until this turn in the tide of German policy occurs. Dr. Adenauer, it is true, is pledged to the Western military alliance, but as we have been reminded recently, he is “an old man”. In the diplomatic auction for

the soul of Germany, and not that of Dr. Adenauer, the Russians have a bigger, better and more inducement—their zone in the East.

In October next, the Four Foreign Ministers will meet in accordance with the Geneva directive of the Big

Four conference. And when the German unification question is once again raised there, Russia can, with little qualms, suggest that this matter be left to the two German Ambassadors in Moscow. And so the European status quo will have been given permanence.



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Book-Review

Out of the Ashes of the Past...

China Phoenix By Peter Townsend. 1955, Jonathan Cape, London, pp. 406, 25s net.

Reviewed by B N Ganguli

THIS is a fascinating story of New China written by a member of the Friends Ambulance Unit who stayed on to work with the Chinese co-operatives and observed the unfolding of the revolution which has convulsed China and has been shaping the pattern of what is now called New China. What makes this book fascinating is the literary form chosen—that of vivid narrative and reportage, full of verve and colour and yet devoid of sentimentality.

The author has made use of the 'case history method' of analysing the complex situation that is New China today. The reader is left to draw his own inferences from each individual case, and yet the picture takes form and shape only after he has covered the wide field of the narrative broken up into fragments enclosed in the many chapters. New China today presents a vast canvas. The author paints on it with bold strokes and daubs of paint here and there. I would not say that in a picture of this kind one would expect to see delicate light and shade or adequate balancing of numerous details which should make up a full picture. This is not the author's limitation, but one that is imposed by the subject matter itself. For, the picture is still unfolding itself and the main ingredients of it have been changing.

Nevertheless, to all but the discerning readers Mr Townsend's narrative may appear as of shifting of scenes in a phantasmagoria. It cannot be otherwise if one is writing about a revolution which is still running its course. But even the casual reader will feel all the time that the author knows what he is talking about, that his vision is not clouded by ideology in one way or another and that as a real humanist he sees in the Chinese revolution "a triumphant affirmation of life by the ragged, hungry, brutalized, illiterate, not of one generation alone but back through countless silent, unchampioned generations".

One does not expect a thesis to be established in a book of this kind. But if one were to locate one, it is, to quote his own words, that "conditions in China were such that

revolution was preferable to no revolution". The most revealing parts of the book are those which relate to the utter bankruptcy of the Chiang Kai-Shek regime. The author has pieced together the dramatic facts of the situation which were fast approaching a climax in 1949 according to the pattern of a Greek tragedy.

The contradictions of this regime were characterised by so much of cruelty, corruption and bloodshed that the outcome was never in doubt. As an estimable Christian missionary told me in Shanghai in 1952, the situation needed a "surgical operation" and a certain amount of bleeding was inevitable. But Mr. Townsend's narrative as well as the testimony of others has shown that the leaders of the revolution understood the importance of a "surgical operation" and have minimised useless bloodletting through crude use of surgical instruments.

Metabolic disturbance always follows a major surgical operation. How the Chinese Society has reacted to metabolic disturbance and how a new adjustment is sought to be achieved is part of the story which Mr. Townsend tells quite skilfully. But it is sometimes sketchy and inadequate. An economist looking for facts and trends will perhaps be disappointed, for example, when he reads what the author has to say on land reform, agricultural transformation and industrial development. Chapters dealing with these are not meaty to an economist's taste.

I, for one, looked for more facts about China's industrial co-operatives in a book written by a person who worked with these co-operatives. A more adequate description of the kind of metabolic disturbance which appeared in the Chinese economy for overcoming which, in my opinion, bold and effective measures were taken by the Chinese, would have pleased the economist more and the layman would also have gained much useful knowledge. I say this, because I have noted that where the author chooses to deal with economic facts he is extremely knowledgeable and objective.

Mr. Townsend's strong point is his sociological analysis which has become very effective as the result of the interesting case histories that he has presented. They are, of course, not case histories of the type in which modern sociologists revel; but they are quite impressive, as they are. For example, his sketches entitled "A Peasants' Life", "Turning Over", "Moving the Peasants" and "Three R's" are more eloquent than the dry economic or sociological analysis of the changing peasant life in China. In fact what is most rewarding in Mr. Townsend's book is these cameos of real life which help us to recapture the spirit of creative energy which is moving New China's teeming millions.

Mr. Townsend talks about politics too. The reader will find in his book a number of arresting details of which the author had inside knowledge. These facts may very well be set against those which came to us via Hong Kong in the absence of other normal channels of communication. His chapter entitled "Trojan Horses and Fifth Columns", is one of the most revealing chapters in the whole book. A study of it would help the reader to understand the significance of some of the news which has recently appeared in the newspapers regarding Chinese Secret Societies and also the character of international espionage which has been a terribly sore point with the Chinese people.

On the whole Mr. Townsend's view of New China is contained in the title of his book. In Egyptian mythology, Phoenix was a fabulous bird which was said to exist single, to be consumed by fire, and to rise again from its own ashes, with renewed youth and beauty. Mr. Townsend thinks that out of the ashes of old China New China is rising again with renewed youth and beauty.

Some may think that this is a bird with borrowed plumage. Others may concede renewed youth, but not beauty. Mr. Townsend thinks otherwise. Phoenix is China's dream bird, a kind of dream symbol, and emblem of immortality. Humanity can trample on the dreams of a people at its own peril.

Change in a Malwa Village

Adrian C Mayer

The author, a Research Fellow of the Australian National University, Canberra, recently spent a year in the village about which he writes. He has previously done field-work in Kerala, and among the Indians in Fiji. He is the author of Land and Society in Malabar, Oxford University Press, 1952. This article is yet another in the series of Village Studies appearing in this Journal.

NO study of an Indian village can omit a discussion of changes taking place there. Some of these are not the result of any conscious policy for the village, but are the concomitants of population growth, natural calamities or general economic and cultural trends. Others stem from recent Government policies of reorganisation or development. The former can be called informal changes, made sometimes by the decisions of the villagers themselves, and sometimes by circumstances over which they have little control. The latter are sanctioned changes, since they are usually in the form of laws or directives which must be obeyed. In general, more attention is paid by townsfolk to sanctioned changes, since these are more easily known, being discussed and initiated by Government. But the influence of informal changes on these policies is also important, as I shall try to show. Both kinds of change can be seen in a Malwa village some 30 miles from Indore, and in describing them, this article will add material to what has already been published on the subject in this journal.

Informal Change

In our village the main informal change has been a transformation of the caste population. There are now 25 castes in a Hindu population of 806. These are, in order of size: Khati (181), Rajput (118), Balai (85), Chamar (69), Bhilala (64), Gosain (45), Teli (29), Brahmin (28), Ahir (26), Sutar (25), Nath (14), Nai (14), Kumawat (14), Mali (13), Gari (10), Darzi (9), Kumhar (9), Balai Babaji (9), Lohar (8), Doli (8), Bhangi (8), Mina (8), Beragi (5), Bargunda (5) and Bar-bujya (2). In addition there are 102 Pinjarra and 4 Fakir Muslims.

It was not always like this, however. Sixty years ago there were only 5 Khati houses in the village, with hardly more than a dozen people. At that time the two main castes were Rajputs and Balais. The turning point was the famine of 1899-1900, the baseline for most village memories. Both Rajputs and Balais were decimated by this catas-

trophe—and some castes, like the Bhambi and the Nayak, were either completely wiped out, or fled the village in search of food and never returned.

Because the fields were empty and untilled, the landlord (jagirdar), wishing to maintain his land revenue, started to invite outsiders to settle, giving them bullocks and other inducements. Most prominent among those who came were Khatis, brought by the few already in the village. In the next 40 years 14 Khati men with their families settled in the village. By contrast, only 4 Rajputs came, and more Rajputs than Khatis left the village in the years which followed. The Khatis are now firmly established—44 of the 53 adult males are village born (compared with 30 of the 34 Rajputs). Immigration has more or less stopped, only 1 family coming in the last 15 years, for there is no longer any vacant land. But Khatis have increased naturally at a more rapid rate than the Rajputs, and so the numerical gap between the two castes has been further widened. (Khatis and Rajputs form one third of the village population, and are the most influential of the large castes in the village. Thus we shall, for simplicity's sake, consider only their positions in the village, though there are also changes in the population of other smaller castes).

The 43 Khati males who are not bachelors and who have had their wives living with them for more than a year or two have each produced an average of 2.28 children alive at the time of enumeration (of whom 1.1 are male). The 27 corresponding Rajputs have had 2.18 such children, including 1.0 male. From another angle, the 29 Khatis of over 30 years have produced an average of 2.73 such children each, 1.38 being male; the figures for the corresponding 23 Rajputs are 2.22 and .89 respectively. The data for childhood mortality (up to 6 years or so) again show a castewise difference. Such figures can only be treated tentatively—for some people may not mention all the deaths—but the difference appears too great to be entirely explained by

such discrepancies. Khatis reported 1.28 dead children each, Rajputs 2.70. For men of over 30, again, the figures are 2.01 and 2.90 respectively.

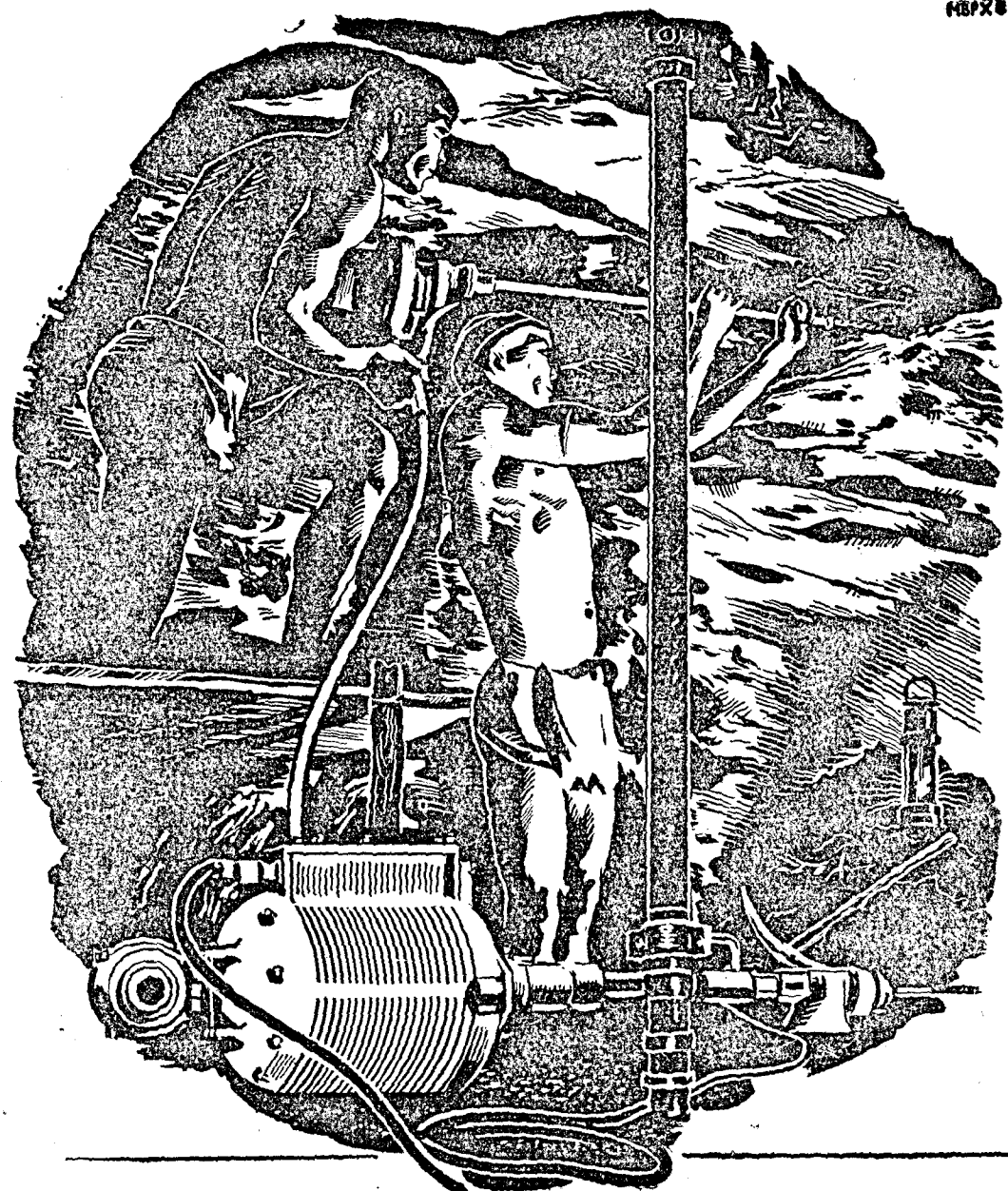
It is true that tests show no statistical significance in these figures of castewise differences, possibly because of the small numbers involved. But the fact remains that these differences exist, whether as an historically unique fact, or as a general trend of difference between these castes; and the villagers undoubtedly see them as trends when they seek an explanation by saying that the Rajput blood is now 'weak'. Some lay it to the consumption of meat and liquor by Rajputs, whereas the Khatis are vegetarians and said to eat more green vegetables. Others say that the Rajputs are expiating some previous sin. The acceptance of this trend reflects the general weakening of the Rajput position in the village, which we note below, and it makes the figures socially, if not statistically, important.

Same Trend

Moreover, say the villagers, in two nearby villages the same trend is seen. In one, some newly-arrived Khatis are said to have been increasing more rapidly than the original majority group of Ahirs—this is now marked by the transfer of one of the two Ahir headmen's powers to a Khati. In another village, it is said, there has been no history of immigration or emigration. Both dominant castes, the Dhakars and the Rajputs have been in the village for many generations. But now there are 45 houses of Rajputs and only 7 of Dhakars. The latter caste, again, is said to have 'grown weak'. Dhakars died in the 1900 famine, they died in the 1919 influenza epidemic, they died in an outbreak of cholera some 10 years ago. Differential survival and mortality rates appear to be more than exceptional factors in village change, combining with famines and epidemics to change radically a village's caste composition and so form a basis for other informal changes, as well as for influencing sanctioned change.

Sanctioned Change

The main sanctioned changes have



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taken place in the field of village authority. Historically, Rajputs have been the village's dominant caste since their immigration some 500 years ago owing to their possession of the village headmanship (pateli). The patel had considerable authority in previous times. He was the collector of the land revenue, which he remitted to the jagirdar or the Maharajah.* He was responsible for the peace of the village, having under him village watchmen; and if major breaches of the law occurred, he had the duty of sending a report to the Police. He had the power to settle small disputes, when the jagirdar did not act as arbitrator. Through the patel the Maharajah recruited labour for any work he might have in the neighbourhood; and the patel acted as his general agent, arranging for the reception of State officials. The relationship of patel to Maharajah was symbolised in the annual homage paid at the Dassera Darbar, where the village patels assembled with the nobles of the State, and in the Patels' annual Dassera sacrifice of a goat before the State flag. In the course of these duties, the patels had direct control over a number of people. The village watchmen were Bhilalas: there were two Balais under the patel's orders to fetch and carry for any public purpose or for touring officials; these and the Nai, Kumhar, Bhanghi, Brahmin and Doli all had duties in case of a visit from the Maharajah or other notable, and all received rent-free land as payment. Ultimately the patel supervised their activities, having general responsibility for such work.

*The village was under a jagirdar until 1934. But he had no power to fix or collect rents; his agent, therefore, merely had the duty of taking these rents from the patel, and of managing the jagirdar's personal land, about 100 acres. Before 1915 the jagirdar had far more land under personal cultivation, and the agent's powers were correspondingly greater. But in the last 40 years only the Patel has had any considerable officially-backed power, and we need not consider the position of the agents or their caste. The patwari, or village accountant, has power, but is invariably a man of a different village; unless he has kinsmen in the village (which is not the case here) his influence is an individual one, liable to immediate termination on his transfer.

The patel's powers have recently diminished with the inauguration of machinery for village action which bypasses him. In 1946 a village council (panchayat) was constituted, with 6 (later reduced to 4) elected members. Its duties originally included the arbitration of minor disputes, but this has now been transferred to the Nyaya Panchayat in the town, where a representative from our village sits with men from other nearby panchayats. But the village panchayat is still responsible for all public and development work in the village—building of roads and public wells, clearing and lighting of streets, for example—and has the power to levy labour for 5 days each year to carry out these projects. Administration of this growing development programme, and the considerable sums involved, gives quite a lot of power to the panchayat members.

The patels retain the duties of collecting rent, reporting disturbances, and of entertaining visiting revenue and police officials—the two most frequent categories of outside visitors, after the development officials. This, it is true, still represents considerable power. But it is only the transition stage between the old hereditary order and the new democracy. The rent-free family lands of patels and village servants are to be abolished, payment for service being in cash. And it is said that plans are afoot to abolish all but one patelship, and have this patel elected, first from among the present Rajput patels, and later from amongst all castes in the village. The personal contact of the patel with the Government has stopped, too. Since the State was merged, along with 24 other Princely States, in the Indian Union State of Madhya Bharat in 1948, the patel's direct fealty to the Maharajah stopped. No longer does he make sacrifice to the flag, and the prestige and influence he gained from direct contact with the ruler has gone. The centre of Government is now hundreds of miles away in Gwalior, or in Indore, wielded by unknown men from whom no favours can be sought on a traditional and personalised basis of service and loyalty.

Position of Rajputs

The general Rajput position in the village has been considerably changed by this Government policy on village administration. For the authority of the patels overflowed to their caste as a whole, especially as the majority were their close rela-

tives. There are two main groups of Rajputs in the village—one Chauhan, the other Solanki. In each there are two main lineages stemming, it is said, from brothers who first came to the village and who split into separate households. At present 21 of the 34 Rajputs belong to these lineages, and a further 5 are linked through marriage. Each of the lineages had a patelship; recently, however, one of the Solanki patelships fell vacant, being without a direct heir, and the other agnates were not allowed to take it up—so three patels remain. The lessening of their powers has meant a diminution of the caste's influence as a whole.

Further, the non-official position of the patels and their kin is changing—due in part, as we shall see, to the growing Khati population. Patels had important ritual duties in the village. On the ninth day of the Dassera festival, for example, they sacrificed goats at the shrines of the goddess. That evening they went to each of the village shrines and worshipped, sending materials for rituals at shrines of the tutelary deities of all lineages in the village. By doing this they assured divine protection for the coming year. At other major festivals, too, the patels were the initiators and general guardians of the rites. Thus, on the day after Diwali, when a calf-skin is tied to a pole, and cows are teased and fought with it, the patels went early in the morning to the Chamars' quarters, saw that the skin was ready and made fast to a stout stick, and then gave a token payment to the Chamars on behalf of the village.

In addition, the patels and their kinsmen had a secular influence on people. Being among the largest landholders and some of the wealthiest men in the village, they were expected to give more in alms to the begging castes (Nath, Babaji etc.), and to pay more for the services of other castes (Nai, Kumhar etc.) at such times as weddings and funerary feasts. Again, on journeying to other villages they had their carts driven by Balais, whereas members of other castes drove themselves. Thus, through their wealth and the authority of their traditional responsibilities, Rajputs held a position of eminence in the village.

This non-official influence continues, of course. Patels still perform the rituals mentioned above, and the Rajputs' status as major landholders still gives them the position which comes from a good

economic standing. Nevertheless, the shift in the village's caste composition has spelt some informal change. As we note below, KhatIs do not take much part in public events. The proportion of the village which attends them, therefore, grows less as Khati numbers increase—and it is the Rajputs who are the major maintainers of such events.

This change can be seen in specific cultural factors. Take, for example, that of diet. In former times all major castes in the village ate meat—the Rajputs, Balais, Chamars, Bhilalas and the Pinjarras. Only Brahmins, Sutars, Lohars and a few others abstained. Now KhatIs do not eat meat, and with the other vegetarian groups they form about one-third of the village population. They disapprove of the sacrifice of goats at the Dassera festival, and few attend the proceedings. Again, there is a periodic worship of Sitala Mata, performed by the entire village. On previous occasions goats were sacrificed by the meat-eating castes; but at the most recent worship this was forbidden, over Rajput and other protests. The reasons were that it might be hard for vegetarians to worship at a shrine where blood sacrifices had taken place (though no difficulties had apparently occurred on previous occasions) and also that Government disapproved, and that blood sacrifice was not in the spirit of the times. This was an informal change, not brought about by any specific policy. It was the result of the growth of the vegetarian population in the village, and a corollary of the wider cultural change-over from the ways of the martial Maharajah and his nobles (Mahrattas and Rajputs) to the Gandhian precepts of the present era. In both cases the Rajput values become less widely held in the village and their lead less followed.

Position of KhatIs

What of the Khati position? KhatIs, of course, have held no official powers and responsibilities like the patelship. They have simply formed a growing group of peasant farmers, a few of whom have become quite wealthy, but in the main have stayed fairly small owners due to inheritance by large families. They have had no traditional responsibility in village affairs, not being either village craftsmen or servants.

And it seems that, in general, too, KhatIs are more caste- and family-conscious than village-conscious,

fewer than of other castes attending affairs which demand a general village participation. Thus, in the playing of gulli-danda at the San-krant festival only 5 KhatIs came, as against 8 Rajputs and 6 Balais; and the KhatIs were young boys, whereas there were senior Rajputs present. Again, in the worship of Ram Devji Maharaj at two shrines in the village, 12 Rajputs were seen to make offerings and only 2 KhatIs—many KhatIs maintaining that they observed the day of fast, but made worship in their own homes, not in public. Mention has already been made of the Rajput responsibilities at Dassera, and the Khati attitude towards the sacrifices. In general, too, more Rajputs are found to come and listen at the visit of any outsider, the KhatIs saying that they have no time to leave their work, unlike their more easy-going fellow inhabitants.

The obverse of this is that KhatIs tend to emphasise more closely the caste and kin-group in their activities. Different branches of Rajputs worship their lineage goddess on different days of the Dassera festival; but all KhatIs worship on the same day. Again, there is a custom of making brothers and sisters of those who together "hear Ram's name" from a guru, and these can be of different castes. Of 148 men and women hearing Ram's name together where KhatIs figured, 67 were KhatIs and 81 from 17 other castes. Of the 156 in which Rajputs were included, only 50 were Rajputs and 106 were from 21 other castes. Since a negligible number were outsiders, the figures indicate a greater linkage of Rajputs with other castes in the village, and a rather more exclusive pattern for KhatIs, promoted perhaps by their greater numbers which allow it.

Finally, KhatIs are more exclusive than Rajputs in their eating. They will only eat food cooked in salt or water from a caste-mate or a Brahmin, and sit apart from others to do so. But Rajputs will eat such food from the hands of more than a dozen other castes—Brahmin, Nai, Kumhar, Gosain, Kumawat and so forth. This means that KhatIs do their own cooking at most large feasts, and eat separately, whereas Rajputs usually eat with other castes, and thereby participate more fully in the activities of other castes in the village.

These present characteristics of the KhatIs in our village do not mean that they never take part in village

affairs as a caste. In many places KhatIs are patels and members of the panchayat. Neither can it be solely because of their recent arrival in the village. For the KhatIs in a nearby village also came there at the time of the 1900 famine, and have since acquired one of the patelships; and in another village, KhatIs have lived for generations but have the same lack of interest in village affairs. It is probably because of present divisions within the caste, and an apparent absence of men with the temperament and desire to lead in public life. The fact that many positions of importance in the village are now to be gained by elections would give KhatIs considerable influence if they were to enter public affairs more fully. There are qualifying factors—whether KhatIs would vote together as a caste, to what extent a Khati leader could obtain other votes—but numbers, not descent, will determine power in the village, and so opportunities will be thrown open to all castes, particularly the larger ones.

Conclusion

To sum up, then, informal changes in the caste composition of the village population (through immigration and a differential survival rate) and in the general values held (in such matters as participation in public rites and vegetarianism) have here combined with sanctioned changes (as regards the patelship and the general system of hereditary positions) to make for a lessened influence of the hitherto dominant caste of Rajputs; and it is possible that the influence of KhatIs will grow. These two types of change need not have interacted thus. If, for example, the change in the powers of the patel and the institution of the village panchayat had taken place in a village where the population of the patel's caste was growing, or even steady, the possibility of a change in authority through introduction of an elective system would not have the same weight as here described. The effects of the same specifically induced changes may therefore differ considerably from village to village, and cannot be described or predicted without a knowledge of the history of the village, its caste composition and the attitudes of those castes—in brief, some knowledge of what informal changes may be taking place there. And it is the same with the impact of any general trend of change. There can be no easy way to knowledge of 'the Indian village'.

Story of Co-operation : 1953-54

RECENT developments in rural credit have placed greater emphasis on the co-operative movement than ever before. While there are many who feel that this confidence in the movement is entirely justified, others have serious doubts about the ability of the movement to deliver the goods. In the context of this controversy, the state of the movement during the last few years acquires a special significance, and trends in it must be watched with special care. The year 1953-54 has particular interest from this point of view because efforts under the First Five-Year Plan probably had time to get under way during the year. The recent publication of Statistical Statements* relating to the co-operative movement provides an opportunity to review its progress in these circumstances.

The considerable expansion of the co-operative movement during that year will undoubtedly be welcomed by all. By the end of the year, there were 1,98,598 co-operative societies of all types in the country having a membership of 15.2 million and an aggregate working capital of nearly Rs 352 crores. This compares favourably with 189,436 societies having a membership of 14.3 million and a working capital of nearly Rs 327 crores at the end of the previous year. The expansion during the year was much greater than that achieved in the previous years. Whereas the increase in the number of primary societies has been running at the annual rate of 4,000, this year it has been more than twice as much. This probably reflects the rising tempo of official effort.

If this is correct, the next few years should see even greater expansion; and the hope that co-operation will cover the entire population may appear to be near realization. Assuming that the average Indian family has five members, it has been roughly estimated that 75.9 million or 20.2 per cent of the total population have been brought into the fold of the co-operative movement in one form or another by the end of 1953-54. This does not

*Statistical Statements relating to the Co-operative Movement in India, for the year 1953-54—Published by the Agricultural Credit Department, Reserve Bank of India, Bombay, August 1955, Price Rs. 3.

allow for the possibility that some persons might be members of more than one society or that two or more members of co-operative societies might belong to the same family. It is interesting to note that of various types of societies, agricultural credit societies showed a larger increase than others. The credit side of the movement continued to be predominant, credit societies constituting 73.5 per cent of the total number of all types of primary societies and 81.5 per cent of all types of agricultural societies.

While the co-operative movement as a whole was registering expansion, the downward trend in agri-

cultural non-credit societies, seen in 1952-53, continued during the year under review with a decline from 35,568 societies having 27,32,047 members to 30,306 societies having 25,11,386 members. It is explained, however, that "this fall is mainly attributable to the transfer of 6,027 multi-purpose societies" to the list of credit societies in the case of Bihar. This transfer may have been occasioned by the increasing predominance of credit activities with the ending of rationing and controls throughout the country; but it is good to note that the societies have managed to survive and carry on credit activities at least. It is

TABLE I
Transactions of Primary Societies

	(Rs crores)			
	1950-51	1951-52	1952-53	1953-54
Loans advanced during the year	86.57	97.95	95.86	103.95
Loans recovered during the year	72.66	84.57	86.37	92.51
Loans outstanding at the end of the year	83.86	97.29	106.09	117.65
Overdues at the end of the year	9.78	13.09	16.38	18.26
Percentage of overdues to loans outstanding at the end of the year	11.7	13.5	15.4	15.5

TABLE II
Progress of Co-operative Credit Banks

	Apex Banks		Central Banks		Primary Agricultural Credit Societies	
	1952-53	1953-54	1952-53	1953-54	1952-53	1953-54
1. Number	17	22	505	499	1,11,628	1,26,954
2. Membership	25,611	32,883	2,48,650	2,47,905	51,26,002	58,49,380
	(Rs in Crores)					
3. Loans advanced during the year	39.9	51.8	65.6	64.7	25.7	29.6
4. Loans repaid during the year	40.6	48.9	64.9	61.6	21.2	26.5
5. Loans outstanding at the end of the year	19.9	22.7	35.9	38.4	37.7	41.6
6. Investments	13.4	13.1	17.6	18.8	1.5	1.7
7. Owned funds	4.9	5.6	10.7	11.8	19.3	21.5
8. Deposits	24.2	24.9	39.1	41.2	4.4	4.7
9. Other borrowings	9.5	10.3	11.5	13.1	25.5	28.2
10. Working capital	38.6	40.8	61.2	66.1	49.2	54.4

THE ECONOMIC WEEKLY

interesting to note also that the number of such societies actually registered an increase in the States of Himachal Pradesh and Uttar Pradesh. The total working capital also showed an increase, but as one might expect, total sales dwindled sharply from Rs 41.22 crores to Rs 33.74 crores during the year. The fact that they did not fall further indicates a resiliency, which would be a very happy feature of the movement, if it should be kept up in subsequent years.

That the year was not without its other side is indicated by the statistics relating to societies under liquidation. As many as 3,496 societies were brought under liquidation during the year against a slightly larger number, 3,696, during the previous year. This larger number of liquidation should occasion considerable thought. Particular attention should be devoted to a study of the survival rates among societies brought into existence in the course of special campaigns for expanding the movement. If this is low, the futility of such organised campaigns tending to pay more attention to quantity than quality should be realised. The profits position of the different types of societies put together also worsened as compared with the previous year. The non-credit societies registered net losses. The figures of profits and losses for 1953-54, compared with the previous two years, are highly disturbing. Obviously, an enquiry into the reasons for this state of affairs is called for in the context of an increasing measure of State assistance.

Revealing Study

A study of the membership and working capital of agricultural credit societies is revealing. Membership increased from 51,26,002 to 58,49,380. Working capital also increased from Rs 49.18 crores to Rs 54.41 crores. The average membership per society is, however, still small at 46, making the majority of societies uneconomic. The average working capital per society worked out at only Rs 4,286. The weakness of the movement is illustrated by the figures in Table IV.

An analysis of the working capital of primary agricultural credit societies reveals that owned funds constituted 39.6 per cent of the total working capital. "The major part of the working capital was derived from the central financing

agencies and Government (Rs 28.25 crores) which together lent 51.9 per cent of the total working funds. There continued to be an inadequate emphasis on thrift, and the relative importance of deposits (Rs 4.61 crores) in the working capital of these societies continued to decline." The share of deposits in working capital fell to 8.5 per cent in 1953-54 from 14.4 per cent in 1946-47. This might possibly have been due to a larger increase in sources of working capital other than deposits without any proportionate fall in the latter, but deposits per member have also shown a tendency to fall.

Regional Disparity

Five new State Co-operative Banks have been set up during the year. Two new Central Land Mortgage Banks were also established. In spite of this, the Central Land Mortgage Banks were functioning in only 9 out of 30 States in the

Indian Union. The long-term movement continued to predominate in Madras and Andhra. The regional disparity in the development of the movement is in fact found in all its activities, and this is one of the most important problems that will have to be tackled in future.

Delay in publication of annual data robs them of considerable significance. Realisation of this fact seems to have induced the Reserve Bank of India to take special steps to expedite the publication of the present report. In fact, it is only a little over a year since the 1951-52 report was published and six months since the 1952-53 report was brought out. The time-lag between the period covered and the publication of the report has now been reduced from over two years to a little over a year. A further reduction in it is not impossible and would really facilitate a study of current economic developments.

TABLE III
Profits and Losses in the Co-operative Movement

	(Rs Lakhs)		
Type of Institution	1953-54	1952-53	1951-52
State (Provincial) and Central Non-Credit Societies (%2.39)	38.18	126.38	
State (Provincial) and Central non-credit Societies (—2.39)	38.18	126.38	
Agricultural Credit Societies	73.75	62.02	91.67
Grain Banks	15.09	19.14	15.13
Agricultural Non-Credit Societies	(—20.21)	7.72	39.54
Non-Agricultural Credit Societies	120.59	108.65	112.99
Non-Agricultural Non-Credit Societies	(—106.93)	(—98.48)	55.89
Land Mortgage Banks	9.11	9.00	6.86
TOTAL	167.79	215.90	529.96

TABLE IV
Average Data for Agricultural Credit Societies

	1953-54	1952-53
Average Membership	46	46
	(In Rupees)	
Average Share Capital per Society	901	887
Average Share Capital per Member	20	19
Average Deposit per Society	363	396
Average Deposit per Member	8	9
Average Working Capital per Society	4,286	4,406
Average Working Capital per Member	93	96

Falling Trend

Wednesday, Morning.

SOME weeks ago, equities were rigged up to unduly high levels. A reactionary set-back was expected. Starting a few days ago, the fall in equities continues. Price fluctuations indicate that equities may decline further before investors feel inclined to lend support to the market. It is clear that the market will take some time to complete the process of digestion. There are indications that the adjustment may not be possible without a further fall in equities.

Set-back in equity prices is not entirely technical. It is partly due to the implications of the passage of the Companies Bill by Lok Sabha. It is, to some extent, a reflection of Government's desire to curb speculation. Last week's disclosure by the Finance Minister that a Bill to regulate stock market trading will be introduced soon had an adverse effect on equity prices. Measures taken by the authorities of the Bombay Stock Exchange to check over-activity are, belatedly, having their effects.

Market Fears

There are, however, rumours that the Government may take drastic steps to curb speculation in stock markets. The recent cancellation of ad hocs by the Reserve Bank has been cited as proof that Government is determined to contract currency in order to check speculation. Such fears arise from lack of knowledge of seasonal money market operations. Retirement of treasury bills or cancellation of ad hocs as the busy season approaches is not unusual. Although Government is committed to pass legislation to regulate stock market trading, there is no possibility of the Government taking steps yet for curtailing the volume of money supplies to curb speculation in equities.

Although the possibility of a further fall in equities cannot be ruled out, long-term prospects for equities do not seem to be discouraging. Industrial production is mounting. It is likely to move up further in the second Plan period. Money supplies and money incomes will increase. There is the Finance Minister's assurance that there will be no fresh taxation in the next year or two. In the circumstances,

it is a reasonable assumption that equities will move up along with the implementation of the second Plan.

Teas Steady

Even as Tea shares did not move up as much as other shares, these shares remain comparatively steady while equities are falling. There is more than one reason for the comparative steadiness in Tea shares. For one thing, it is now widely realised that this season's tea prices will not be as much lower as formerly apprehended. This means that the industry's profits will not be so adversely affected as feared earlier.

But the recent steadiness in Tea shares seems to be partly due to continued cornering activity. In recent weeks, there has been selective support for some Tea shares. This may seem surprising in view of the proposed legislation relating to managing agents. But it cannot be denied that some interests are still active in acquiring controlling rights in some tea companies. To some extent, the relative steadiness in Tea shares is due to the fact that some tea companies contemplate issuing bonus shares.

Jutes Hesitant

It is symbolic of the present mood of the market that Jute shares remain depressed, despite the decision of the National Industrial Development Corporation to finance modernisation of the jute industry. Sufficient time has elapsed since devaluation of the Pakistani rupee to make it evident that Pakistan is fast emerging as a serious rival to India as a manufacturer and exporter of jute goods. Since devaluation, India has already lost a valuable American order for hessian to Pakistan. There are reports that Pakistan has secured another order from Burma at the cost of India.

Repeated emphasis by Cabinet Ministers of Eastern Pakistan that the export minimum price will be maintained is having the desired effect. Raw jute prices are steady, up, despite reports of satisfactory arrivals in mofussil markets both in India and Pakistan. Since the recent statement of the Chief Minister of Eastern Pakistan that flood damage to the jute crop has

been heavy, offerings of raw jute have been curtailed. This explains why raw jute prices are firming up.

This week's fall in gunnies is mainly due to political troubles in Argentina. There are apprehensions that political developments in Argentina may delay shipments of hessian to that country. Reports that India has lost a Burmese order to Pakistan have accentuated the fall in hessian. Lower sacking prices are partly due to the fact that fall in stocks of sackings in August was well below expectations. Weakness in sackings is mainly a reflection of the downward trend in hessian.

Indian Iron

Recent fluctuations in Indian Iron indicate that the market has lost faith in bonus issues or higher dividend payments by the company. Some days ago, there were rumours that the Company might not raise the basic dividend, but that it might decide to pay four to eight annas extra as bonus dividend. It is now better appreciated that higher disbursements to shareholders are not likely. This is the main reason for this week's fall in Indian Iron, though the set-back has been accentuated by technical factors.

As in Tea shares, in some Engineering shares also, there is interested buying. It is now known that British holdings in BIC will be taken over by a group of Indian capitalists. It will be recalled that Jessops and Richardson and Crudas have recently changed hands. Developments relating to BIC are not new. Recent activity in Engineering shares indicates, however, that there is no new attempt at cornering of Engineering shares.

While equities are falling, it is of interest to note the changing make-up of the Calcutta Stock Exchange. Jute shares can never regain their former popularity. Tea shares may remain steady. But this group is not likely to lead the market on to higher levels as it did last year. Recent price movements indicate that engineering shares may not immediately exercise a sustaining influence on the market. From the technical point of view, this is a discouraging development.

"Bombay Mutual" In Socialistic Pattern Of Society

Mutual's Business Amounts to Rs. 6,83,71,288: Record Increase by Over 55 Per cent.

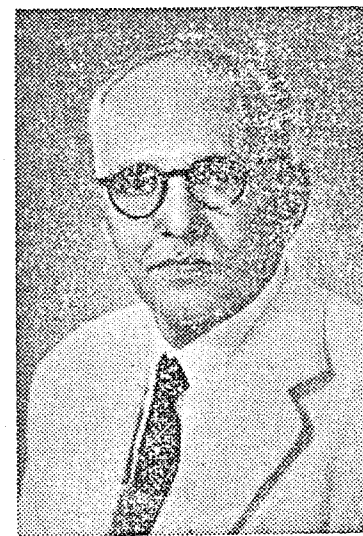
BOMBAY, Sept. 15: "There should be no nationalisation merely for the sake of nationalisation," observed Mr. Umakant S. Desai, Chairman of the Bombay Mutual, addressing the Annual General Meeting of the Bombay Mutual Life Assurance Society held today.

"In recent months", he said, "the topic of nationalisation has been discussed in the insurance circle in India. The various statements made show that the subject of nationalisation is not quite a simple one and must be proceeded with after full discussion of its consequences in various directions".

Referring to the progress made by the Bombay Mutual the Chairman remarked, "During the year the new business completed amounted to Rs. 6,83,71,288 as against Rs. 4,40,67,250 last year. This shows an increase of about 55% over last year's figures. The premium income during the year amounted to Rs. 2,21,11,724 as against Rs. 2,04,34,886 in the previous year. The total expense for the year amounted to Rs. 57,38,776 against Rs. 49,88,440 in 1954. At the close of the year under review, the Life Assurance Fund of the Society amounted to Rs. 15,32,41,382 as Rs. 13,94,42,129 in the previous year".

Pointing out that the renewal expense ratio was lower than in the

previous year, he said "that the trend observed last year towards decrease in the expense ratio continued this year also. The total investments at their book value in Government Securities are Rs. 5,10,73,932 as against Rs. 4,99,23,125 in the previous year."



Mr Umakant S Desai

In reviewing the work of the Society in 1954 the first important event which comes to the mind is the reduction in the premium rates, which was effected in the wake of similar action by some sister insti-

tutions, informed the Chairman.

"The long-term effects of this reduction," he said, "are yet to be realised. Its immediate consequence, however, has been a very large increase in the new business transacted by most offices".

Dilating on the success made by the Bombay Mutual, Mr. Desai said "part of our success in the spectacular increase in the new business of 1954 can safely be ascribed to our improved organisation during the year. Steps are being taken for training the salaried and other field workers to improve efficiency".

Concluding, he said, "Life insurance business is in a sense a business for mutual help and in the fitness of things they should be ultimately managed by companies organized on the principle of 'mutuality'. Mutual companies should, therefore, be completely acceptable in a socialistic pattern of society".

The Chairman placed on record the appreciation of the services rendered by the Manager, Officers and the staff of the Society both at the Head Office and its Branches. The late Mr. N. J. Shah, it was recalled, was a Director elected on behalf of the policy-holders and in the vacancy caused by his death, the Company got Mr. R. K. Dalal to join the Board after having been duly elected by the policyholders.

THE BHARAT VANASPATI PRODUCTS LIMITED

MANUFACTURERS OF

EDIBLE OILS, VEGETABLE PRODUCTS, SOAP,
HAIR OIL, ETC.

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SEKSARIA SONS LIMITED

MERCHANTS & AGENTS

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Around Bombay Markets

Equities Down Again

Thursday, Morning

AS was witnessed in respect of reports of taxation on bonus shares, a single factor played fast and loose with equity values, during the week of three days' trading under review. Early in the week equity values appreciated on reports that there would be no further taxation for another two years. In fact, the Finance Minister was credited with having said as much in Delhi. When the Secretary of the Congress Parliamentary Committee came out with a statement to the effect that the reported "no-taxation for another two years" story was baseless, a natural brake was applied to the rising trend in equity values. Thus, what gave a fillip to the shares initially also provided a bearish slant towards the close. Besides, expectation of heavy delivery against the settlement just ended (Friday) also contributed to the fall in prices all round. In fact, the closing rates on Wednesday in almost all sections of the market were the lowest for the week.

Among steel shares, Tata Ordinary declined to close at the lowest level of Rs 242-12 from the peak of Rs 249-8. Indian Iron lost more than a rupee to Rs 38-8-6 from the highest level of Rs 39-10.

Textile shares were also very weak. Bombay Dyeing lost more than ten points to close at Rs 505. Century lost about as many points to finish at Rs 420. Kohinoor lost seven rupees lower at Rs. 326. In the Miscellaneous shares also, Associated cement, Burma old, National Rayon, Scindia, Tata Chemical and others lost considerable ground. Tata Electric shares closed firm on proximity or dividend. Banks were better. Insurance were dull.

Cotton

More Exports of Zoda Cotton

WITH only four days' trading during the week, activity in the cotton futures market was necessarily limited. An event of importance during the week has been the reduction in the export duty on Zoda cotton. Earlier in the previous week, when the export quota for 2,50,000 bales of Indian raw cotton was announced, relief was granted in respect of Zoda cotton by way of free licensing.

However, it was then felt that unless free licensing is followed up by a cut in export duty, there could be no material benefit to the trade. In fact, representations to this effect were believed to have been made to the Union Commerce and Industry Minister when he was in the city a fortnight back. It may be presumed, therefore, that the present duty relief on Zoda cotton has been the result of these representations. The actual announcement in this regard states that the export duty on Zoda cotton will be assessed either at Rs 50 per bale or at 30 per cent ad valorem whichever is lower. Zoda cotton, which is hardly consumed on a sizeable scale within the country, is bound to show distinct improvement on the export front now that it is doubly blessed with a duty cut and free licensing.

Although there was a perceptible undercurrent of steadiness in the market, the price of the February

contract could manage only a rise of Rs 1-4 during the week. After opening at Rs 622-8 it improved on the same day to Rs 625-4 and steadied up to Rs 626-8 on Saturday. Again on Wednesday, the contract dropped on option dealers' liquidation to close the week at the lowest at Rs 623.

The spot market at Sewri remained lively thanks to continued export enquiries from overseas for all exportable styles, especially Kalyan, Vijay, Dhollera, Wagad and some deshi varieties.

The scheme for the import of American aid cotton is yet to be finalised. Pending a decision in this respect, it has been officially announced that no applications for import of sterling area cotton would be entertained. As a result of the suspension of imports from the sterling area, the comparable varieties of East African cotton have seen an upward movement in prices.

MARKET LEADERS DURING THE WEEK

	Sept. 21, 1955	Week's Range High	Low	Sept. 14, 1955.
Steel Shares:				
Tata Ordinary	242-12	249- 8	242-12	245- 0
Indian Iron	38- 8½	39-10	38- 8½	39- 1
Textile Shares:				
Bombay Dyeing	505- 0	516- 4	503-12	503- 8
Century	420- 0	429- 8	420- 0	422- 8
Kohinoor	326- 0	333- 0	326- 0	328-12
Simplex	164- 0	169- 0	164- 0	165- 0
Swadeshi	212- 8	217- 0	212- 8	215- 0
Miscellaneous Shares:				
Associated Cement	194- 8	197- 0	194- 8	194-12
Belapur	336- 8	338- 8	335- 8	337- 0
Burma Old	563-12	575- 0	563- 2	565- 0
National Rayon	219- 8	224- 8	219- 8	221- 0
Premier Const.	163- 8	167- 8	163- 4	163-12
Scindia	15- 8	15-12	15- 8	15- 5
Tata Chemical	15-10½	16- 2	15-10½	15-13
Bank of India	154- 8	155- 0	153- 8	154- 0
New India Assc.	48- 8	49- 0	48- 8	49- 0

OILS AND OILSEEDS

	Sept. 21, 1955	Week's Range High	Low	Sept. 14, 1955
Seeds:				
Castor Sept 1955 (per candy)	90- 4	90- 4	86- 0	86- 4
May	91- 2	91- 2	86-12	87-10
Groundnut Aug-Sept. 1955 (per cwt.)	21- 6	21- 8	21- 4	21- 4
Linseed Aug-Sept. " (")	23-14	24- 4	23- 8	23-10
Kardi Ready " " "	13- 8	13- 8	13- 4	14- 0
Nigerseed " " "	22- 4	22- 4	22- 2	22- 0
Oils:				
Castor Oil Com. (per quarter)	9- 9	9- 9	9- 6	9- 6
Groundnut Oil R. R. " "	11- 8	11- 8	11- 4	11- 4
Linseed Oil " " "	13- 8	13-10	13- 8	13- 8

Oils and Oilseeds

Cheerful Tone

IN sharp contrast to the pattern of trading witnessed for over three weeks now, the oilseeds market presented cheerful conditions all round during the week under review. In the event, prices of almost all seeds and oil recorded appreciable gains. Sentiment has been favourably influenced mainly because of strong suggestions in the market that an export quota for at least about 3,000 tons of groundnut oil would be granted shortly to crushers. This apart, prices tend to rule firm on reports of unfavourable weather in groundnut producing tracts particularly in and around Hyderabad. As though these were not enough, there were also rumours that it is quite possible that the Government might announce an export quota of the order of 10,000 tons of groundnut oil before the end of next month.

On the export front too there was more activity. Rangoon reported business to the tune of 500 tons of oil, in drum, at around Rs. 1450 per ton. It was also reported that Hong Kong did some stray business while there were enquiries from the U K and the Continent. It was even reported that Japan was keen on buying Indian oil and if no business took place, it was for want of import licences.

In the castor section, both ready and futures, remained firm throughout the week. Overseas support was provided by the U K and the U S A; the latter was reported to have bought 1500 tons of castor oil (first pressure) at between 11 and 11.50 cents. Britain's interest was in castor oil commercial at around £82 per ton.

Castor September futures started the week at Rs 88. After declining to Rs 86-12 on the same day, looked up on heavy speculative buying and bear covering to Rs 90-4 on the last day of the week. May contract shot up by five rupees from the lowest level of the week to finish the week at the highest level. Thus, the contract started the week at Rs. 86-4, declined the same day to Rs. 86-0 and, then steadily went up to Rs. 91-2 on the last day and closed at Rs. 91.

Castor ready and oil also remained very steady throughout the week.

Groundnut ready and delivery and its oil displayed steady condition throughout. Seeds moved within a range of four annas while oil moved between Rs 11-4 and Rs 11-8.

Linseed improved, from Rs 23-8 to Rs 24-4, but finished the week steady at Rs 23-14. Oil remained almost stationary at Rs 13-8.

Kardiseed and Nigerseed also remained steady without much business passing during the week.

Bombay Mutual

THE accounts of the Bombay Mutual Life Assurance Society Ltd. for the year ending December 31, 1954, indicate a trend of consistent progress. During the year under review, new proposals valued at about Rs. 6.83 crores resulted into policies as against Rs. 4.4 crores in the previous year. The total business in force, inclusive of bonuses, increased to Rs. 45.01 crores at the end of 1954 from Rs. 43.51 crores in 1953.

Claims under policies, less reinsurances, during the year amounted to Rs. 77.8 lakhs of which claims by death accounted for Rs. 17.11 lakhs, and the corresponding figures for the previous year were Rs. 68.3 lakhs and Rs. 20.59 lakhs respectively.



"He who is firmly seated in authority soon learns to think security."

J. R. Lowell.

★
INDIAN TRADE & GENERAL INSURANCE COMPANY LTD.

Jehangir Building,
Mahatma Gandhi Road.
BOMBAY.

Telephone: 36881-3

General Manager: T. M. STURGESS.



Income of the company in 1954 totalled Rs. 2.72 crores of which premium income accounted for Rs. 2.21 crores, as against Rs. 2.52 crores and Rs. 2.04 crores respectively in 1953. Although there has been some increase in the total expenses from Rs. 49.88 lakhs in the previous year to Rs. 57.38 lakhs in the year under review, renewal expense ratio has shown a decline from 16.79 per cent to 15.90 per cent.

Investments of the company at the end of 1954, at book value, amounted to Rs. 12.54 crores and the average rate of interest earned on investments was 3.55 per cent, after deduction of income-tax at source.

The Directors have maintained the bonus to staff at the rate of a month's salary to those who have put in a year's service and half a month's salary to those who have served for six months and more.

Tea Industry

1954 was a good year for the tea industry. Tea auction prices were appreciably higher. World demand for tea was satisfactory. As a result, the Indian tea industry earned highly satisfactory profits. Some months ago, the industry's prospects for this season were not considered bright. This season's auction prices are not as high as those of last year. But an examination of the current world demand and supply position in tea suggests that prospects are not as bad as apprehended at the beginning of this session.

Dividend payments for 1954 are not yet over. Some tea companies are still announcing their final dividend payments for 1954. Recently, Hantapara and Birpara announced their final dividend disbursements for 1954.

Some time ago, Hantapara Tea Company applied to the Controller of Capital Issues for permission to issue bonus shares on the basis of one for four ordinary shares held by shareholders. In the absence of any decision from New Delhi, the Company now proposes to make a fresh application to the Controller seeking permission to issue one ordinary share for two ordinary shares held. As this proposal involves an increase in the Company's authorised capital, the Company will be holding an extraordinary general meeting on September 28, 1955, to enable it to obtain the necessary sanction to raise its authorised capital.

CURRENT STATISTICS

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-Group	Week ending 3-9-55	Week Ago	Month Ago	Year Ago
I Food Articles:	318.4	318.5	315.7	364.6
Cereals	385	386	368	404
Pulses	273	267	285	300
Others	236	236	246	318
II Industrial Raw Materials:	396.9	404.3	400.7	428.6
Fibres	397	414	407	436
Oilseeds	375	380	388	431
Minerals	412	420	410	404
Others	418	419	418	404
III Semi-Manufactures:	325.5	325.1	327.1	352.6
Leather	338	337	344	372
Mineral Oils	201	201	201	221
Vegetable Oils	371	371	388	442
Cotton Yarn	407	407	405	457
Metals	258	257	257	238
Oilcakes	335	332	329	416
Others	330	330	329	304
IV Manufactures:	368.6	370.6	371.5	377.7
Textiles	403	406	408	422
Jute	397	416	425	453
Cotton	402	402	402	415
Rayon & Silk	474	474	474	464
Woollen	278	278	278	310
Metal Products	352	352	352	340
Others	286	286	286	286
V Miscellaneous:	561.8	562.4	563.9	616.6
All Commodities:	354.8	357.2	356.3	385.2

INDUSTRIAL FINANCE CORPORATION OF INDIA

Industry-wise Distribution of Loans and Advances Sanctioned

Industry	Amount sanctioned during the year ended 30th June, 1955	Amount sanctioned during the year ended 30th June, 1954	Total
	Rs	Rs	Rs
Textile Machinery	—	64,00,000	64,00,000
Mechanical Engineering	—	73,00,000	73,00,000
Electrical Engineering	7,50,000	1,29,20,000	1,36,70,000
Cotton Textiles	1,04,50,000	3,07,25,000	4,11,75,000
Woollen Textiles	—	35,00,000	35,00,000
Rayon Industry	60,00,000	50,00,000	1,10,00,000
Chemicals	37,50,000	2,43,75,000	2,81,25,000
Cement	80,00,000	2,35,00,000	3,15,00,000
Ceramics & Glass	10,50,000	1,35,00,000	1,45,50,000
Oil Mills	—	6,50,000	6,50,000
Electric Power	—	42,75,000	42,75,000
Metallurgical Industry (Non-ferrous metals)	—	35,00,000	35,00,000
Iron & Steel (Light Engineering)	11,00,000	1,12,50,000	1,23,50,000
Aluminium	—	50,00,000	50,00,000
Sugar Industry	2,38,00,000	2,05,50,000	4,43,50,000
Mining	—	37,00,000	37,00,000
Paper industry	1,07,50,000	2,04,00,000	3,11,50,000
Automobile Tractor Industry	62,50,000	50,00,000	1,12,50,000
Unclassified	15,00,000	58,30,000	73,30,000
Total	7,34,00,000	20,73,75,000	28,07,75,000
Amount of Loans actually disbursed	—	12,88,65,752	14,52,96,304

WAGON LOADINGS (IN TERMS OF 4-WHEELERS) ON BROAD AND METRE GAUGES—
APRIL — JUNE 1955-56

	Broad Gauge		% Increase (+) or Decrease (—) in 1955-56 over 1954-55	Metre Gauge		% Increase (+) or Decrease (—) in 1955-56 over 1954-55
	1955-56	1954-55		1955-56	1954-55	
A-Revenue Earning Traffic:						
1. Coal and Coke—						
(a) for public	228,673	225,138	+ 1.57	47,188	38,660	+ 22.1
(b) for non-Government Rlys.	818	906	— 9.71	—	250	—
2. Grains and pulses	86,871	84,004	+ 3.41	62,778	64,545	— 2.74
3. Oilseeds	18,334	14,955	+ 22.6	18,443	14,473	+ 27.4
4. (a) Cotton, raw	11,748	8,703	+ 35.0	9,424	8,462	+ 11.4
(b) Cotton, manufactured	6,101	6,630	— 7.98	4,492	3,421	+ 31.3
5. (a) Jute, raw	6,697	9,120	— 26.6	5,396	6,450	— 16.3
(b) Jute, manufactured	2,668	846	+ 215.4	809	714	+ 13.3
6. Sugar	11,475	12,528	— 8.41	14,372	18,642	— 22.9
7. Cement	35,048	36,445	— 3.89	28,304	24,712	+ 14.5
8. Iron and Steel—						
(a) Pig iron	4,705	2,439	+ 92.9	1,158	835	+ 38.7
(b) Others	33,738	30,641	+ 10.1	5,318	5,521	— 3.68
9. Tea	2,233	2,509	— 11.0	2,575	3,742	— 31.2
10. Metallic Ores—						
(a) Manganese ore	14,608	14,237	+ 2.61	4,897	4,888	+ 0.18
(b) Iron ore	40,514	41,661	— 2.75	8,002	7,213	+ 10.9
(c) Others	2,067	1,194	+ 73.1	1,777	1,562	+ 13.8
11. Miscellaneous full wagons	377,807	333,944	+ 13.1	285,653	244,518	+ 16.8
12. Miscellaneous smalls	95,488	103,119	— 7.40	91,213	91,567	— 0.39
B-Non-Revenue Earning Traffic:						
13. Free hauled Railway coal & other materials—						
(a) Coal for home line	59,763	59,671	+ 0.15	44,878	44,534	+ 0.77
(b) Coal for other Govt Rlys. and manufacturing units	76,809	71,870	+ 6.87	2,679	1,919	+ 39.6
(c) Other stores	40,381	35,323	+ 14.3	20,275	17,305	+ 17.2
TOTAL	1,156,546	1,095,903	+ 5.53	659,631	603,933	+ 9.22

Source: Railway Board

WORLD BANK LOANS

Purposewise and Geographic Distribution*

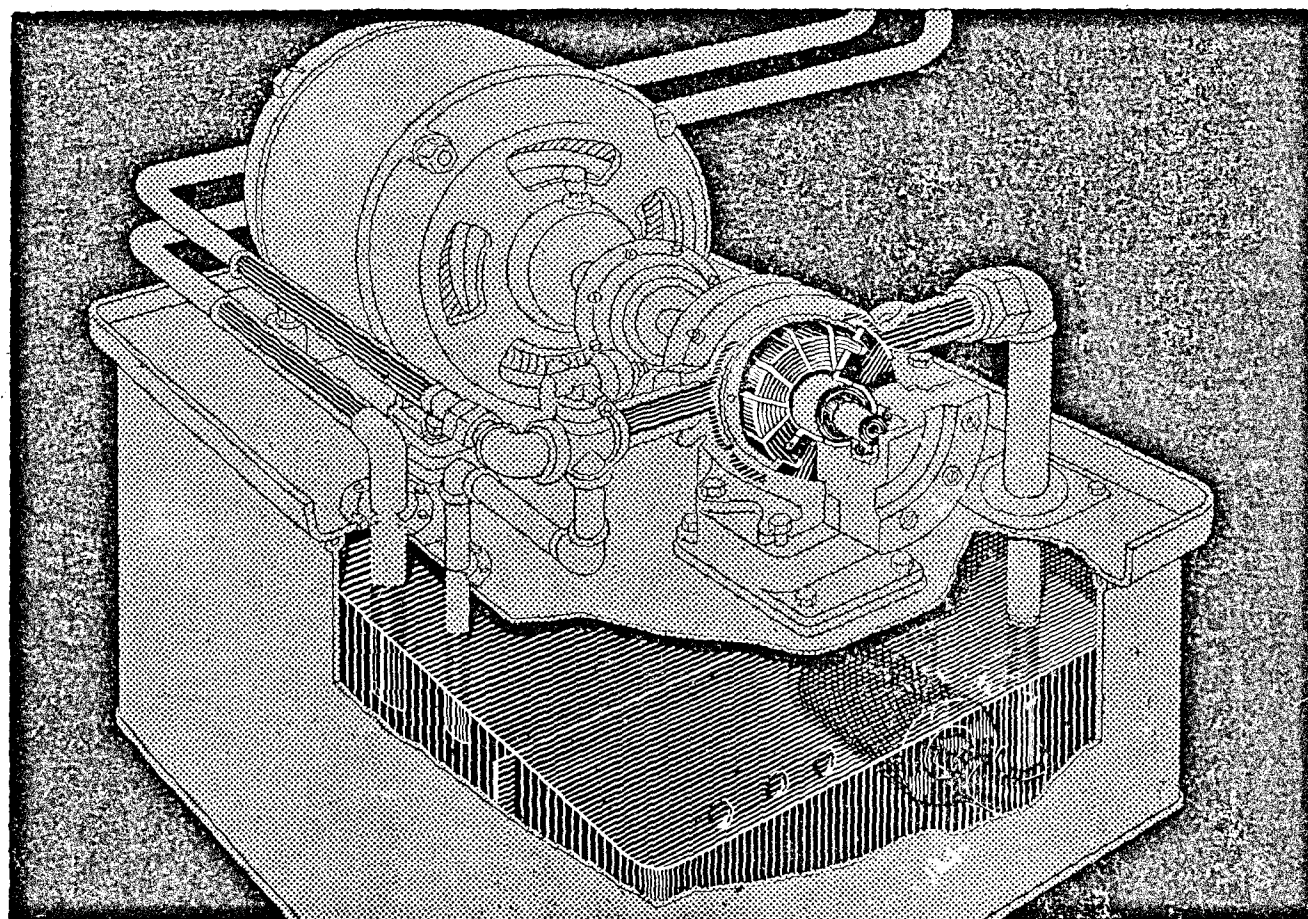
As on June 30, 1955.

(Mn. U. S. Dollars)

Reserve Bank	Rs Crores				Total Asia Africa Austral-Europe Hemis-phere					
	Latest Week†	Week Ago	Month Ago	Year Ago						
1. Note circulation	1293.35	1301.65	1297.97	1151.02						
2. Rupee Coin	110.29	109.32	108.62	105.35						
3. Deposits										
a) Central Government's	61.96	58.47	90.95	142.61						
b) Banks'	52.88	48.39	51.79	61.49						
c) Other Governments'	13.42	13.92	25.89	12.99						
d) Others'	16.57	16.37	33.43	34.02						
4. Foreign Securities	671.81	671.81	637.04	613.15						
5. Balances held abroad	48.23	49.22	85.30	119.17						
6. Rupee Securities	493.91	493.91	543.68	421.22						
7. Investments	49.24	48.77	62.64	95.37						
8. Loans and advances to Governments	0.65	0.37	0.80	0.64						
Scheduled Banks										
1. Demand liabilities (net)	590.75	593.67	595.63	546.49						
2. Time Liabilities	413.25	409.78	409.24	351.12						
3. Cash on hand	33.67	33.18	34.48	33.04						
4. Borrowings from Reserve Bank of which against Usance Bills	16.33	20.62	7.40	6.00						
5. Advances and Bills discounted of which State Bank's	567.64	572.71	557.65	500.94						
6. Investments of which State Bank's	108.09	107.04	104.29	106.97						
7. Investments of which State Bank's	380.97	379.45	371.44	345.78						
8. Investments of which State Bank's	97.36	97.28	94.37	88.37						
Cheque Clearance	159.70	127.70	115.11	154.77						
†For Reserve Bank and Cheque Clearance week ended 16-9-55. Scheduled Banks week ended 9-9-55.										
Bombay Money Rates	16-9-55	9-9-55	19-8-55	17-9-54						
Inter-Bank Call Rate	2½	2½	2½	2½						
3 months deposits	2½	2½	2½	2½						
6 months deposits	3½	3	3	2½						
Bombay Bullion	In Rupees and Annas									
	22-9-55	Week Ago	Month Ago	Year Ago						
Gold (per fine tola)										
Spot	95- 5	95- 4	96- 0	87-12						
Forward	†	†	†	88- 2						
Silver (per 100 tolas)										
Spot	166-12	165- 8	161- 0	157-11						
Forward	†	†	†	158- 4						
	† no trading									
Development Loans—Total	1,777	275	232	259	432	579				
of which										
Electric Power: Generation and Distribution	617	112	88	33	90	294				
Transport:	533	81	100	103	59	190				
of which										
Railroads	308	63	93	22	3	127				
Shipping	12	—	—	—	12	—				
Ports and Inland Waterways	44	4	—	—	37	3				
Roads	111	—	7	44	—	60				
Airlines and Airports	44	—	—	37	7	—				
Pipelines (Natural gas)	14	14	—	—	—	—				
Communications: Telephone, Telegraph and Radio	26	—	2	—	—	24				
Agriculture and Forestry:	225	40	—	91	46	48				
of which										
Farm Mechanization	101	—	—	75	2	24				
Irrigation and Flood Control	87	30	—	6	31	20				
Land Clearance and Improvement	21	10	—	6	2	3				
Crop Storage	5	—	—	—	4	1				
Forestry	11	—	—	4	7	—				
Industry	236	42	2	32	137	23				
of which										
Iron and Steel	58	32	—	6	20	—				
Pulp and Paper	64	—	—	—	44	20				
Fertilizers and other Chemicals	17	—	—	1	16	—				
Other Industries	39	—	—	14	23	2				
Mining	27	—	—	11	16	—				
Development Banks	31	10	2	—	18	1				
General Development	140	—	40	—	100	—				
Reconstruction Loans—Total	497	—	—	—	497	—				
Grand Total	2,274	275	232	259	929	579				

*Net of Cancellations and refundings

Source: World Bank Report, 1955



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Next Stage

AT Geneva, four Heads of State reached an understanding to settle world issues in dispute through negotiation, and without use of force. This was no mean achievement. But subsequent developments lend weight to suspicions that some of the Western Powers have accepted the principle of peaceful co-existence with certain mental reservations. Since the "summit" talks, both Russia and the Western Powers have eulogised the spirit of Geneva. Recent speeches before the General Assembly of the United Nations have been cordial. America's Secretary of State has expressed the hope that the second decade of the United Nations will be more harmonious than the first. M. Molotov has waxed eloquent on the spirit of Geneva. Though the common man throughout the world welcomes the assurance by major Powers that they will refrain from settling disputes through use of force, he feels disappointed to find that the world issues in dispute do not seem to be any nearer solution.

Mr. Dulles assured the General Assembly that Russia and the Western Powers were entering the "agreed second stage". At Geneva, the plans for the second stage were decided. In accordance with that decision, disarmament problems are now under discussion by a sub-committee of the United Nations. Soon, the four Foreign Ministers will meet at Geneva to discuss Germany, the question of European security and other related European issues. But suspicions deepen that the "cold war" may be replaced by intense diplomatic activity by both the rival power blocs to maintain the status quo in Europe. There is a dangerous possibility that the "cold war" may be followed by a prolonged period of uneasy co-existence. With the rejection of atomic warfare as an instrument of policy, it becomes clear that the possibility of a stalemate in world affairs cannot be eliminated unless both sides are sincere in their intentions to reach a lasting solution of the issues in dispute.

There are ominous indications that some of the Western Powers interpret peaceful co-existence to mean the re-emergence of the principle of balance of power. Their attitude to disarmament is an instance in point. From M. Bulganin's message to President Eisenhower, it is clear that Russia is sincere about disarmament. At Geneva, President Eisenhower announced a plan for aerial inspection, exchange of military information and an inspection system at strategic points. In his message to the American President, M. Bulganin observes that the Eisenhower plan of an early warning system can have some significance only if there is any agreed arrangement for reduction of armaments and prohibition of atomic weapons. Evidence accumulates that America is unwilling to go beyond any agreed plan in regard to the early warning system. "We believe," Mr. D. A. Quarles, the U. S. Secretary of Air Force, observed recently, "that so long as we retain the capability to react to aggression with crushing force—regardless of how the aggressor could initiate war—we will have a convincing deterrent to war".

Washington's disarmament policy has been annotated recently by an expert American commentator on foreign affairs. According to this interpretation, America's disarmament policy is based on the assumption that both sides will retain atomic weapons and that this will compel peace. If

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this interpretation is correct, it means that America relies on the alarm system and on the traditional system of balance of power to maintain world peace. Any such policy has ominous implications. Throughout the nineteenth century, international relations were based on the theory of balance of power. This principle failed to avert wars. Any such principle can only lead to continuous and constant diplomatic manoeuvres by both sides to create spheres of influence in order to attain and to maintain a balance of power. Even at present, some such system of balance of power exists in Europe. There are suspicions that the Western Powers may not be uninterested in maintaining the status quo in Europe in order to perpetuate a delicate system of balance of power.

If any such policy has ominous implications for Europe, its repercussions on Asia are no less disquieting. In his recent speech before the General Assembly, M. Molotov endorsed India's suggestion for a "summit" conference for Asia. Mr. Dulles was diplomatic in his discreet silence on

Asian problems. But, in his speech before the General Assembly, he supported SEADO, and reiterated America's determination to defend Formosa. These are precisely the issues which are in dispute in Asia. It may not be incorrect to interpret America's policy to Asia as that of maintaining a system of balance of power in this region. Rhee, Chiang and Diem can be relied on to maintain the system of balance of power which America wants to establish in this part of the world. Asia rejects such a solution of the issues in dispute in this region. No such policy can ensure peace in Asia and the Far East. It can only perpetuate the sources of conflict.

At this crucial stage in world affairs, President Eisenhower's indisposition is to be deeply deplored. Recently, the President let it be known that whether he would seek re-election next year would depend on his state of health. There will be hope for President Eisenhower's prompt and total recovery. But the political consequences of the American President's illness may even so

be significant. Any possible development which creates political instability in America, the recognised leader of the Western Powers, must necessarily lead to uncertainties in world affairs. At this juncture, when Western Powers have to reach firm decisions on plans to solve the major issues in dispute, it will be a calamity if President Eisenhower's ill-health deprives the Western Powers of his mature leadership. In the Republican Party, there is no politician of sufficient prestige and stature to replace Mr. Eisenhower. Developments in the United States since the "summit" talks at Geneva indicate how influential political interests in that country are reluctant to accept the spirit of Geneva. In the interests of world peace, it is to be hoped that the Western Powers will have the statesmanship to accept peaceful co-existence without mental reservations when the four Foreign Ministers meet at Geneva a few days hence to implement the decisions reached during the "summit" talks between the Heads of State.

For Good or Ill...

DESPITE all the flutter caused by the indiscretions of the Chief Ministers of Andhra and Travancore-Cochin, all that is definite about the report of the States Reorganisation Commission is that it is to be submitted to Government in a day or two. This at least the Prime Minister has made clear, not only by saying that he and his colleagues at the Centre have as yet no idea of the nature of the Commission's recommendations, but by suggesting that the loquacious Chief Ministers did not really say all that was attributed to them. It is the privilege of public men to wriggle out of inconvenient corners by blaming the press for adding overtones to what they actually say. In much the same way, the Prime Minister has elucidated Shri Gobind Ballabh Pant's statement about Government's acceptance of the Commission's recommendations before knowing what these recommendations were.

All this is at once comforting and disturbing. It is comforting to know that the Commission at least has been most scrupulously guarding its secrets. It has not taken even Shri Nehru into confidence—either in deciding the principles to be followed in realigning States'

boundaries or in marking out the specific areas. It is also comforting to know that Shri Nehru, at any rate, does not consider the Commission to be bound by the AICC's resolutions on linguistic States. On the other hand, one feels concerned at the tensions already being built up around the report. For the Prime Minister to convene a press conference specially to explain Government's attitude to a report that is yet to be submitted is so unusual that it deserves sober consideration. It is a measure of Government's concern at the possible repercussions.

Considering the explosive character of the Commission's subject, it is right that Government should take certain precautions. Shri Nehru has stated that the State Governments will be consulted before the Union Government decides to publish the report or notify its acceptance of the recommendations. Which means that the first tussle will be at what may be called the inter-cabinet level. It is an open secret that the Chief Ministers of several States are trying to create opinion for or against linguistic States, according to the likely effect of such reorganisations on their positions, both in the Congress Party

and in Government. One therefore doubts if they will be able to agree to a reshaping of their territories without a fight. This would be especially true wherever the Chief Ministers and Provincial Congress Presidents do not see eye to eye with each other. Add to it the conflicts that will arise between State Governments and opposition parties, between linguistic groups etc., and you have as many opportunities for stirring up trouble as you wish.

Unfortunately, it is a position which seems unavoidable in the context of things. It is a matter of principle that no section of India can be denied the right of self-determination; and the Union Government is most loth to impose its will on the States. If the States amongst themselves agree to a readjustment of their territories, the Union Government cannot, and will not want to, say no. But the trouble is precisely at this point. If the States do not agree, what then? It is perhaps better to take the position that one need not bother about crossing a bridge until one comes to it. But then, one often does not know how many in the country will be content to wait till then.

If past events are any guide, the repercussions will be most wide-

spread and possibly violent in Southern and Western India, in the Punjab and in the NE Frontier regions. Bombay, Hyderabad, Andhra, Mysore, Madras and Travancore-Cochin—all these States are apprehensive of the major readjustments they will have to undergo if the Commission's recommendations are based strictly on linguistic considerations. And they will have most disturbance if the basis is otherwise, considering the agitations that have been going on for the establishment of Vishala Andhra, Samyukta Karnataka, Aikya Kerala and Maharashtra.

Whether or not the transition to a new order of States will be smooth and peaceful will depend largely on the attitudes that people and Governments and parties in these States take. They have, therefore, a special responsibility in preparing themselves and others for acceptance or orderly modification of the Commission's recommendations. For good or ill, we have decided that the present State boundaries are not what they should be; we have accepted the case for internal homogeneity, in matters cultural and social, in the units we want to call States. But we have, at the same time, agreed that we are all part of India; and that for one to seek profit at the expense of another—in whatever sense—is harmful to both. It is of supreme importance to remember this, and one hopes that those who are in positions of power and influence will remember it.

In the nature of things, the States Reorganisation Commission cannot suggest a realignment that will be completely satisfactory to everybody. That is manifestly impossible. It will, therefore, be essential to consider their recommendations as a whole and make up one's mind. Maybe, this will mean that the aspirations of some groups or States will be fulfilled partly or not at all. But having appointed a Commission—which is obviously capable of taking an objective view and making its recommendations for the benefit of India rather than this State or that linguistic entity—it would be a tragedy if its recommendations were used to turn a cold war into a hot one. That would be not only negation of democracy which we profess so ardently, but crass indifference to national well-being. The Prime Minister has been fair enough to let the States and the people decide in a way that does credit to them-

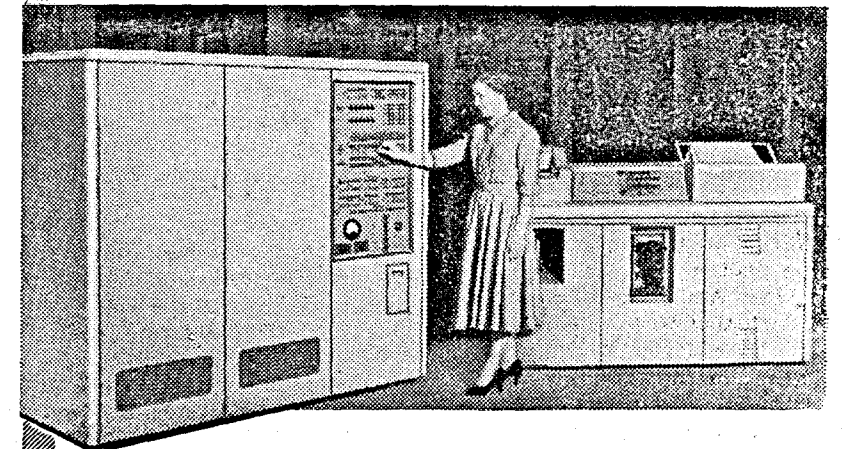
selves. It is to be hoped that for their own sake, they will live up to the expectations of Shri Nehru as well as of those who believe that chauvinism is neither civilised nor healthy.

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Weekly Notes

Management of State Enterprises

THE Estimates Committee of the Lok Sabha could not have timed its recommendation on the organisation and administration of nationalised industrial undertakings better. For, the next few years will witness a great proliferation of industrial undertakings in the public sector, and the problems they will throw up will not be only those of finance or commodity balances. They have to be made to work, and work efficiently; and this depends basically on how they are organised and administered.

The Committee does not approve of the system of entrusting the management of State undertakings to boards of directors, and of treating a state joint stock company as a department subject to the control of the Secretariat. And the Committee's opinion on these matters should carry great weight, since, more than anybody else, it is aware of how these modes of administration have worked in the past. Instead, it is suggested that the responsibility for running the enterprise should be entrusted to one or more managing directors, according to the size of the undertaking. And what is more important, these managers should have direct relationship with the Minister concerned.

Admittedly, both these measures would obviate to a greater or less degree that bane of public administration, namely, delay born of diffused responsibility. But they also create a major problem of finding the men. The future public undertakings will certainly be giant units; and they are coming up in fields which are hitherto relatively unexplored. The problems of planning and management that they throw up will be such that the Indian Civil Service, with its convinced air of omniscience will be unable to cope with. Nor is there in the private sector a large reserve of managerial and technical ability of the right sort that can be drawn upon. The Committee is well aware of all this. It is quite categorical about the unsuitability of the administrative services as a source of recruitment for these managerial posts. It also knows that as long as the present high salaries in the private sector continue, it will be extremely difficult to attract the best

men to the State undertakings. Consequently, it recommends the setting up of an Indian Commercial and Industrial Service, recruits to which should be given specialised training in industrial management. And it argues in favour of fixing a ceiling for salaries in the private sector! The latter is more easily said than done. But unless the country undertakes a vast scheme of technical training, or gives Government power to conscript managers, it may be impossible to avoid such a step.

This will inevitably raise vociferous protests from various quarters. Similarly will the other recommendation of the Committee, viz. that 25 per cent of the share capital of joint stock companies running state enterprises should be available for public subscription. Maybe this will encourage some additional investment in industries by the savers. But private entrepreneurs are certain to hold forth that any investment in the public enterprises will be at the expense of private investment in industries.

Industrial Finance Corporation

PARTING with the Sodepur Glass Works, details of which are given in the Chairman's speech, must have been for the Corporation one of sweet sorrow. The pleasure would arise from the fact that a problem had been solved, an industrial enterprise had been put on the path to revival and a part of the funds almost given up for lost had been recovered. The sorrow would be occasioned by the crystallisation of the loss that the Corporation had suffered from this single transaction.

The Sodepur Glass Works has been sold to Messrs. Asahi Glass Company Ltd., of Japan for Rs. 62 lakhs. It was obvious that only a foreign concern would have the necessary technical knowledge and experience to take over the management of the concern. The Chairman, Shri K R K Menon, pointed out that the Asahi Glass Company "has the reputation of being one of the largest and most efficient glass manufacturing companies in the world". All in this country will join the Chairman in hoping that they will be able to make a success

of the venture and thus justify, in this way at least, the loss suffered by the Industrial Finance Corporation. The Corporation's interests are still bound up with the concern—for the price is to be paid in instalments spread over seventeen years together with interest on unpaid balances at 3½ per cent per annum.

The loss of the Corporation which has now crystallised out of the transaction amounts to over fifty lakhs of rupees. Considering the revenues of the Corporation, it will be quite some time before the Corporation is provided fully against this. This is obvious from the fact that the Reserve for Doubtful Debts which was started with Rs. 5 lakhs last year will amount to only Rs. 20 lakhs after the current year's transfer of Rs. 15 lakhs to it. Even so, this transfer has meant that the Corporation had to call upon the Government for a subvention of Rs. 11.25 lakhs to meet the entire guaranteed dividend this year, as compared with a subvention of a little over Rs. 4 lakhs last year. The hope that the Corporation would soon be able to start repaying subventions received in the past has therefore proved false.

There is little to note on other accounts since the Corporation has not yet had much time to settle down under the new set-up. The gross profit was somewhat higher than in the previous year at Rs. 24.70 lakhs, though a sum of Rs. 1.49 lakhs has had to be written off on account of loss on the Corporation's building project which has now been given up and the slightly larger amount taken to the Interest Suspense Account.

On the issue of the Auditor's Report on the working of the Corporation, little light could be made available as the Public Accounts Committee's report based on it has not yet been discussed by Parliament. In any case, it is to be hoped that the matter is treated in the right way and the Corporation follows a vigorous but cautious policy for the future. If the Corporation emerges from the troubles it has undergone during the last few years with renewed vigour, it will be all to the good.

Three Chemicals off the List

ON the recommendation of the Tariff Commission, Government has withdrawn the element of protection from duties on sodium thio-sulphate, sodium bisulphite and sodium sulphite, effective from January 1, 1956. These chemicals are produced domestically in sufficient quantities to cover the demand, and the industries have presumably benefited from the protection enjoyed by them since 1946. The number of units manufacturing these chemicals has now increased to six, with a rated annual capacity much in excess of normal domestic requirements. Though the Commission has not stated it specifically, it would seem that such unused capacity as still exists in these units is due more to limited demand than to serious competition from abroad. Imports of these chemicals in the past few years have been of a very minor order. And though consumers have sometimes complained about the quality of the domestic product, they have in general been willing to buy the stuff, which leads the Commission to conclude that the quality of the indigenous material is satisfactory; and, as usual, an admonition to the industry to remove such deficiencies in quality as still

exist is added to the recommendations.

With the removal of protection, these chemicals will, from next year, be subject to the normal revenue duties of 36 per cent standard and 26 per cent preferential to British manufacturers, applicable to all unspecified chemicals. In the Tariff Commission's view, these ad valorem duties will meet the needs of the industry.

Record Output of Sugar

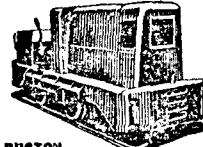
THE sugar industry has apparently made up its mind to put its best foot forward. With a total estimated production of 15.86 lakh tons for the current season ending October 31, not only has it achieved a 35 per cent increase over the 1953-54 output, but has also exceeded the record output of 1951-52 by 87,000 tons. Owing to delayed deliveries in respect of commitments in 1953-54, imports in the current year at about 6 lakh tons have also been on the high side. This conjunction of high production and high imports will, despite the increased consumption of white sugar, leave a carry-over stock of around 5 lakh tons at the end of the season.

This is, indeed, a very satisfactory position. Unless something very unusual happens to the sugar cane

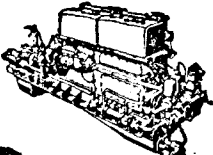
crop next year, we should be able to do with much less imports of sugar in the future. It is true that consumption of sugar is on the increase, and with the expected growth of incomes in coming years, this trend will be maintained. There are two comforting factors in this respect. One is that sugar cane is largely an irrigation crop, and, therefore, could be made relatively free from violent fluctuations in output. Secondly, Government has already granted licences for establishing 35 new sugar factories and for substantial expansion of the 38 existing units. These projects will add altogether 5.5 lakh tons to production capacity, of which a capacity of nearly a lakh tons is likely to be available in the 1955-56 season.

With the target for sugar production in the Second Five-Year Plan put at 22.5 lakh tons per year, it will be necessary to add another 5 lakh tons to installed capacity, and raise sugarcane output to 770 lakh tons (as against 555 lakh tons in the current season). To step up cane output, a provision of Rs. 5 crores is being made for assistance to States from the Centre. This money is expected to be utilised on schemes for the supply of better seeds, irrigation, communications and so on.

MECHANICAL EQUIPMENT for Indian Industry



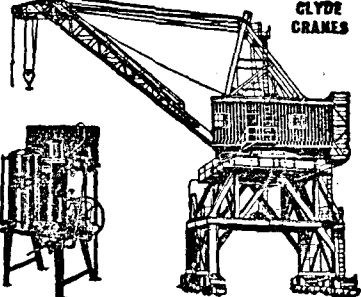
**RUSTON
DIESEL LOCOS**



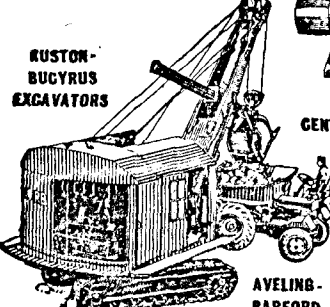
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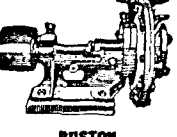
**PENMAN LANCASHIRE
STEAM BOILERS**



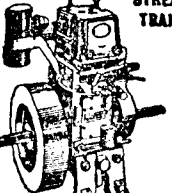
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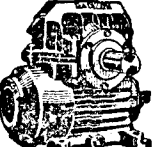
**RUSTON-
BUCYRUS
EXCAVATORS**



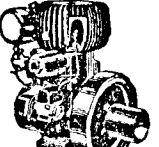
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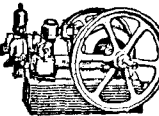
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Neither Here Nor There

ONE of the most maladjusted of communities in India is that of Anglo-Indians; but this maladjustment is largely due to themselves. They have not tried to belong decisively anywhere; nor was it perhaps wholly possible for them at least in the old days. When the British were still dominant in this country, they loved to flutter about them; but they could not escape an inner feeling that were not highly acceptable to that society, though the latter might tolerate them as a sort of an outer ring of self-protection. But being rather proud of that role, and proud too of modelling themselves on their masters, they would not associate with Indians. Nor perhaps they felt the need for it, as quite a few must have hugged the hope that the British would never clear out of the country.

Freedom came all too soon for their way of thinking at least; and in the ensuing panic, some of them hurried out of India and a few attempted a last-minute adjustment, while the remaining found themselves at sea. Without the means or the influence necessary to find a berth in Britain or other congenial climes, and knowing too that those who had hastily sought shelter there were either uncomfortable or already on their way back, they knew that they had no escape from the land which had given birth to them, but which had hardly met with their approval. To decide to belong here finally, they thought, was an act of condescension they could not permit themselves; but to belong elsewhere seemed to be a feat that was beyond their immediate power of decision. Thus impaled neatly on the horns of a dilemma, and making of their motherland merely a place of sojourn, they have been living from day to day, hope of the impossible alternating with despair over the real.

Split Psychology

THESE facts have been cited here not so much as points for a charge-sheet against any section of the community, but as background material for a better understanding of its psychology—or rather the ‘canker of split psychology’ which, according to the outspoken President of the Anglo-Indian Association, Shri Frank Anthony, ‘bedevils’ a section of his community. And he was quite unequivocal in his advice, “If an Anglo-Indian feels that India is not his country, the sooner he

leaves it the better.” That is sound advice so far as those whose eyes are glued on other lands is concerned; but what about those who are to stay on or who have decided to do so? Shri Anthony had not much guidance to give them, and what little he gave was not exactly helpful. He seemed to make out that the salvation of the community lay in the hands of the Association, and that it was through it, that the ‘past and present security’ of Anglo-Indians had been ensured.

One may not belittle the service rendered by the Association to the community so far; but one wonders whether in secular India, with parties evolving on broad economic lines, with no racial, sectarian or linguistic bias, a small sectional group, largely concerned with the security of a single community, its language and way of life, can continue to pull its weight in the larger political field. It may have a role to play now; but that role, one feels, ought to be more in the direction of associating itself closely with the community stream of national life than of preserving itself as a unit apart. No one will ever deny them the right to live as a separate ‘cultural and social entity’; but if that means that they are to remain isolated from the general current of national progress, the ‘split psychology’, of which Shri Anthony has so eloquently spoken, will continue to ‘bedevil’ the community in one shape or another.

And real security for the community can come only from a voluntary act of association and harmonisation with national trends and not from complex-ridden isolation, whether in the matter of language, acceptance of tradition or ordering of social life. In other words, when the country proceeds on certain agreed lines in these matters—and it is certainly proceeding fast—the Anglo-Indian community would feel left out, insecure and perhaps unwanted too, should it wilfully continue to stick to its old habits of thought and demeanour. It is perhaps time that the community decided to belong somewhere, no matter where, and strove to make a whole-hearted job of it in confidence and faith. It cannot afford to be ever in a state of suspense.

Wait and See

WHATEVER may be the circumstances that impelled the All-Party Goa Vimochan Sahayak Samiti to decide on continuing its campaign of Satyagrahic marches

into Goa, albeit in an altered form, and however much one may admire the firmness of the Samiti's resolve to free the Portuguese pockets by such action, one cannot help doubting the advisability of the move at this juncture. The Samiti may no doubt derive solace from the fact that it is doing its best to redeem its pledge to the Goan people; but whether the pledge of freedom will ever come to be redeemed in the process is more than can be visualised at this moment. With our Government bent on preventing the entry of satyagrahis into Goa, the campaign is bound to take the shape of a protest against our Government rather than the Portuguese regime which may watch the resulting imbroglio with considerable satisfaction. And far from such a spectacle having a morale-boosting effect on the people inside Goa, it may well present our Government in a strange light, which the Portuguese may be depended on to capitalise to the maximum extent.

The only saving feature of the new plan of the Samiti is that the campaign of satyagraha will not be continuous. The new marches will be attempted at fairly large intervals; and in between, whatever little public enthusiasm over the issue might have survived Government's recent damper is bound to wane. The grim fact is that satyagraha as a means of liberating Goa from the clutches of the Portuguese holds little hope. It is practically ruled out. And even if Government had not decided to ban it, it is doubtful whether it would have prevailed against Portuguese brutality. That is the one extenuating consideration that Government can find for its present attitude. The other is that other and more promising measures are being tried. From the state of high hope and excitement which prevailed on last Independence Day, the nation has been reduced to the plight of “wait and see”.

India and GATT

TO the question whether India would be doing the right thing by ratifying the revised GATT, the Union Minister for Commerce and Industry, Shri Krishnamachari, provided a conclusive answer in his prefatory speech on the White Paper on GATT placed before Parliament last week. India's stand on this issue was further elucidated in his reply to the debate on the subject. He outlined the part that India had played right since the inception of

GATT to the revision of the same last winter, and analysed the Union Government's attitude towards such points as: (a) the position of under-developed countries (b) the question of export subsidies (c) quota restrictions and the country's development plans; (d) flexibility of GATT provisions; and finally (e) India's attitude to Japan's admission to the GATT Club.

Shri Krishnamachari countered Communist criticism about India's association with GATT, and said, in effect, that the country had everything to lose and little to gain by not joining the organisation. The primary aim of GATT is tariff reduction and no individual country can obviously get concessions from others, without a corresponding sacrifice on its part. Though the benefits that a particular country derives may not be direct, on balance it always makes up for the sacrifice it may have to

make. Putting it briefly, we have the freedom to withdraw all the tariff concessions which we have given, provided we do not mind losing all the concessions we get. We have received tariff concessions, directly or indirectly, on most of our important exports, e.g., on jute yarn and manufactures from the U.S., Canada, New Zealand and Australia; on cotton textiles from Australia, New Zealand, Canada etc.; on coir yarn and manufactures from the U. S., Australia, Benelux countries etc.; on tea from the U. S., Canada, Australia, New Zealand and so on. On the eve of the revision of GATT last winter, the Union Government carefully considered the pros and cons of the proposals for amending the existing provisions, and it was convinced that by and large they were in accord with the country's thinking and interests, though it recognised the need for modifications in certain aspects.

Speaking broadly, the three main objectives of GATT are: (1) elimination of discrimination, (2) abolition of unfair trade practices of all kinds and (3) removal of barriers to the smooth flow of international trade. Basically, Shri Krishnamachari averred, Government is in agreement with the first two objectives. India believes neither in discrimination nor in questionable practices like export subsidies and dumping. In this respect, GATT deserves our support, and its provisions need to be strengthened. On the question of reduction of trade barriers, however, India has had to press for an amendment, but not because she does not subscribe to the principle that obstacles to trade must be reduced to the minimum. The reason is that as an under-developed country, we may have, in the course of our economic development, to discourage particular lines of imports in order that corresponding domestic industries

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might grow and expand. In fact, such restrictions which countries in the early stages of development may have to place, will in the long run lead to a larger volume of world trade as a result of heightened economic activity in the developing countries.

The Indian Amendments

INDIA pressed for two specific amendments, which obtained the support of all under-developed countries and some of the advanced countries as well, viz., (a) under-developed countries like India should be enabled to use quantitative restrictions on imports in order to fulfil their programmes of economic development by assisting particular industries and (b) sufficient flexibility regarding the bound rates of tariffs should be secured to enable under-developed countries to make changes as and when new industries develop.

As a result of India's efforts, Articles 18 and 28 have been wholly revised. The practical outcome of the amendments that have been made is: Section (a) of Article 18, provides for a more flexible use of tariffs as an instrument of industrial development. There are facilities for under-developed countries to raise tariffs on bound items to provide for the establishment of particular industries. Tariff charges can be made not merely when there is agreement; even if there is no agreement among the concerned parties, the GATT organisation can, if it finds that the applicant country has offered adequate compensation, authorise the withdrawal of the concessions.

Section (b) of this article provides for quantitative restrictions to be imposed for safeguarding the external financial position and maintaining an adequate level of reserves for implementing development programmes and controlling the level of imports by restricting the quantity or value of such imports. And Section (c) authorises quantitative restrictions and similar measures for ensuring the establishment of a particular industry. In imposing such measures, the country concerned will be expected to reach agreement with the countries interested in that particular trade, but in the last analysis, it would be free to act unilaterally unless it is an item on which the tariff is bound.

As regards the question of tariff flexibility, Article 28 has been revised. The tariff bindings under this article will be valid for periods of three years at a time. And at the end of the period, it will be open to

a country entering into these bindings to withdraw any concessions, which freedom is, of course, allowed to the other concerned parties to the agreement as well. Therefore, before a country acts under this provision, it must satisfy itself that it is likely to gain rather than lose under a freedom which cannot be exclusive. Thus, the flexible manner in which the relevant articles have been framed show that India's commitments under GATT do not tie her hands too rigidly and regardless of consequences.

As regards India's attitude to Japan, although we have supported the latter's admission to GATT, and have given the most favoured nation treatment under the Peace Treaty, since it is feared that many of our industries are vulnerable to cheap Japanese exports, the Union Government has reluctantly invoked Article 35, thereby freeing itself from the obligations of GATT so far as Japan goes.

Security Council

PANDIT Nehru's reply to questions in Lok Sabha quashes rumours that America has offered India a permanent seat in the Security Council. Such an offer could

not be made without a simultaneous proposal to amend the Charter of the United Nations. Pandit Nehru's observation that the time is not opportune for amending the Charter will be endorsed on wider grounds. India has always been in favour of admitting the People's Republic of China, to the United Nations. In the circumstances, New Delhi is not likely to accept any suggestion that India should replace China in the Security Council even if such an offer were made by America or any other Power.

To stress this aspect of the issue is not to suggest that India and other Asian nations are satisfied with the present make-up of the Security Council. New Delhi's view that Asian representation on the Security Council is not adequate will be endorsed by all Asian nations. There are many Asian nations that are qualified to become, but are not members of the United Nations. India has always advocated the admission of such Asian nations to the United Nations. Even so, Japan, Ceylon and Nepal will welcome Pandit Nehru's re-affirmation of India's support to their demands for admission to the United Nations.

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From the Delhi End

HE laughs best who laughs last, and it looks as though the Railway Ministry will have the last laugh on the Plan-frame. For some time it has been known that the Railway Board has been preparing a plan involving an outlay of Rs. 1500 crores—nearly double the provision in the Plan-frame (which had provided Rs. 950 crores in all for transport and communications). The details of this huge total have now been released informally. The Railways were not previously asked for the probable investment in the context of the targets in coal, steel, cement; and their case now is that these three alone require about Rs. 515 crores by way of complementary railway investment to meet additional transport demands. It is expected that separate provision will be necessary for meeting additional passenger traffic which will rise at the rate of 3 per cent a year, while another three per cent increase will be necessary to prevent overcrowding. The general goods traffic is expected to increase by about 5 per cent a year. For meeting these other demands a further sum of Rs. 520 crores has been found to be necessary.

The problem of fitting a plan of these dimensions within a total outlay of Rs. 2050 crores in the public sector at the Centre is quite formidable. It is not easy to reduce the Railway demands in the abrupt way in which the Education Ministry's proposals were cut. The cuts, wherever applied in the railways, will be reflected elsewhere. But cuts may become inevitable because, as in the State Plans, the sum of the parts of the planned investment cannot be larger than the estimated total outlay. The Railways hope to find only about Rs. 283 crores through their own efforts, unless they can raise fares and freights further—which will not be practicable at least in the next two years, though it may become inevitable later to get more money. It is also assumed that in the Plan as now prepared, about 40 to 45 per cent will be the foreign exchange requirements—a serious enough problem. There are other difficulties too involved; the rough estimate of steel needs for railways alone on the present calculations is a million tons a year which may not be possible to obtain in addition to the steel need-

The Railway Plan

ed in the other sectors of the economy during the next five years.

It is difficult, however, to take exception to the main heads of allocation and the priorities now assumed. The estimate of investment needed on rolling stock is assumed as Rs. 460 crores—for about 2900 locomotives, 150,000 wagons and 16,000 coaches. One third in each category will be for replacement. Of this net addition of one lakh wagons, only a fourth is shown against the demands for coal transport of the additional 23 million tons to be raised—a rather low estimate, if the new production should fully materialise. Under the first Five-Year Plan, a total of Rs. 250 crores would have been spent on all the items of rolling stock. This expenditure has gone towards the acquisition of about 2000 locomotives, 5800 coaches and about 60,000 wagons. There has already been an improvement of about 8 per cent in the goods traffic handled this year, over 1954. But the demand for goods space has been going up; outstanding registrations have increased and pithead stocks of coal are mounting. It is claimed that but for the transport difficulty today, 40 million tons could be produced and sold causing a corresponding rise in industrial production. The rolling stock now planned for will be absolutely necessary if the total volume of goods traffic increases from about 115 million tons this year to about 180 million tons in 1960-61. If each ton moves a longer distance on the average, the capacity needed will be more than proportionate; but the Railways have acted on the conservative assumption that the demand will just be proportionate in terms of ton-miles also.

An equally irreducible demand is Rs. 200 crores estimated for works for improving line capacity. This includes provision for the doubling of track over 2500 miles and conversions of gauge besides new stations, sidings, bridge repairs and so on. Among the normal revenue items, one can also find a provision of about Rs. 125 crores for renewal of track. The hope for increasing operational efficiency by about 10 per cent, as now assumed, will depend on these works which may relieve the bottlenecks at important junctions and transshipment points. Other essential items are Rs. 65

crores provided for workshop extensions; and Rs. 100 crores in suspense for stockpiling of materials.

These considerations would leave only the proposals for new lines and for electrification and passenger amenities, within which to explore the scope for economies. There is provision of Rs. 200 crores for the construction of 3,000 miles of new lines in industrial areas as well as backward ones. The axe may fall on the second category of new lines. In the first Plan, all items other than rolling stock had been neglected, the total expenditure amounting only to about Rs. 165 crores in five years on these items. This has to be remedied at least in the next Plan but the outlook is rather unpleasant. The Railways have, however, powerfully brought home the truth that means are scarce and that choices have to be made in the end. These railway demands need priority, despite the fact that the permanent additional employment to be created will be only about 2 lakhs, with subsidiary short-term employment of about 2.5 lakhs. There is no promise of amenities to passengers to sugarcoat this somewhat bitter pill. Larger goods traffic will not capture the popular imagination to sell the Plan! But it has to be sold nonetheless; there is no alternative.

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From the South

Andhra State's Progress

TWO years after its birth, Andhra, the first linguistic State in India, can legitimately claim to have overcome its teething troubles and to have entered a period of healthy childhood. Both on the political and economic fronts, the State has reached a point of stability which inspires the hope that its further progress will be free from violent upsets and uncertainties.

The feeling of optimism here expressed stems from the developments subsequent to the general election to the Andhra State Assembly in January-February this year, which settled a number of things about the State's future. Most important of all, it freed the State from the apprehension that it was a stronghold of the Communist party in India. The election resulted in the return of the Congress United Front candidates in overwhelming numbers, while the Communist strength shrank from 45 in the dissolved 140-strong Assembly to a bare 15 in the new 197-member Assembly. The collapse of the Communist party represented a significant turn in the tide in favour of the Congress, which has maintained its changed course since, as revealed by the subsequent by-elections in which Congress candidates have won almost hands down.

The election not only revealed the sandy foundations on which the myth of Communist influence in Andhra was built but it disclosed also the thin support that the Praja Socialist Party could command among Andhra's electorate. The opposition in the legislature has thereby been reduced to almost nothing. While this is to be welcomed from one point of view, from another point of view it imposes a special responsibility on the Congress party, which has been called upon to demonstrate that the confidence reposed in it by the electorate is well-deserved and justified.

This test the Congress has fortunately been able to pass so far. It could successfully overcome a split in its ranks which the election of the leader of the Congress Legislature Party threatened. Through the intervention of the Congress High Command, Shri B. Gopala Reddi's unanimous election as leader was ensured. Another split was threatened in connection with the election to the Andhra Pradesh Congress Presidentship; but though a

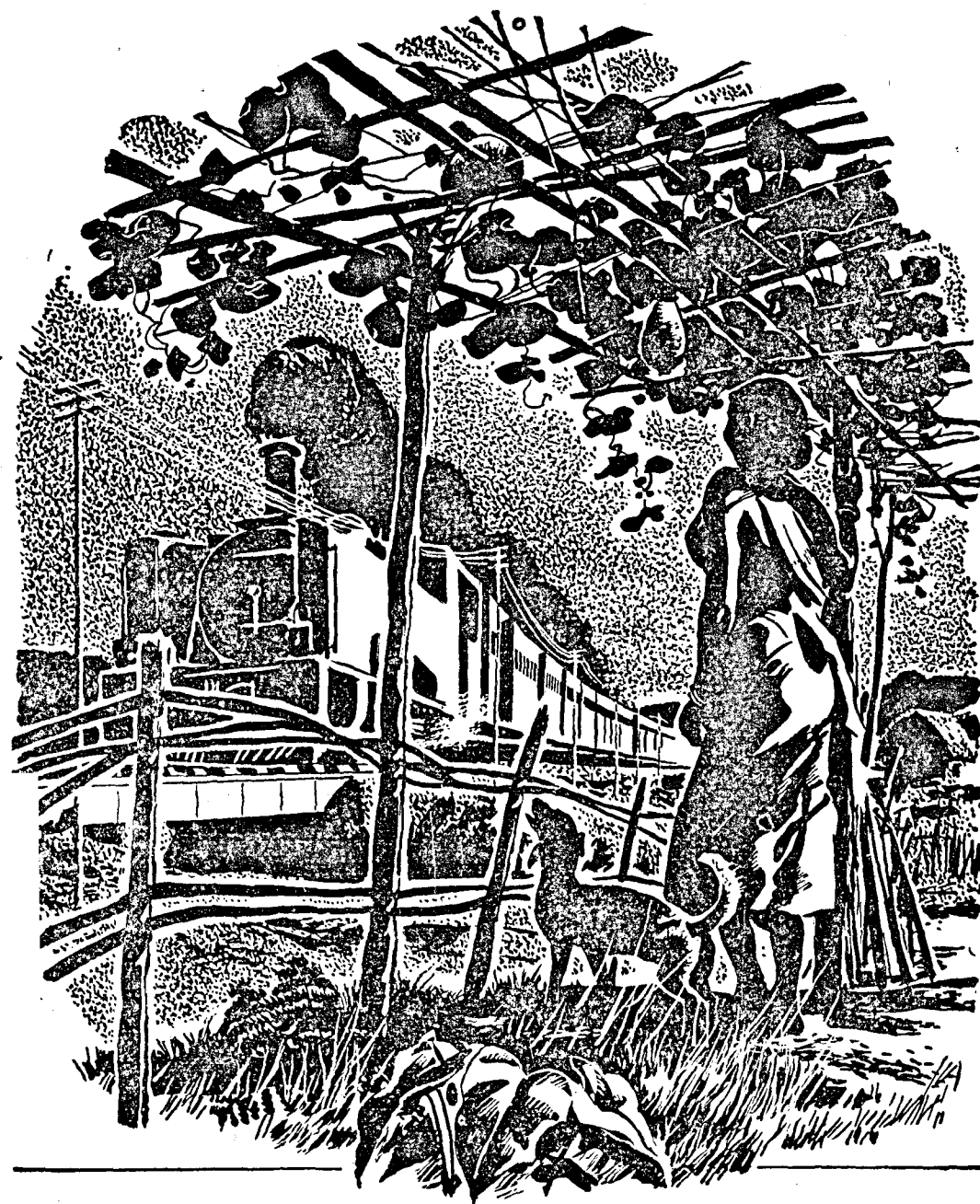
contest could not be avoided in respect of that office (resulting in the defeat of Prof. N. G. Ranga, the candidate sponsored by the former K L P group which had prior to the general election merged with the Congress) no unsavoury repercussions followed that event. On the whole, the Congress, on both the organisational and the legislature fronts, is preserving its facade of unity.

This is a hopeful factor and one of its striking consequences has been a strengthening of the tone of public life in the State. Another has been a steady improvement in the morale of the administration. As evidence of the former may be mentioned the sobering down of agitations and controversies over the issue of the capital of the State, an almost complete absence of the once vigorously pursued controversy over the issue of prohibition, the calm noticeable in respect of Rayalaseema-Circars' disputes over irrigation projects and so on. The Circars' Andhras no doubt still entertain a longing, lingering hope and desire that the headquarters of the State would be shifted to Vijayawada; but they do not any longer make it an issue with the Rayalaseema people. Kurnool's continuance as capital is now taken as a fait accompli, though what reactions would ensue if, as prognosticated, the disintegration of Hyderabad state is not going to be followed by the establishment of a Greater Andhra or Visal Andhra State, with Hyderabad as the permanent capital, cannot be envisaged at present. The report of the States Reorganisation Commission is awaited with keen interest and anticipation by Andhras as by other concerned linguistic groups.

Two relatively minor disputes regarding boundaries remain to be settled between Andhra and Madras on the one side and Andhra and Mysore on the other. The former pertains to the thin strip of bilingual territory comprising a few villages in the Chingleput and Chittoor districts while the latter relates to the town of Bellary and three taluks in Bellary district, which under the Misra award have been incorporated in Mysore State. A somewhat unfortunate and needlessly vociferous agitation has been raised by some sections in Tamil Nadu over the

Andhra-Madras boundary in the two districts referred to and a boundary commission is being demanded to settle the dispute. If a boundary commission, though provided for in the Andhra State Act, is appointed, it would only lead to a recrudescence of linguistic acrimonies, which have been progressively disappearing during the last few months. It is hoped that the Government of India will not capitulate to the demand but permit the Andhra and Madras Governments to settle the dispute at Ministerial level and put their seal of approval on any agreement that may be thus arrived at. Regarding Bellary, the States Reorganisation Commission has been seized of the issue and its recommendation will have to be regarded as the last word on the matter.

What is the prospect regarding the economic future of Andhra? Along with the plans of other States, Andhra's second Five Year Plan has also recently been scrutinised by the Planning Commission, which ultimately provided for an expenditure of Rs 125 crores as the State's target. The figure was arrived at on a consideration of the combined criteria of population, needs and the amount which the State could spend on development schemes during the first Plan period. The financial deficit of the State on the one hand and the prospective spending capacity of the State Government on the other were probably other criteria that entered into the fixation of this allocation. As is well-known, the current year's budget deficit for Andhra amounted to the somewhat staggering figure of Rs. 3½ crores, representing a gap between revenue and expenditure in the revenue account which could be made good only by additional taxation. It is heartening to realise that the Andhra Government did not fight shy of this proposition despite vigorous opposition attacks and has introduced legislation for the imposition of a betterment levy on lands which have benefited from extension of irrigation facilities and a surcharge on water rates in delta areas. In Andhra, as in other states, the agriculturist is shouldering a heavy burden of taxation compared to the return he gets from his vocation; but in the districts under wet cultivation and served by irrigation sources, land can



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certainly bear a heavier burden, if land reforms which afford cultivators security of tenure and reduction in rents, are introduced. Two other sources of revenue which the Andhra Government can appropriately explore are an income-tax on agricultural incomes and a surcharge on land revenue in respect of areas where commercial crops like tobacco, sugarcane and groundnut are grown.

The second Five Year Plan for Andhra provides for industrial development related to local availabilities of raw materials and labour and for the development of a number of small-scale industries. With the prospective early completion of the Machkund and Tungabhadra hydro-electric schemes, the smaller industries in the State should get a fillip, as power would then be available for running them. The agriculturists will also greatly benefit, as power would be available to them for operating pumps and for undertaking lift-irrigation schemes.

Among the schemes of major significance for Andhra's future prosperity, mention must be made of the Rs. 129 crore Nandikonda project on the Krishna river, work on which is expected to commence in the very near future. The project will be one of the biggest of its kind in the country and it is proposed to be executed, as far as possible, through indigenous engineering talent. A medium-sized irrigation project, the Vamsadhara project, which would benefit the Srikakulam and Visakhapatnam districts in north Andhra, has also been sanctioned for execution during the next Plan period, besides a number of local irrigation works for the benefit of scarcity areas.

It is altogether satisfactory that the fervid controversies on prohibition that marked the first year's life of Andhra and which ultimately led to the fall of the Prakasam Ministry, have more or less subsided in recent months. The prohibition scheme indeed continues in operation in the State and its implementation has recently been made over completely to the Police Department. What the future of the scheme would be would depend very largely on the recommendations of the Prohibition Enquiry Committee, but Andhra is now in the happy position of being one of the few States which have already experimented with total prohibition and know its advantages and disadvantages and the problems that arise

out of it. This experience should be helpful in enabling the State Government to implement any recommendation made by the Committee without finding itself floundering in the process.

This brief review of the developments in Andhra justifies the con-

clusion that the State is now no longer the problem State it was at one time considered to be or rather threatened to be. With stable political conditions and with conditions favourable for steady economic progress, Andhra can look forward to a period of increasing prosperity.

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Official Papers

Eradicating Corruption in Railways

Report of the Railway Corruption Enquiry Committee 1953-55. Published by the Manager of Publications, Delhi, pp. 220. Price not stated.

THE inquiry into Railway corruption has made us sad. We knew that there was a good deal of corruption in Government departments including the Railways, but the wide extent of corruption prevalent and the ingenious methods adopted by the Railway staff to extract illegal gratification have shocked us. This, however, does not mean that all Railway men are corrupt. Many are honest and conscientious. Yet unfortunately a good many of them are not so. The misfortune is that those who are honest have little influence over those who are not and on the administration as a whole. Even when high officials are themselves scrupulously honest, they feel, and some of them have admitted, that they are helpless in the matter of eradicating corruption from among the rank and file. This is the conclusion of the Railway Corruption Enquiry Committee of which Acharya Kripalani was the Chairman. Corruption in the Railways is not new. Corruption has been there all along; only the magnitude or volume varied according to circumstances. What we expected of the Kripalani Committee was an answer to the question how to root out corruption from our Railway administration. Railways are not only our largest nationalised undertaking, but also the biggest public utility concern.

After having realised the gravity and importance of the problem it is unfortunate that the Committee has nothing new or original to suggest to root out corruption from the largest nationalised sector in our economy. It has pleaded for a new outlook and has tried to put together the various suggestions which the Railway Board and various Railways must have been considering from time to time. By getting entangled in administrative details, the Committee appears to have lost sight of the main issues. To understand the problem in its proper perspective, the Committee should have examined as many case histories as possible. It would have, then, immediately revealed that as long as responsibilities for decisions remain diffused, it would be impos-

sible to root out corruption completely. Many cases of corruption are not proceeded with because of difficulties in fixing the responsibilities. An equally large number falls for the same reason at the final stages of investigation and trial. In executive jobs, chances to shift responsibilities for action should be reduced to the minimum.

Another source of corruption is all-round inefficiency. Intelligent but unscrupulous people thrive in an atmosphere of inefficiency. Corrupt as well as incompetent officials commit similar errors of judgment; the only difference is that in one case it is wilful and in the other it is unintentional. It will be very often difficult to distinguish between wilful and unintentional errors of judgement. It, therefore, follows that in the process of rooting out corruption, the incompetent will also have to suffer the same fate as the corrupt. Any attempt to hide the incompetent is to encourage corruption. But in the present political climate, weeding out the incompetent and toning up efficiency are not so easy as it would appear at first. The greatest evil in the administration to-day is casteism and regionalism. Every officer is looked upon as a representative of the caste to which he belongs and of the region in which he is born. And most officers behave also as if it were so. This is an evil which is eating into the vitals of the nation. One may not believe anything in this world; but from the high-ups to the lowest, all are prepared to believe stories of victimisation because of caste, region etc. to which one belongs and to intervene on behalf of incompetent, undisciplined and even corrupt officials.

The question that is looming large is: will it be possible to restore the honest and efficient i.e. the good administrator, as CR would like to call him, to his rightful place and allow him to function effectively. The Committee, however, has the politician's suspicion of the bureaucrat. The Committee observes: "with democratic progress of the country and the change in social temper, these bureaucratic powers

have been circumscribed with a view to safeguard the interests of the public and the workers. Many gazetted officials have now asked for increase of their powers to enable them to take disciplinary action against the subordinate staff. We are sorry we cannot agree to such increase of power. It would in our opinion be a retrograde step. The officials will now have to cease to be the arbitrary rulers of the destiny of those who are placed under them and will have to discharge the new role of leaders of the men working under them. This leadership cannot be gained merely through fear but by good understanding and by setting an example of efficient and honest handling of the task allotted to them and by absolute fairness and impartiality in their dealings with their subordinates". It goes well as a political harangue. But it shows little appreciation of the problems of the administrator. When undesirable forces are working to undermine the discipline of the staff, to what extent the Committee's advice will be practicable has to be seen. In normal times, what the Committee has stated should be the norm. But is the Committee prepared to admit that we are passing through normal times in regard to corruption and efficiency?

If the Railway Ministry is keen on eradicating corruption, wider powers will have to be given to honest and efficient people and they will have to be supported to the full in their drive against corruption and inefficiency. A wise administrator seldom uses his extraordinary powers. The bureaucrat, whatever his other defects may be, is a cautious being. And if he is not vested with sufficient powers, he tends to become ineffective. With its limited resources of honest and efficient officers, it is also for consideration whether it would not be better to start a concerted effort to eradicate corruption in one division or district of each railway and to extend it to other divisions as and when experience is gained. It is not likely to yield satisfactory results if one tries to deal with the entire railway system. It will only end in red-tape and delay.

Prospects for Steel Tubes

The European Steel Pipes and Tube Industry. Prepared by the Industry Division, Economic Commission for Europe, United Nations, Geneva. June 1955. Pages 103. Price 4sh 6d.

THE steel pipe and tube industry, which has been absorbing an increasing proportion of total steel production in recent years, has been facing a number of problems. While in the immediate post-war years, supply tended to be particularly short of demand, there has been for some time considerable danger of over-production. Since tubes find their way mainly into industries, the expansion of which is of basic importance for economic development and which directly reflect a rising standard of living, a study of the structure and problems of these industries has been carried out by the Economic Commission for Europe. Detailed studies of the wide-strip mill producing flat products have already been published.

The report notices the very significant fact that "the industry has tended to be concentrated into relatively few hands, inevitably suggesting that there may be artificial barriers to the growth of production and demand on the one hand and reduction of costs and prices on the other." The tendency towards concentration appears to arise out of the heavy capital investment made necessary by the development of new techniques of production and particularly of the seamless tube. As a result, the industry has been concentrated in a few hands in each country, and at least until recently a comparatively small number of countries have been substantial tube producers. There are, in fact, only 13 substantial producers in the world with an output of more than 100,000 tons per annum. Of these only four are outside Europe. The United States leads the world with an output of more than 9.3 million tons, thrice that of the second largest producer, the U.S.S.R. and eight times the third; the U. K. The biggest producer in the USA produces 43 per cent of total output, but the concentration is still higher in other countries. Most units are vertically integrated, producing their own steel. In the United States, more than elsewhere, the tube manufacturers produce other products as well.

Tubes are classified, according to end-use, into those used for transport or circulation of fluids and gases, and those required for structural uses drawing upon the mechanical

properties of tubes. Since the Commission is interested in assessing the demand and supply position of the industry, an analysis of the pattern of consumption is made. The oil and gas industries together form the largest single user. In the four West European countries, roughly a quarter of total tube production is for the oil and gas industries; most of this is exported to extra-European markets. Exports of tubes of oil-producing countries constitute more than half of the total steel exports from these countries. Exports, in fact, constitute 35 per cent of the total production of the four West European countries. United States exports are large in volume, though they constitute only 8 per cent of its output.

The rate of growth of apparent consumption of tubes in itself and in relation to apparent consumption of steel, varies considerably between countries. While consumption is low and yet unchanging in the less-developed countries of the world, it is high and at approximately the same level in the United Kingdom and Western Germany. The report believes that "this experience may be in some measure a pointer to what can be expected in other developing countries in the coming years."

Tube production has expanded considerably in Western Europe relatively to pre-war times. In spite of this, however, Western Europe now accounts for a smaller share of world output than before the war. In addition to the high rate of expansion of tube production in the United States, all other non-European areas show rapid expansion, and tubes are also being produced in areas where there was no production before. Latin America is expanding output at a rapid rate; Africa, Asia and Oceania are producing twice as many tubes as before the war. Besides, plans are in hand for expansion of capacity in all these areas. Established producers in the advanced countries frequently participate in the development of tube production overseas with the provision of capital, equipment and technical aid. The factor that determines the capacity laid down in these new producing countries is the existing or potential size of the market.

The report makes a detailed study of the trends of costs and prices of

tubes. The gaps in statistical data necessary for such a study are wide. The problem is made even more difficult by the existence of wide divergences between export and domestic prices and the absence of a uniform pattern among the different producing countries; but the report has made a commendable job of it. To make a complete analysis of the situation affecting costs and prices of tubes, study has been made of (a) The behaviour of producers; (b) Steel prices and qualities, (c) Competition from new producers, particularly overseas; (d) The size of the market and standardisation; and finally from the side of demand of (e) The elasticity of demand for steel tubes; and (f) The growth of total demand.

In the light of the discussion of these general considerations—the elasticity of demand is discussed in very great detail—the trend of actual and potential demand for tubes in four fields of activity is examined. To assist in this process of analysis, the actual pattern of exports of tubes is also studied in a separate chapter. The four fields covered are oil, gas, the supply of water and housing and general construction. The large remaining sector of miscellaneous uses has not been discussed in view of the lack of data, though this must necessarily imply a weakness in the analysis.

As regards oil, the report concludes that there "seems to be no reason to suppose that a continuing annual increase in oil production of 5 per cent cannot be expected." It anticipates a continuing high and growing demand for tubes. Further analysis shows, on the basis of experience, that tube consumption in oil production follows a fairly definite pattern. When a new oil-field is discovered, initial demand for tubes is likely to be high, falling off as oil production rises. The next stage is likely to be an increase in tube consumption per unit of oil output as drilling goes deeper and strikes become rarer.

That is why the report finds that the future prospects for tube consumption in oil-producing areas would appear to depend on the result of two conflicting factors. First, as the share of the Middle East and the Far East in total world oil production increases, tube consumption

per unit of output is likely to fall. Against this, it is likely to rise in other oil-producing areas of the world as production is extended to less economic districts.

Tubes are used, however, also for the transport of oil. In the United States and Middle East extensive pipe-line systems already exist. Probably, therefore, demand from here will be largely for maintenance. In Western Europe, the long coast line and comprehensive system of inland waterways make distribution by tanker and barge cheapest. Therefore, on the whole, no substantial increase in demand from this sector can be expected outside the USSR. Increasing refinery capacity will, however, mean some new demand.

The Gas industry has a large demand for tubes and pipes. Future expansion of the manufactured-gas industry depends more on the total demand for gas than on competition from other sources of energy, in view of the probable overall shortage of energy. Movement of natural gas also requires tubes, but the demand is highly localised, being determined by the location of sources. The farther away the source of natural gas from industrial and commercial centres, the longer the pipe-line required for transport. Demand, apart from that of replacement, depends, therefore, on the discovery of new sources and their exact location.

Manufactured gas is not usually transported long distances, but it nevertheless makes considerable demands for tubing even for distribution in small urban areas. The report finds that "the trend of gas production and distribution and particularly of the development of natural gas is such that the consumption of steel tubes by the gas industry will grow steadily, not only to meet new demand, but also for replacement purposes."

Water transport also requires steel pipes although here they have serious competitors. Water requirements have been continually expanding with increased demand for conveniences in the household and with the development of a more complex industrial structure. The industrialization of underdeveloped areas is, therefore, likely to be a potent factor in the demand for steel tubes for this purpose.

Tube consumption by the construction and related industries depends partly on the level of construction, partly on the scale of amenities provided, particularly in houses, and partly on the degree to which tubular forms of construction

are used in substitution for others. Modernization of old buildings may also be important, as also the provision of additional amenities in new dwellings, the former being more important than the latter.

A fairly detailed presentation of the report has been given above, particularly of its very thorough discussion of the possible demand for steel tubes in different types of use because the main purpose of the report is in fact to study the prospects of the industry. The conclusions finally drawn from the study are interesting and are presented below. The hope of the industry, if experience is any guide, lies in the development of underdeveloped countries. The tube industry "could benefit substantially from progressive policies of economic development in the less industrialized countries of the world. As the report notes, the industry may be contrasted with the flat sector, "where a real upsurge of demand depends essentially on a certain level

of economic development having been already attained, so that expanding incomes are available for expenditure on motor vehicles, durable consumer goods and other articles associated with a high standard of living."

The acute shortage of tubes during the immediate post-war period has stimulated expansion of tube production in parts of the world where there was little or no tube production before the war. The report characterises this as "a natural and inevitable movement" which "need not cause the tube-exporting countries undue concern, since the main factor affecting the prospects of the tube industry is the state of total demand and, as has been seen, the long-term outlook would appear to be favourable." That is a conclusion which should be welcome to the steel industry in this country, which is also going for the production of pipes and tubes according to the latest methods.

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An Experimental Village Industry Project In a Delhi Village

Philip Zealey

The author of this article, which is a further addition to the series of Village Studies appearing in this Journal, is the Liaison Representative of the American Friends Service Committee. He has been in India for three and a half years—at first helping to establish a multi-purpose rural project in Orissa and now co-ordinating the rural work of the AFSC in India. He is especially interested in the problems of village-based decentralised small industry.

CHANDRAPET is a small, somewhat isolated village, about 20 miles north of Delhi. It lies one mile from a metalled road; the connecting link being a rough track which is hazardous even for a jeep in wet weather. An all-weather road is projected for construction during the coming winter season. The dominating features of the population are the existence of a small group of comparatively prosperous farmers and a large group of "Harijans", mostly leatherworkers and low-caste weavers. The village has been strongly influenced by Congress doctrine and "untouchability" has gone, though caste interdining and intermarriage is still taboo. The leatherworkers are good craftsmen but poor tanning techniques result in bad quality leather and this tends to nullify their technical skill. The weavers use very poor looms and only produce a low grade and coarse type of material.

This village has already undertaken some community work on a self-help basis with some Government assistance. A new well has been dug, the village tank has been enlarged and deepened, and some of the village streets have been paved with brick. Two co-operative societies have been registered.

Resulting from the visit of some foreign technicians, a small sum of money has been raised in the U. S. for the benefit of this village. Initially the villagers wished to apply this fund towards the building of a community centre. In the light of the serious un- and under-employment, it was suggested that the fund might be better used for some productive purpose which could provide both employment and profit. The idea was that the profits would be used for welfare purposes in the village. The idea was accepted and the question arose as to what might be a good productive purpose. At the time there did not seem to be an immediate opportunity for providing assistance in the development of leatherwork and the fund was not

sufficient for the establishment of a tannery. The weavers' position looked pretty hopeless.

It was known that the Ingraham Institute near Ghaziabad had successfully sponsored a small metal-pressing industry in the eastern part of Delhi State. One of their technical experts was willing to assist in a further extension of this kind of work, and had full confidence in its potentialities. With his encouragement and promise of technical aid, the village was willing to co-operate in a village industry experiment. The expert had already drawn plans, designs and costing for the manufacture of a folding coathanger for a refugee colony near Delhi, but co-operation had not been forthcoming and he was willing to transfer this idea to Chandrapet.

Capital & Organisation

Basic equipment, consisting of a No. 3 hand-operated fly-press of Indian manufacture, plus bench vices and tools, were purchased at a total cost of Rs. 300. The technical department of the Ingraham Institute undertook to manufacture the dies and jigs at a cost of Rs. 160. Rs. 100 were given for the initial purchase of metal, wire, plastic tubing etc. Subsequently an advance of Rs. 400 has been made to meet running expenses until money from sales comes in regularly. This industry has been "floated" on a total capital of Rs. 960 or about \$200. It is foreseen that additional capital will be needed to provide for adequate expansion to a sound economic and business unit.

At present, the project is "informal". The equipment and capital has been provided on a loan basis and held in trust. It is supervised by a young village leader who is at present studying law at Delhi University. When development has reached a point where a group of at least six are employed and feel committed, as well as having full confidence in the work, the organisational structure must be formalised. It is

planned that this working group shall decide, in consultation with the village, what structure the industry should take. E. G. co-operative, profit-sharing company, village self-government corporation etc. When this has been done, and with the approval of the donors, the fund and equipment will be formally and legally transferred.

The industry is only providing full time employment for two persons and part-time employment for two more, just now. To be efficient and viable as an industrial unit, full employment must be provided for 6 to 10 persons with supplementary part-time assistance. Observations would indicate that a larger working unit might lead to a factory environment which it seems desirable to avoid. If this unit develops successfully, a second stage would be the establishment of another unit directly associated with the leatherworkers to produce metal parts for leather products. Subsequent contacts now indicate that some technical assistance can be provided to improve leather and adapt leatherworking techniques.

It should be pointed out that it has taken well over nine months to reach the present stage of development.

First Products

It has to be admitted that the choice of a folding coathanger has not been good from the point of view of the orthodox conception of village industry. It is not a product for village consumption and depends on a town market. Products of this kind are only suitable for villages within a reasonable distance of large towns. This is also true in relation to the acquisition of raw materials. All tools and equipment, as well as the raw material, are of Indian manufacture. Subsequent products must certainly include those which can be of benefit to the village areas. One obvious reason for starting on this particular product was that designs, costing and manufacturing procedures had already been

worked out. Another was that this would be the first article of its kind to be manufactured in India.

The economic success of the project in East Delhi had been in the fact that the industry was bringing into the village about Rs. 1,000 of extra-village-sourced money and the whole village was definitely feeling the benefit of the increased circulation of money and purchasing power. This project had also shown that small metal products could be manufactured on an economically competitive basis in a village under conditions far preferable to the crowded "sweat-shop" environment of similar industries in dirty and congested back streets in the bazars of Old Delhi.

The second product is a hacksaw frame and is now being manufactured at a cost very much lower than its imported counterpart. The present market is limited but it is such a useful "multi-purpose" tool that one can envisage a broader market including village use, when the price has been brought to such a tempting consumer level. Other products are in various stages of development.

Technical Aspects

A weakness was shown in the fact that the commencement of operations depended vitally on the outside production of dies and jigs. The preparation of the dies was delayed and this resulted in a loss of enthusiasm and of confidence in the project. This, of course, was only temporary but it also resulted in a theoretical loss of productive potential. It would be sounder if the project can expand to a point where it would be economic to employ a good tool-maker and provide him with needed equipment to make dies and jigs on the spot. He would also be available to undertake repairs to damaged material without delay.

A welcome surprise was the speed and ease with which the villagers came to understand the meaning of "precision tools". The top and bottom parts of the dies have a clearance of only 5% of the thickness of the material used. In one die this represents a clearance of 1/500th of an inch. Faulty setting means damage or destruction to the die concerned. After one afternoon's demonstration and instruction, the villagers have operated the presses for over three months now without a single breakage. The quality of the product has steadily improved in finish. A new set of dies of an im-

proved design is now being made. These will call for even greater precision operation, and should result in a first class product, better able to withstand competition from rival "copy" production, which may well occur as it is a feature in the small industry picture in India today.

Attention has also been given to attractiveness in presentation. Hangers are packed by dozens in cardboard boxes made on the spot and wrapped in cellophane paper. Printed labels and tags have been prepared. These embellishments form but a fraction of the total cost, but make all the difference to marketability. It is less easy to convince the villagers of the importance of "finish" and attractive presentation to the market.

Marketing

This is certainly the "critical" area in the development of village industry. In its broader aspects markets cannot be increased until there is increased production and a sounder distribution of wealth resulting from production. Exploiting a town market where purchasing power is greater, is of advantage to the villager from this point of view.

Fly-press production is potentially high and efficient. For example, the present set-up at "Chandrapet" is capable of turning out 10,000 coathangers per month. Under existing marketing procedures, this output cannot be absorbed by those selling agencies specially organised to assist village and basically non-commercial production. One is left with a choice of countrywide or regional "sole agents" or direct sale. This type of agency is largely in the hands of people who have been traditionally exploiting the small producer in a number of ways. Several months of negotiation with a few selected agents has not led to satisfactory or acceptable results. The alternative left has been to use village production selling emporia and develop additional markets through direct contact with retailers. This is not the most efficient method of marketing for a small unit but seems the only workable system at present. The cost of employing one man almost full time on selling costs more than the 15% commission which seems reasonable for an agent. Agents seem to have a tendency, by playing one producer off against another, to direct production into shoddy products at a lower price. Recent market studies show that even poor buy-

ers are willing to pay a slightly higher price for a better product. This should be encouraged and not for the least reason that it is in the best interests of Indian craftsmanship to produce on a good level of manufacturing quality. This unit, not being financed by, or indebted to, any agent, is free to experiment in a more direct form of marketing, which, though difficult and more costly initially, may show results to the benefit of both producer and consumer.

Tentative Conclusions

1. Unskilled village people are capable of quickly learning skills of a mechanical nature and of undertaking small industrial production outside the field of traditional village industries.

2. Some types of new village industry can be established for a surprisingly small amount of capital, but sound technical guidance is essential. Such guidance must cover all aspects of the project tackled. It must be followed through continuously until it is no longer required. It needs to cover not only the purely mechanical and industrial aspects, but also organisation, business methodology and marketing.

3. In certain spheres of production, village manufacture can be as economically efficient as town manufacture.

4. It is easier to develop such new industries near large centres of population and for a town market. There is a need for surveys to be made of actual and potential village needs for articles which could be both produced and consumed in rural areas.

5. Marketing is the "critical" area and a great deal of study is required in this field prior to any large-scale development or encouragement of new-type village phased industry.

6. New village industries need a good "mother" from whom the "child" can be weaned at the appropriate time.

7. Financial aid from outside is essential but should be of such a nature that it is regarded as a capital investment for sound productive purposes and not merely as a kind of charitable gift to relieve a state of poverty.

8. Some measure of productive control against unfair competition may be provided when necessary. There should be limits on this in respect of basic consumer interests.

From the Chair

Industrial Finance Corporation of India

Speech of the Chairman Shri K R K Menon

THE following is the full text of the speech delivered by the Chairman, Shri K. R. K. Menon, at the Seventh Annual General Meeting of the Shareholders of the Corporation held on September 17, 1955:—

Gentlemen,

I have pleasure in placing before you the Accounts of the Corporation and the Report of the Board of Directors for the year ended the 30th June 1955. This task should have fallen on Shri P. C. Bhattacharyya, whom you all know, as he presented the Annual Accounts and the Report for the year 1953-54, and was also Chairman of the Corporation during the entire period of the year under review. This was a difficult period for the Corporation, and I am sure, I am voicing the feelings of all of us who are assembled here today when I say that the Corporation has laid itself under a deep debt of obligation to Shri Bhattacharyya for the most efficient and effective manner in which he discharged his onerous duties as Chairman, in spite of the fact that his main official burden as Financial Commissioner of Railways must have left him with very little time to devote to the affairs of the Corporation. It is my first pleasant duty, therefore, to convey to Shri Bhattacharyya the grateful thanks of the Shareholders and of the Board of Directors of the Corporation for his valuable services.

Late Shri H C Captain

Before I proceed to the other items on the Agenda, I have to refer to the sad demise of our esteemed colleague Shri H. C. Captain who was a director of the Corporation from its early stage. His wise counsels were of immense value in the deliberations of the Board and I am sure you will join me in expressing our deep sense of sorrow at his unfortunate demise and conveying our sympathies to the bereaved family. I would also mention some of the more important changes that have taken place in the Board of Directors of the Corporation. I was nominated Chairman, in succession to Shri Bhattacharyya on the 6th August 1955. Shri Sonalker, the Managing Director, retired on the 7th June 1955 and was succeeded by Shri H. V. Venkatasubbiah. To Shri Sonalker I express the thanks and good wishes of the Corporation.

The first item on the agenda is the consideration of the Annual Accounts and the Report of the Board of Directors on the working of the Corporation for the year ended the 30th June 1955. Printed copies of the Accounts and the Report are before you. These have also been circulated to all the shareholders. I shall, if you agree, take them as read. I would, however, make some observations on a few points.

Working of the Corporation

The working of the Corporation for the year ended the 30th June 1955, was, on the whole, satisfactory, judging from the number of applications for loans received as well as the amount of loans sanctioned by the Corporation, particulars of which are furnished in the Report. Our gross profit for the year, subject to provision for taxation, was Rs. 24.70 lakhs, and is higher than that for the previous year by Rs. 2.51 lakhs. In fact, it is the highest earned by the Corporation since its inception. I should add in this connection that this year also no interest has been charged on the advances made to the Sodepore Glass Works Ltd., and interest on certain accounts which are considered doubtful of recovery has been taken to the Interest Suspense Account. You will observe from the Profit & Loss Account that the interest so taken to the Interest Suspense Account amounts during the year to Rs. 2.45 lakhs as compared with Rs. 1.37 lakhs during the previous year. The increase of Rs. 1.08 lakhs is due to a careful review of the present position of our loan accounts as a result of which the Directors considered that it would be prudent to take the interest on a few more accounts to the Interest Suspense Account in addition to those interest on which was so taken during the last year. I must, however, point out that though the position regarding our gross profit is satisfactory, we have had to call upon the Government this year to pay us a subvention to meet the entire guaranteed dividend, amounting to Rs. 11,25,000/-, on the share capital of the Corporation, as against a sum of Rs. 4,06,363/14/- which was the corresponding figure for the previous year. The main reason for this is that this year we have considered it necessary on a review of our loan

accounts in consultation with our Auditors, to transfer a sum of Rs. 15 lakhs to the Reserve for Doubtful Debts, as against a sum of Rs. 5 lakhs which was all that we transferred to this head last year. This brings the total provision under this head of Reserve Account to Rs. 20 lakhs and this does not include any provision for possible loss in the account of the Sodepore Glass Works Ltd. You will observe from the Balance Sheet that the estimated loss in this account will be in the neighbourhood of Rs. 50 lakhs for which provision has to be made from our future profits.

Defaults in Payment

A reference was made in my predecessor's speech last year to the defaults made in the payment of principal and interest. I am glad to mention that the position regarding defaults during the current year shows some improvement. The percentage of the companies defaulting as well as the amount defaulted shows marked reduction. It is only in the case of a very small number of companies that defaults have been due to their unsatisfactory financial position; in the majority of cases, the defaults were of a casual nature and the Corporation, after careful consideration of the circumstances of default in each case, has dealt with the parties sympathetically, and granted postponements for payments of principal and/or interest wherever this was found possible.

You will observe from Appendix "E" to the report now presented to you that we have attempted, for the first time, a brief review of the development of industries in this country, particularly in the fields in which the Corporation has advanced loans. It is hoped that this review, which has been done in implementation of a directive issued by the Central Government, will be found useful and instructive, and an improvement on the purely statistical statement we furnished in Appendix "E" to our last Annual Report.

Sodepore Glass Works

A reference was made by my predecessor, in his speech at the last Annual General Meeting, to the negotiations that had been taken in hand regarding the Sodepore Glass Works Ltd. After consideration of all the

aspects of the case, the Board of Directors came to the conclusion that this factory should be sold as early as possible. A Negotiating Committee was appointed by the Board, with Shri Bhattacharyya as Chairman, for exploring the most satisfactory terms for this purpose, and, on the recommendation of this Committee, the Board have decided to sell the factory to Messrs. Asahi Glass Company Ltd. of Tokyo. The main terms and conditions of the sale are that the vendee will pay Rs. 62 lakhs as price of the assets of the Glass Works, in instalments spread over a period of 17 years together with interest on the unpaid balances at 3½% per year. Further, the vendee company will form an Indian Company immediately to take over the assets and work the plant so as to be able to bring the factory into production early next year. The Asahi Glass Company has the reputation of being one of the largest and most efficient glass manufacturing concerns of the world today, and we confidently expect that they will be able to make a success of this venture.

A reference has been made in the Annual Report to certain companies whose assets the Corporation had to take possession of. The specialised nature of the work done by the Corporation and the need for sympathetic treatment of borrower concerns was dealt with by my predecessor in the speech made by him at the last Annual General Meeting. I need only add that the cases referred to above are receiving the careful consideration of the Board of Directors, and it is hoped that a satisfactory solution regarding them will be found before long.

Profit and Loss Account

I must now invite your attention to one or two items in the Profit and Loss Account for the year. You will find therein that a sum of Rs. 1.49 lakhs is shown as having been written off on account of loss on the Corporation's building project. At an early stage after the inception of the Corporation, it was felt that a suitable building should be constructed to house the office of the Corporation at Delhi. Accordingly, a site was purchased from the Government, plans, estimates etc., were prepared, and tenders were invited for the construction of the building. However, it was felt on a subsequent reconsideration of all aspects of the matter that the scheme should be dropped, and that other arrangements should be made for suitable office accommodation for the Corporation. The amount spent on architects' fees

etc., has therefore had to be written off. Luckily, we were able to re-sell our plot to Government at the same price at which we bought it.

Income-tax Act

You are aware that Section 23-A of the Income-tax Act has been substituted by a new Section 23-A under the Finance Act, 1955. As a result of the substituted Section, the Companies in which the public are not substantially interested have to pay super-tax unless they distribute dividends to the extent of 60 per cent of the total income as reduced by the amount of income-tax and super-tax payable by them in respect of their total income as also any other tax levied under any law for the time being in force. Discretion has, however, been vested in the Commissioner of Income-tax to reduce the minimum amount of dividend required to be distributed under this Section under certain circumstances. If companies which are engaged in the manufacture or processing of goods, shipping, mining or generation or distribution of electricity or any other form of power, are dissatisfied with the decision of the Commissioner of Income-tax, provision has been made for reference to a Board of Referees to give the Companies opportunity of being heard. Some of the Industrial concerns to whom the Corporation has given financial assistance are likely to come under the purview of the above Section and the Corporation has addressed a circular letter to all the borrower companies to ascertain from them how far this new Section will adversely affect their capacity to repay the instalments of loans advanced by the Corporation. On receipt of their replies, it is proposed to consider in what manner the Corporation can assist the borrower companies in the matter of obtaining exemption from the operation of the new provision in the Income-tax Act.

It has been mentioned in our Report that the Bill further to amend the Industrial Finance Corporation Act, 1948, was introduced in the Lok Sabha on the 12th April, 1955. The Bill has since been passed by both the Houses of Parliament and has received the assent of the President. The Central Government have notified that the Act will come into force with effect from the 18th September, 1955. The amended Act has brought about certain alterations in the structure of the Corporation mainly in regard to the Chairman and the Executive Committee.

A reference has been made in our Report to the audit of the accounts of the Corporation for the first time by the Comptroller & Auditor General of India under the provisions of Section 34 of the I. F. C. Act. You may have observed from the Audit Report that it has raised a number of vital issues regarding the working of the Corporation. The Board of Directors gave their earnest consideration to all the matters arising out of the report and submitted to Government their views on the various issues and also gave detailed replies to the points brought out in the Report. In view of the interest and public criticism that the Audit Report has evoked it would normally have been in the fitness of things if we had placed before you our observations on the various items included in the Report, but we have been unable to do so as we have been advised that, as the Public Accounts Committee's report on the Audit Report has not yet been considered by Parliament, it would not be in order for us to place before our shareholders our comments and observations on the Audit Report. I would like, however, to assure them that no efforts will be spared by the Corporation to remove whatever shortcomings there may be in its working.

Before resuming my seat, I would like to convey my thanks to my colleagues on the Board of Directors for their co-operation and guidance in all our deliberations. I would also like to convey on behalf of the Board and on my own behalf, our thanks to the Managing Director and the staff of the Corporation, both here and in the branches, for their loyal and devoted work during an exceptionally difficult year.

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Agricultural Labour

III—Cost and Level of Living

SO far the findings of the Agricultural Labour Enquiry relating to the rural occupational pattern and employment and wages of farm workers have been analysed. In the following paragraphs, the results of the Enquiry regarding the cost and level of living of agricultural labour families are discussed.

With a view to examining the cost and level of living of agricultural labourers, the Enquiry collected data on expenditure every month (From March, 1950 to February 1951) for several items of consumption, such as food, clothing and footwear, bedding, household requisites, fuel and lighting, house-

rent and repairs, services and miscellaneous items and ceremonies and functions. For computing the total consumption expenditure per family, the value of articles obtained as wages in kind or perquisites was taken into consideration. Though expenses on ceremonies and functions were separately recorded, they were not included under consumption expenditure. Expenditure of a capital nature and interest on loans were also excluded.

Both from the standpoint of earnings per family and per capita, the income of agricultural labourers is very meagre (Rs. 447 per family or Rs. 104 per capita), and an analysis of their expenditure shows that it

is generally the necessity to subsist that determines expenditure, and there is hardly any choice regarding the items on which money is to be spent. In the result, as much as 91.6 per cent of income is utilised for buying food and clothing, the very bare necessities of life. In fact, the earnings of labourers are hardly adequate to buy even the bare necessities and they have, in consequence, to resort to borrowing.

Thus, while the annual average income per family amounts to Rs. 447, expenditure is higher at Rs. 461, exclusive of the expenditure of Rs. 7 on ceremonies. There is, thus, a deficit of Rs. 14 on consumption

TABLE I

Consumption Expenditure of Agricultural Labour Families

Zones and States	Number of consumption units per family	Average annual consumption expenditure (Rs.) per family on						Income per Family Rs.
		Food	Clothing and Footwear	Fuel and Lighting	House Rent and Repairs	Service & Miscellaneous	Total	
North India	3.4	464 (84.7)	43 (7.8)	6 (1.1)	4 (0.7)	31 (5.7)	548 (100.0)	551
U.P.	3.4	464 (84.7)	43 (7.8)	6 (1.1)	4 (0.7)	31 (5.7)	548 (100.0)	551
East India	3.5	464 (87.9)	26 (4.9)	6 (1.1)	5 (1.0)	27 (5.1)	528 (100.0)	506
1. Bihar	3.6	516 (89.9)	26 (4.5)	5 (0.9)	5 (0.9)	22 (3.8)	574 (100.0)	534
2. Orissa	3.5	281 (84.9)	21 (6.3)	5 (1.5)	4 (1.2)	20 (6.1)	331 (100.0)	340
3. West Bengal	3.2	543 (85.4)	30 (4.7)	8 (1.3)	6 (0.9)	49 (7.7)	636 (100.0)	622
4. Assam	3.0	501 (85.0)	27 (4.5)	7 (1.3)	8 (1.3)	46 (7.9)	589 (100.0)	601
South India	3.4	323 (81.3)	27 (6.8)	5 (1.3)	5 (1.3)	37 (9.3)	397 (100.0)	382
1. Madras	3.4	312 (82.3)	27 (7.1)	4 (1.0)	4 (1.0)	32 (8.6)	379 (100.0)	365
2. Mysore	3.4	325 (75.9)	37 (8.7)	8 (1.8)	14 (3.2)	45 (10.4)	429 (100.0)	396
3. Travancore-Cochin	3.9	431 (79.9)	21 (3.9)	7 (1.3)	12 (2.2)	69 (12.7)	540 (100.0)	541
West India	3.4	327 (83.4)	34 (8.7)	7 (1.8)	2 (0.5)	22 (5.6)	392 (100.0)	391
Bombay	3.4	309 (84.2)	30 (8.3)	6 (1.6)	1 (0.2)	21 (5.7)	367 (100.0)	368
Central India	3.7	374 (87.4)	26 (6.1)	4 (0.9)	1 (0.2)	23 (5.4)	428 (100.0)	417
1. Madhya Pradesh	3.6	366 (89.3)	22 (5.4)	3 (0.7)	1 (0.2)	18 (4.4)	410 (100.0)	390
2. Hyderabad	3.9	404 (87.1)	27 (5.8)	5 (1.1)	1 (0.2)	27 (5.8)	464 (100.0)	455
3. Madhya Bharat	3.6	304 (81.8)	33 (8.8)	5 (1.4)	1 (0.2)	29 (7.8)	372 (100.0)	399
North-West India	3.7	571 (84.7)	52 (7.7)	6 (0.9)	3 (0.5)	42 (6.2)	674 (100.0)	651
1. Rajasthan	3.4	491 (85.0)	54 (9.3)	4 (0.7)	1 (0.2)	28 (4.8)	578 (100.0)	604
2. Punjab	4.0	611 (85.1)	55 (7.7)	6 (0.8)	3 (0.4)	43 (6.0)	718 (100.0)	607
3. PEPSU	4.2	687 (82.9)	50 (6.0)	8 (1.0)	2 (0.2)	82 (9.9)	829 (100.0)	913
All India	3.5	393 (85.3)	29 (6.3)	5 (1.1)	4 (0.8)	30 (6.5)	461 (100.0)	447

Figures in brackets are percentages to total expenditure in each Zone, State and All-India.

expenditure alone. While this gives an indication of the cost of living, the low level of living would be apparent from the fact that the annual expenditure of Rs. 461 on consumption, ensures food consisting mainly of cereals and provides just a loin-cloth for the man and a sari for the woman and semi-nakedness for the children. An idea of the average annual income per family and the distribution of total expenditure over different items may be gained from Table I.

The study of average expenditure in the various parts of the country discloses a similarity in pattern not only in regard to total expenditure, but in respect of distribution over different consumption items, although the levels of absolute income and expenditure may be different. Generally, the average annual expenditure hovers round the level of income, though in most cases the former exceeds income.

In Travancore-Cochin in the South Zone, both income and expenditure are highest. But as between Madras and Mysore, the level of expenditure in the latter is much higher, indicating a relatively high deficit budget for a labour family in Mysore. In North-West Zone, expenditure like income, is highest in Pepsu; and this is the only State where the excess of income over consumption expenditure is appreciable. As indicated earlier, the pattern of expenditure is similar in all States excepting Mysore and Travancore-Cochin, where the percentage expenditure on food is comparatively low and that on services and miscellaneous items relatively high. This does not necessarily mean a higher standard of living, but reflects the consumption of low-priced foods like ragi in Mysore and tapioca in Travancore-Cochin.

Inasmuch as the size and composition of the family vary, total consumption expenditure may not truly reflect the level of living. For this reason, the family could be reduced to a common measure, and the usual method is to work out the size in terms of consumption units, on the basis of available consumption scales. According to Lusk's Coefficients, a male above 14 years of age is reckoned as one consumption unit, and females and children below 14 years are taken as less than one unit, depending on age. Consumption expenditure per unit is then obtained by dividing the family consumption expenditure by the size of the family in terms of the number

of consumption units. An idea of the pattern of expenditure in these terms may be gained from Table II.

It is seen that the average annual expenditure per adult male consumption unit for the country as a whole works out at Rs. 134.9. Among the States, the highest expenditure per unit is found in Pepsu, followed by West Bengal, the amounts being Rs. 212 and Rs. 200 respectively. The high level in West Bengal is due almost entirely to the consumption of rice, a relatively costly cereal.

The pattern of expenditure as between casual and attached labour families does not show any noticeable difference, since in both the cases the average size of the family in terms of consumption units is almost equal and expenditure invariably follows the income pattern, higher expenditure in respect of attached labourers generally being associated with higher average income. As regards families with land and those without land, the same trend is noticeable, viz., the higher expenditure in respect of the former type of families being the result of higher income, but with one difference; that is, the size of the family with land is found to be generally larger, and any difference in the level of expenditure consequent on higher earnings is, therefore, considerably evened out.

An agricultural labour family spends on food annually as much as Rs. 393 or about 85 per cent of

its total expenditure. When it is remembered that the expenditure on clothing, the other basic necessity of life, brings this percentage to about 92, leaving only 8 per cent for all the other items of consumption including housing and fuel and lighting, the staggeringly low level of living becomes evident. The expenditure on food per capita amounts to Rs. 91.4 and to Rs. 112.3 per consumption unit (all India); the relative position in the different parts of the country in this respect may be seen from Table III.

TABLE III

Zones and States	Average Annual Expenditure on Food (In Rupees)	
	Per Capita	Per Consumption Unit
North India	110.5	136.5
U.P.	110.5	136.5
East India	107.9	132.6
West Bengal	139.2	169.7
Bihar	114.7	143.3
Orissa	65.3	80.3
Assam	135.5	167.1
South India	76.9	95.0
Madras	74.3	91.8
Travancore-Cochin	89.8	110.5
Mysore	75.6	95.6
West India	76.0	96.2
Bombay	73.6	90.9
Central India	81.3	101.1
Madhya Pradesh	81.3	101.7
Hyderabad	86.0	103.6
Madhya Bharat	63.3	84.4
North-West India	121.5	154.3
Punjab	122.2	152.8
PEPSU	132.1	163.6
Rajasthan	111.6	144.4
All-India	91.4	112.3

TABLE II
Expenditure Per Consumption Unit

Zones and States	Number of Families Surveyed	Size of the Family	Size in Consumption Units	Consumption Expenditure per Unit Rs.
North India	1538	4.2	3.4	161.5
U.P.	1538	4.2	3.4	161.5
East India	2,906	4.3	3.5	154.5
1. Bihar	1,228	4.5	3.6	163.2
2. Orissa	634	4.3	3.5	109.2
3. West Bengal	791	3.9	3.2	200.4
4. Assam	205	3.7	3.0	202.1
South India	2,224	4.2	3.4	117.7
1. Madras	1,535	4.2	3.4	113.7
2. Mysore	365	4.3	3.4	128.6
3. Travancore-Cochin	284	4.8	3.9	140.4
West India	1,048	4.3	3.4	117.4
1. Bombay	847	4.2	3.4	110.0
2. Saurashtra	111	4.5	3.5	170.2
Central India	2,321	4.6	3.7	118.1
1. Madhya Pradesh	1,040	4.5	3.6	115.8
2. Madhya Bharat	312	4.8	3.6	108.6
3. Hyderabad	617	4.7	3.9	122.1
North-West India	967	4.7	3.7	191.3
1. Rajasthan	276	4.4	3.4	174.0
2. Punjab	292	5.0	4.0	191.8
3. PEPSU	160	5.2	4.2	211.8
All-India	11,004	4.3	3.5	134.9

The diet of agricultural labourers consists mainly of either boiled rice or chapattis made out of wheat or millet or other cereals locally grown, and it is supplemented by a little of pulses and vegetables. While some quantity of fish is included in the riverine areas, milk and milk products are negligible except in some States of North and North-West India. Of the food items, cereals are most important throughout the country, and if the cereal content of perquisites is also reckoned, about 79.2 per cent of the food budget is on cereals alone. The highest expenditure on cereals is incurred in North-West India (Rs. 412), followed by East India (Rs. 386) and North India (Rs. 369). As regards the composition of cereals, it appears to be associated with the crop pattern in different zones; thus, rice is predominant in the rice-growing zones of East and South India, while wheat is important in North-West India, where wheat is the staple crop.

As indicated earlier, the cereal content of the diet of agricultural workers is generally high, and the cereal intake follows the pattern of income and expenditure in different parts of the country. But what is very surprising is that the consumption of cereals should be higher in areas where incomes are high. Contrary to the belief that an increase in income would encourage the consumption of more nutritive foods and discourage that of cereals, the tendency to augment the intake of cereals is noticeable throughout the country and this is indicative of the unsatisfied demand that exists even for the basic food item, viz., cereals. Increases in incomes, instead of being associated with a larger consumption of protective foods and other items, are used up in larger outlays on cereals, as may be seen from Table IV.

Among the other items of the diet, any considerable consumption of milk and milk products is to be found only in the Punjab and Pepsu, where the expenditure on these items formed about 13 per cent of the food budget. Vegetables appear to be luxuries, and most of what is consumed is grown in the back-yard of the labourers' house or obtained gratis from their employers.

A decent level of living should contain within it—apart, of course, from provision for nutritive food—adequate provision for clothing, footwear, housing etc. But the so-called level of living of an agricultural

labourer woefully lacks any such provision worth the name. The average annual expenditure on clothing and footwear amounts to Rs. 29 or 6.3 per cent of total expenditure. This ensures just one dhoti or a pair of pyjamas and kurta for an adult male and a sari for a woman. Children are found mostly in a semi-naked condition, specially in summer. Housing facilities leave much to be desired, and labourers live mostly in small houses with mud walls and thatched roofs.

With a view to studying in greater detail the existing standard of living among agricultural labourers, the Agricultural Labour Enquiry has attempted a classification of families into a number of income groups, described as "Economic levels of living". The economic level of living of a family is determined by the consumer expenditure per consumption unit in the family, where, as referred to earlier, the consumption units are calculated by taking the adult male members as full units and other members in terms of their relative caloric requirements. The percentage distribution of agricultural labour families among the various levels of living is given in Table V.

TABLE IV
Cereal Intake at Different Income Levels
(In ounces per consumption unit per day)

	Rs. 51-100	Rs. 101-150	Rs. 151-200	Rs. 201-250	All Levels
North India	14.2	19.0	23.4	29.6	23.3
East India	15.7	19.0	20.5	23.0	20.0
South India	11.8	16.3	21.7	23.0	15.5
West India	13.2	17.8	21.3	19.3	16.2
Central India	16.1	18.9	23.6	25.7	18.8
North-West India	15.2	21.1	23.7	26.4	24.1
All-India	13.7	18.0	21.9	24.6	18.4

TABLE V
Percentage Distribution of Families in Important Economic Levels of Living By Zones

Levels of living (per consumption unit)	North India	East India	South India	West India	Central India	North West India	All India
Rs. 50 and below	0.1	2.0	2.8	3.1	1.3	..	2.0
Rs. 51 — 100	7.5	16.5	31.3	36.0	31.0	3.1	24.4
Rs. 101 — 150	28.8	30.3	39.0	36.2	44.6	21.4	36.0
Rs. 150 — 200	27.4	22.5	17.0	14.5	15.4	33.6	19.5
Rs. 201 — 250	16.1	12.8	5.9	5.6	5.8	17.7	9.0
Above Rs. 250	20.1	15.9	4.0	4.6	1.9	24.2	9.1
	100.0	100.0	100.0	100.0	100.0	100.0	100.0

It is seen that in the North-Western Zone, the proportion of families living with consumer expenditure per consumption unit of less than Rs. 100 is very small. It is also extremely low in the Western State of Saurashtra. In the Northern Zone, the proportion is less than 10 per cent. The proportion of families living under Rs. 100 per consumption unit is also small in Assam and West Bengal (less than 5 per cent). It is generally very high in the South, Western and Central India, and particularly high in Madras (36 per cent) Bombay (43.6 per cent), Madhya Pradesh (36.3) and Madhya Bharat (51.7). What makes the picture more gloomy is that it is particularly in these parts, that the proportion of agricultural labour families to total rural families is very high. If we take the Indian Union as a whole, it is found that more than 80 per cent of the agricultural labour families live under Rs. 200 per annum per consumption unit. In the result, a large number of agricultural labourers live on quantitatively inadequate diets, for want of income and thus remain underfed even in respect of staple foodgrains.

Market Outlook

Wednesday, Evening

PRICE movements in equities in the last fortnight have deepened doubts about the outlook for Stock markets. Some are inclined to the view that the present phase of the market will soon be over, and that equities will gradually resume the upward trend. Some others express apprehensions that the "bear" market may have started. Current price movements in equities indicate that Stock markets have not yet succeeded in reaching a decision about the outlook.

It is clear that the present fall in equities is partly technical. In the recent past, some of the speculative scrips were bid up to unduly high levels. These high levels could not be maintained for ever. A corrective set-back was only to be expected. With the recession in prices, the technical position of the market is now healthier. Even so, it is clear that there is still a considerable "bull" position in some of the speculative scrips.

Causes

Before a discussion of recent developments in stock markets, it is necessary to analyse the causes behind equity movements in the last few months. For some months since October last, stock markets were depressed. Equities were being talked down. It was being confidently predicted that the boom was over. Many reasons were furnished for predicting the end of the long boom. Some of the arguments were valid.

Though equities started falling, it soon became evident that investors were not unduly pessimistic about the market outlook. Boom in equities for some months prior to October, 1954, was partly due to cornering activities. These activities were discouraged as it became known that Government would soon be introducing legislation relating to companies. In the absence of interested buying, economic forces began to make their influences felt.

It was at this stage that another buying movement started. Many companies announced issues of bonus or right shares. In anticipation of such issues, the shares concerned were being bought by speculators. Improvement in some of the shares

in the last three months was due to such speculative buying. This influence is no longer in active operation. This partly explains the recent hesitant trend in equities. All those familiar with stock markets are aware that, after bonus or right issues, the shares concerned develop a sagging tendency.

Indian Iron

Indian Iron were moving up, in anticipation of a higher dividend. To some extent, the spurt was due to expectations of an issue of right shares by the Company. It is now realised that a higher dividend disbursement is not likely. There are growing doubts whether Indian Iron will issue right shares. That is why Indian Iron are falling. As is only to be expected, the falling trend in Indian Iron is having a depressing effect on the whole market.

Why are Indian Iron not falling further? Some are inclined to the view that, despite official denial of rumours, Indian Iron will issue bonus or right shares. It is argued that the Company will have to capitalise reserves in order to ensure a reasonable relationship between its capital and working funds. This is an argument for an issue of bonus shares. Some such argument has been advanced by the Chairman of Tata Steel in support of the Company's contemplated policy to issue bonus shares in the future.

Money Supply

Besides technical factors, there are other reasons why equities are hesitant or falling. There are indications that New Delhi is determined to introduce measures to check undue speculation in stock markets. As discussed in these columns before, New Delhi has issued directives to the authorities of the stock exchanges to adopt measures to curb speculation. These precautionary moves are having their desired effects. Simultaneously, there are other developments which are having a "bearish" effect on equities.

There has been considerable withdrawal of funds from the money market. Both the Centre and the States have floated loans. In the last few weeks, there has been considerable contraction of currency.

These events are being interpreted to mean that the Government is interested in contracting money supplies available to the market in order to discourage speculative activities. There may be something in this argument. But it should not be forgotten that contraction of currency is not unusual at this time of the year.

Many factors have combined to check speculative activity in stock markets. It may be that the fall in equities is not yet over. Even so, it would be rash to jump to the conclusion that the outlook for equities is bleak. There will be considerable deficit financing in the current financial year. As the second Plan gets going, the tempo of economic activity will be higher. In the circumstances, it is a reasonable assumption that the prospects for sound equities are bright.

Jute Shares

While the prospects for equities in general do not seem unpromising, the future outlook for some industries would seem to be uncertain. It is, to take an instance, not without significance that Jute shares remain neglected, despite the abolition of export duties on jute manufactures. This is partly due to the current depression in jute goods. Political developments in Argentina are having a "bearish" effect on hessian because of fears that shipments to Argentina may be delayed. But there are deeper reasons why Jute shares remain inactive.

There are growing fears of competition from Pakistan. Recent developments are ominous. Pakistan secured an American order for hessian at the cost of India. Recently, India lost a portion of the Burmese order for jute goods to Pakistan. Hopes that Pakistan will be forced to reduce the export minimum price for raw jute are receding. Authorities in East Pakistan have repeatedly stressed their determination to maintain the export minimum price at the current high level. This gives Pakistan a decided advantage over its rivals. Growing fears of Pakistani competition are mainly responsible for the current hesitant trend in Jute shares.

Around Bombay Markets

Firm Trend

Thursday, Morning

IN the absence of any fresh factors, the stock exchange in Bombay hovered around the lowest levels during the greater part of the week. The only exception was National Rayon which went up from Rs. 226-12 to 229 on Tuesday. This improved sentiment was inspired by encouraging reports about the Corporation's forward sales for the first quarter of 1956. It is true that technically, these sales have not been finalised as yet, but there are indications to show that sales for three months in 1956 will be around Rs. 3-10 for 150 deniers and Rs. 4 for 120 deniers as against the rates of Rs 3-6 and Rs 3-13 respectively in the last quarter of 1955. Indian Irons too saw some renewed activity, taking up the shares from Rs 38-4 to Rs 39. At buldge, however, the bulls began to liquidate when earlier reports that the Company would announce their dividend on Monday (26th September) proved incorrect. In the event, the quotation naturally reacted and was fluctuating around Rs 38-4. On balance, however, on the last day, on Wednesday there was heavy bull support in all counters depicting a firm trend of the market in general.

Tata Steel ordinary opened the week at Rs 241-8 and after fluctuating between Rs 244 and Rs 240-8 jumped on the last day to Rs 245 to close the week at Rs 244. Indian Iron closed the week at 38-3-6 with a bearish undertone.

Textile shares looked up near the close on heavy influential buying. On suggestion that working of the Bombay Dyeing mills has been better than earlier expectations, the shares were taken up more than thirty points from Rs 503-12 to 535. Under the leadership of Bombay Dyeing other textile equities also went ahead to close the week at or around the best levels. Improvement in Century, Swadeshi, Simplex and Tata Mills were particularly impressive.

In the electric group of shares, Ahmedabad Electric, Tata Power and Tata Hydro stole a thunder. There was heavy investment buying in Ahmedabad electric shares which went up to Rs 113-12 from Rs 109-8. Tata Power also moved up by nearly 20 points to Rs 1535 on proximity of dividend. On the same

ground Tata Hydro also were strong at Rs 156-8.

Bank shares were better but Insurance were weak. Bank of India and Central Bank received investment support. The money that is being received from the Imperial Bank (now the State Bank of India) by way of compensation is now being partially invested either in Electric shares or bank shares like the India or the Central.

On continuous fears of nationalisation, New India Assurance were sold at every rise. They lost two points over the week to Rs 46-4.

In the miscellaneous section, Bombay Burma, Belapur, Killick and Shivrajpur and Scindia fared well.

Cotton

Bearish Movement

THE cotton futures marked continued to display a distinctly

bearish trend mainly on account of prospects of better crop during the 1955-56 season. In the event, the ruling February contract which opened the week at Rs 623 lost more than ten points in the course of the week to touch the lowest for the week on the last day, Wednesday, namely, Rs 610.

Two significant decisions affecting cotton were taken during the period under review. Early in the week, America's decision to sell her surplus cotton to the tune of one million bales in the world market from January 1956 onwards was interpreted bearishly in all the major cotton producing countries despite the US Secretary of Agriculture, Mr Benson's repeated assertion that his country has no intention of disrupting world cotton prices by resorting to 'dumping'. Nearer home, towards the close of the week, the longstanding uncertainty in respect

MARKET LEADERS DURING THE WEEK

	Sept. 28, 1955	Week's Range		Sept. 21, 1955
		High	Low	
Steel Shares:				
Tata Ordinary	244-0	246-4	240-8	242-12
Indian Iron	38-3½	38-15	38-0	38-8½
Textile Shares:				
Bombay Dyeing	533-12	535-0	503-12	505-0
Century	423-8	425-8	416-8	420-0
Kohinoor	327-0	328-0	321-4xd	326-0
Simplex	170-0	170-0	164-0	164-0
Swadeshi	217-8	221-0	211-0	212-8
Miscellaneous Shares:				
Associated Cement	195-4	197-0	193-8	194-8
Belapur	366-8	337-0	333-8	336-8
Burma Old	569-6	575-10	562-8	563-12
National Rayon	228-4	229-0	217-12	219-8
Premier Const.	163-0	165-0	160-8	163-8
Scindia	15-13	16-1	15-7	15-8
Tata Chemical	15-14	16-0	15-9	15-10½
New India Assc.	46-4	48-0	45-12	48-8

OILS AND OILSEEDS

	Sept. 28, 1955	Week's Range		Sept. 21, 1955
		High	Low	
Seeds:				
Castor Sept. 1955 (per candy)	90-12	90-12	87-12	90-4
" May "	94-12	96-0	88-6	91-2
Groundnut Aug.-Sept. 1955 (per cwt.)	20-0	21-8	19-12	21-6
Linseed Aug.-Sept. "	23-14	24-2	23-12	23-14
Kardi Ready	13-8	13-12	13-8	13-8
Nigarseed "	22-8	22-8	22-0	22-4
Oils:				
Castor Oil Com. (per quarter)	9-14	9-14	9-9	9-9
Groundnut Oil R.R.	11-3	11-6	11-3	11-8
Linseed Oil "	13-10	13-10	13-8	13-8

of import of American aid cotton was cleared when at a meeting (in Bombay) between the trade representatives, the Textile Commissioner and officials of the Finance Ministry steps were taken to ensure import of American aid cotton into India. Some of the salient features of these measures may be mentioned here. The Government of India will nominate agents numbering 15 to 17 and enter into agreement with them with a view to importing American cotton into this country. The total quantity of this cotton will be 84,000 bales of which 50,000 bales are to be imported before the end of October. Although individual ceiling has been fixed at 5,000 bales per week, the aggregate of 50,000 bales could be purchased at the rate of 15,000 per week.

It is noteworthy that only cotton stapling 1-3/32" and above will be allowed for import. In order to ensure good quality cotton imports, it has also been stipulated that if a lot is granted 75 points allowance, the entire lot would get the benefit of double allowance.

Both the above decisions deal with American cotton and while America's decision to sell her surplus cotton overseas has certainly a bearish slant, the Government of India's decision to import US aid cotton is not expected to have any material effect on the market either way. It is true that there has been a considerable decline in import of foreign cotton into India during the season 1954-55 and on that account the import of US gift-cotton may be

welcomed. But this is offset by a general decline in the export of fine and superfine cotton textiles for the production of which alone foreign cotton is at all required.

Oils and Oilseeds

Steady Tone

THE firmness in the oilseeds market witnessed last week has been extended during the week under review also thanks mainly to the entry of Japan into the world markets for castor oil. This imparted strength to the overseas market which naturally resulted in Indian prices being lifted up. There have also been reports that some exporters have put through fresh business in castor oil with the US buyers on the basis of delivery by a chartered steamer. This has naturally given rise to hopes in trading circles that shortly the UK also might become an active buyer of Indian castor oil. On the whole, the oilseeds market presented a firm front unlike other commodities market like cotton which, of late, have been ruling indifferent.

On the reported entry of Japan into the international market for her castor oil requirements, bulls in the local market in Bombay who have accumulated futures became enthusiastic and there was heavy bull buying. When this was followed as usual with bear covering on a sizeable scale the uptrend was confirmed and castor futures, particularly the May delivery, recorded a jump of nearly Rs 5 over the

week to Rs 96. At the close on Wednesday castor May were quoted at Rs. 94-12 while the maturing February contract was placed at Rs 91 (nominal).

In view of the unsatisfactory reports about the crop position, especially in Saurashtra and Hyderabad, groundnut ready and delivery prices displayed a steady to firm trend. This apart, expectation of an export quota announcement some time during October was also responsible for the bullish inclination of the market. Already during the week, stray business in groundnut oil for export to the tune of 500 tons was reported to have been done with Burma. Business with Britain and some Continental countries continues although on a moderate scale.

Thanks to some export business, linseed prices also have improved. Britain is reported to have bought about 2,000 tons of oil at around £93-8 c.i.f. October-November delivery. Business with Italy has not as yet materialised due to the profit margin for the shippers here being not sufficient. Yet another bullish factor to lift up prices in this section has been the report that linseed crop in Argentina has been affected by drought.

At the close of the week, groundnut and oil prices ruled weak on adverse reports from Saurashtra and Southern India. Tempo of arrivals of seeds is said to have increased.

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CURRENT STATISTICS

BANKING RETURNS

Rs Crores				
Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1285.69	1293.35	1285.08	1147.13
2. Rupee Coin	111.32	110.29	110.07	106.41
3. Deposits				
a) Central Government's	58.93	61.96	104.64	141.19
b) Banks'	58.53	52.88	51.36	62.59
c) Other Governments'	12.23	13.42	36.42	14.49
d) Others'	16.34	16.57	16.26	34.01
4. Foreign Securities	671.81	671.81	622.04	613.15
5. Balances held abroad	49.62	48.23	95.49	117.38
6. Rupee Securities	438.94	493.91	543.68	417.74
7. Investments	49.60	49.24	62.64	95.48
8. Loans and advances to Governments	1.82	0.65	0.80	0.92
Scheduled Banks				
1. Demand liabilities (net)	591.62	590.75	592.70	347.43
2. Time Liabilities	412.62	413.25	407.64	350.66
3. Cash on hand	33.04	33.67	34.49	31.81
4. Borrowings from Reserve Bank of which against Usance Bills	17.37	16.33	21.66	5.71
5. Advances and Bills discounted of which State Bank's	103.13	108.09	112.49	106.97
6. Investments of which State Bank's	383.37	380.97	376.08	347.96
Cheque Clearance	128.90	159.70	149.53	112.05

†For Reserve Bank and Cheque Clearance week ended 23-9-55. Scheduled Banks week ended 16-9-55

Bombay Money Rates	23-9-55	16-9-55	26-8-55	24-9-54
Inter-Bank Call Rate	2½	2½	2½	2½
3 months deposits	3	2½	3	2½
6 months deposits	3	3½	3	2½

Bombay Bullion	In Rupees and Annas			
	29-9-55	Week Ago	Month Ago	Year Ago

Gold (per fine tola)	95- 6	95- 5	94- 4	87- 3
Spot	†	†	†	87- 6
Forward	†	†	†	87- 6

Silver (per 100 tolas)	169- 4	166-12	164- 8	157- 7
Spot	†	†	†	157-14
Forward	†	†	†	157-14
† no trading				

WORKING OF COTTON MILLS

State-wise—April, 1955
Number of Mills which during the month

State	Remained closed	Worked one shift	Worked two shifts	Worked three shifts	Total No. of Mills
Andhra	—	3	3	1	7
Bombay	10	8	77	84	179
Bihar	1	—	1	—	2
Madhya Pradesh	—	1	6	4	11
Madras	1	2	34	44	81
Orissa	—	1	—	1	2
Punjab	1	—	—	2	3
Uttar Pradesh	7	2	4	9	22
West Bengal	3	3	5	15	26
Hyderabad	1	—	1	4	6
Madhya Bharat	1	1	12	2	16
Mysore	—	1	5	3	9
P E P S U	—	—	—	1	1
Rajasthan	1	—	3	3	7
Saurashtra	1	2	8	—	11
Travancore-Cochin	—	—	2	8	10
Ajmer	—	—	4	—	4
Bhopal	—	—	—	1	1
Delhi	—	—	—	3	3
Kutch	—	1	—	—	1
Pondicherry	—	—	1	1	2
Total	27	25	166	186	404
Total (April 1954)	28	28	157	185	398

Source: Ministry of Commerce and Industry

Employment in Cotton Mills

State-wise—April 1954-55

Average daily number of workers employed

State	Total on rolls	First shift	Second shift	Third shift	Total
Andhra	2,341	1,390	472	138	2,000
Bombay	432,028	230,188	144,869	33,503	408,560
Bihar	760	388	264	—	652
Madhya Pradesh	34,222	18,140	9,980	1,045	29,165
Madras	107,025	52,537	31,108	10,218	93,863
Orissa	5,251	1,442	1,282	1,156	3,880
Punjab	4,3394	1,294	928	912	3,134
Uttar Pradesh	50,045	21,913	15,991	8,059	45,963
West Bengal	35,564	18,511	10,816	5,009	34,336
Hyderabad	42,737	21,501	15,271	2,149	38,921
Mysore	19,651	11,124	5,427	380	16,931
PEPSU	1,921	723	525	467	1,715
Rajasthan	6,019	3,218	2,170	409	5,797
Saurashtra	10,695	6,098	4,059	12	10,169
Travancore-Cochin	8,996	4,667	2,008	1,399	8,074
Ajmer	5,694	3,424	1,746	—	5,170
Bhopal	2,599	961	663	638	2,262
Delhi	19,160	6,146	4,399	5,816	16,361
Kutch	54	54	—	—	54
Pondicherry	4,741	2,599	1,186	149	3,934
Total	8,08,942	4,13,227	2,57,689	74,318	7,45,234
April 1954	7,84,942	4,12,183	2,54,876	65,636	7,32,695

Source: Ministry of Commerce and Industry

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-Group	Week ending 10-9-55	Week Ago	Month Ago	Year Ago
I Food Articles:	315.2	318.2	315.1	366.3
Cereals	382	385	374	406
Pulses	263	273	286	299
Others	233	235	238	320
II Industrial Raw Materials:	392.8	393.1	406.5	421.0
Fibres	395	397	415	419
Oilseeds	375	375	386	430
Minerals	419	415	418	413
Others	421	418	420	411
III Semi-Manufactures:	324.2	325.5	326.6	353.6
Leather	327	338	331	372
Mineral Oils	201	201	201	221
Vegetable Oils	362	371	386	449
Cotton Yarn	408	407	408	455
Metals	259	258	257	239
Oilcakes	342	335	330	421
Others	330	330	330	305
IV Manufactures:	368.7	368.6	371.5	377.4
Textiles	403	403	408	422
Jute	398	397	426	453
Cotton	402	402	402	415
Rayon & Silk	474	474	474	460
Woollen	278	278	278	310
Metal Products	352	352	352	340
Others	286	286	286	286
V Miscellaneous:	554.2	561.8	562.8	603.3
All Commodities:	353.3	354.7	356.9	384.3

INDEX NUMBERS OF SECURITY PRICES

(Base: 1949-50 = 100)

	17-9-55	Week Ago	Month Ago	Year Ago
Industrial Debentures	100.7	100.7	100.7	100.4
Electricity	102.0	102.0	102.2	100.9
Jute	99.1	98.9	98.9	98.8
Plantations	99.1	99.1	99.1	99.6
Sugar	99.0	99.0	99.0	100.3
Coal	90.6	90.6	90.6	90.6
General Engineering	100.9	100.9	100.6	101.0
Shipping	100.9	100.9	100.9	101.8
Others	101.0	100.9	100.9	100.8
Preference Shares	87.0	87.3	87.7	88.5
Electricity	96.0	96.0	95.7	97.6
Cotton	79.8	79.8	80.0	85.8
Jute	86.4	85.9	85.4	88.2
Coal	92.6	92.5	92.7	90.0
Iron and Steel	88.0	89.5	91.3	91.1
Sugar	84.9	84.9	84.5	79.2
Paper	85.9	86.7	88.5	85.2
Plantations	99.3	99.4	98.9	94.2
Miscellaneous	84.9	85.0	85.1	86.2
Govt. & Semi-Govt.				
Bombay	90.3	90.3	90.4	90.2
Calcutta	90.8	90.8	90.8	90.7
Madras	91.1	91.1	91.1	91.1

Source: Reserve Bank

LATEST CROP ESTIMATES FOR ALL-PAKISTAN, 1954-55

(in thousands)

Crop	Forecast	Area (acres)			Production (tons)		
		Current Estimate	Corresponding Estimate of the Previous year	Percentage Increase (+) or Decrease (—)	Current Estimate	Corresponding Estimate of the Previous Year	Percentage Increase (+) Or Decrease (—)
CEREALS—							
Rice	FOURTH	23,700	24,533	— 3.4	8,387	9,146	— 8.3
Jowar	FINAL	1,119	1,504	— 25.6	217	293	— 25.9
Bajra	FINAL	2,200	2,586	— 14.9	346	455	— 24.0
Maize	FINAL	1,068	1,067	+ 0.1	441	437	+ 0.9
Wheat	SECOND	10,636	10,065	+ 5.7	..	..	..
Barley	SECOND	602	563	+ 6.9	..	..	..
PULSES—							
Gram	SECOND	2,707	2,458	+ 10.1	..	..	..
Sugarcane*	FINAL	1,017	962	+ 5.7	12,275	12,629	— 2.8
Tobacco (b)	FINAL	193	174	+ 10.9	90	74	+ 22.6@
OILSEEDS —							
Sesamum	SECOND	209	208	+ 0.5	..	..	..
Rape and Mustard	SECOND	1,604	1,525	+ 5.2	..	..	..
Linseed	SECOND	75	72	+ 4.2	..	..	..
FIBRES—							
Cotton	THIRD	3,057	3,094	— 1.2	1,462†	1,371†	+ 6.6
Jute	FINAL	1,150	760	+ 51.3	2,708§	2,503§	+ 8.2
Tea	FINAL	74	75	— 1.3	54†	52†	+ 3.8

*Production figures are in terms of cane and raw sugar or gur equivalent as reported by Pakistan Govt. is one-tenth of cane production.

@Percentage increase relates to actual production in lbs. and not to that of thousand tons.

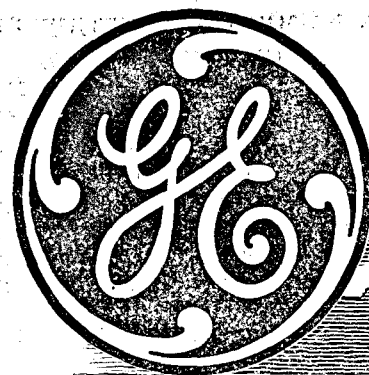
(b) Estimate for 1953-54.

† In thousand bales of 392 lbs. each of cotton lent

§ In thousand bales of 400 lbs. each.

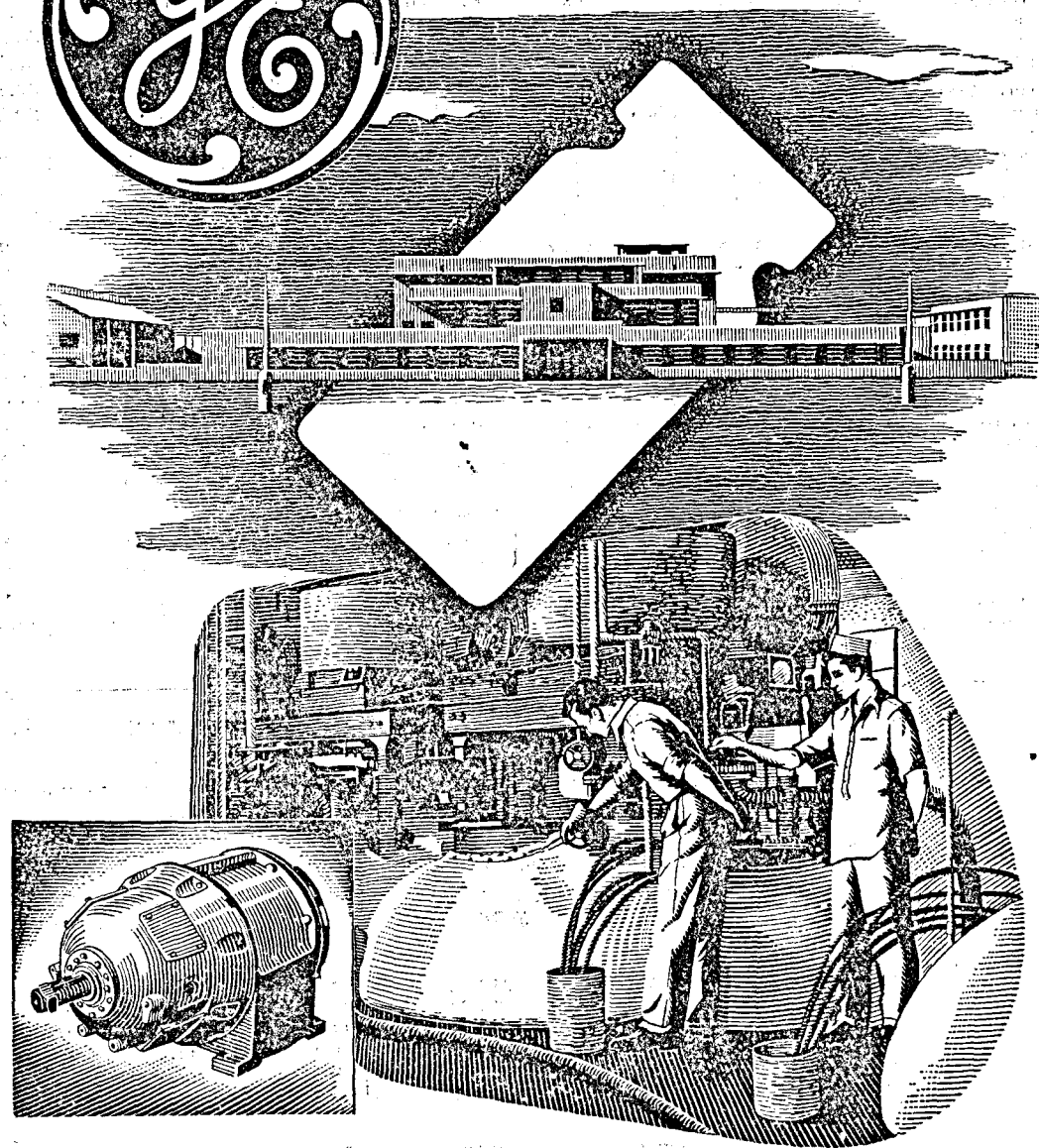
† In Million/lbs.

Source: Estimate issued by the Government of Pakistan.



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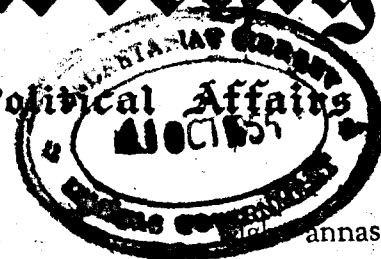
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Fair Prices of Rubber Tyres

THE question of determining the fair price of rubber tyres and tubes is tied up with the broader question of the operation of foreign companies and the inflow of foreign capital, as all the tyre companies happen to be foreign. The complaint that tyre manufacturers were making too much profit was voiced loudest by raw rubber interests in the country, particularly during the Korean boom; others had also made similar complaints and the Ministry of Commerce and Industry had referred the question to the Tariff Commission as early as 1952. It is one of the most complex enquiries that the Tariff Commission has handled so far, involving as it does the question of costing in an industry with a wide range of products. In view of the world-wide operations of the tyre companies, the apportioning of the large costs of research and development of new techniques and new products is not easy. Add to this, high-pressure competitive selling along with integration of manufacturing which may appear phoney, thought it may not lack justification as this kind of arrangement has enabled many countries to develop and sustain domestic manufacture of tyres where the internal market is not large enough to support competitive production.

In addition to all these, the emotional ambivalence in the attitude towards foreign capital not only in this country but in all countries which have newly won their freedom from foreign domination and which are under-developed, adds a sharp edge to the controversy. All these countries need foreign capital and foreign assistance on a scale never contemplated before, if they are to push through their ambitious development programmes. Their determination to catch up with the West is only matched by their determination not to countenance foreign domination in any shape or form. They are now at the crossroads. Whether they should lean more on the West or on the Soviet bloc to achieve their end has begun to tantalise them. If foreign capital continues to be impelled by the same desire and the same motives which impelled it in the past, the choice will be obvious.

On the other hand, if foreign capital realises that its present prosperity is built, to a large extent, upon the sweat and toll of the people of the underdeveloped countries and that it is as much its concern to raise the standard of living of these people as that of the people of the underdeveloped countries themselves, then only can it play its proper part under the new set-up. That this has not been adequately realised by the Tyre Companies operating in India appears to be the main purport of the Tariff Commission's long-awaited Report on Fair Prices of Rubber Tyres and Tubes.

The Commission does not think that it needs much argument to convince anyone that a profit of 47 to 77 per cent on employed capital is excessive. But it is not so easy to decide what fair profit is. In this case, the Tariff Commission's job was made more difficult because, though all the four companies in the country sell tyres and tubes, they differ widely in their organisational structures. Dunlop's is a public limited company. Goodyear and India Tyre are private companies and get their tyres and tubes manufactured by Dunlop's on a cost plan basis. Firestones have their own factory in the country, but

they operate more or less as a branch of the present company in the USA. In these circumstances, the Commission had no other choice but to take Dunlop's as the representative unit for the determination of fair profits and fair prices.

The Commission has come to the conclusion that 10 per cent on employed capital is a fair profit and though it generally allows depreciation on a two shift basis, in this case, it has allowed special depreciation to the extent of the difference between the depreciation actually provided by the company and that included by the Commission in the computation of costs. In other words, the Commission has allowed the company the full depreciation that it has been providing for. It has not, however, allowed the annual bonus on the ground that bonus should come out of profits. On this basis, the Commission has come to the conclusion that the prices of tyres and tubes were higher than the fair prices by 21.79 per cent in 1946, 18.90 per cent in 1947, 15.26 per cent in 1948, 9.28 per cent in 1949, 7.70 per cent in 1950, 6.88 per cent in 1951, 11.24 per cent in 1952 and 8.52 per cent in 1953. One need not be concerned too much about the past. There appears little doubt, however, that the tyre industry has made excessive profits in the past; whether it was 20 per cent or 5 per cent is now only of academic interest. What need to be examined closely are the Commission's recommendations for the future.

The Commission has come to the conclusion that for the future a judicious system of price control based on uniform selling prices will adequately safeguard the interests of the consumer, without interfering with the continued expansion of the industry, and it has recommended a uniform reduction of 11 per cent in the consumer net dealer prices and list prices.

The Commission has also recommended that Government should explore the possibility of securing imports of tyres and tubes with a view to providing some measure of competition to the Indian companies. Another recommendation made by the Commission is that a pilot project should be started for the manufacture of tyres and tubes and special assistance should be offered to Indian enterprises wishing to enter this field, either independently or in collaboration on reasonable terms with foreign enterprises. The Commission has also suggested that Gov-

ernment should examine the desirability of securing a larger participation of Indian capital in the tyre companies operating in India, in order that the benefit accruing to the national economy from the manufacture of tyres and tubes may be enhanced through the retention in the country of a larger proportion of the profits earned in the business.

Any reduction in price is welcome from the consumers' point of view. The only point to be considered is whether the new prices will be economic for the manufacturer. Government had the benefit of the companies' view before taking action on the Commission's recommendations. The companies' claims that depreciation should be allowed on three shift basis and bonuses should be treated as an item of cost, however, do not seem to have received the attention which they deserve. The Tariff Commission had conceded that the normal practice of allowing depreciation on two shift basis was not adequate in this case and it did not, therefore, object to the additional depreciation. In the circumstances, Government's homily that while depreciation due wholly to the wear and tear of machinery is doubled with two shift working and trebled with three shift working, other elements do not increase in the same proportion, and therefore by allowing depreciation on two shifts while the factory works three shifts, no real injustice is being done to the tyre companies, appears a little out of place.

Nor is Government's explanation for excluding bonus from cost convincing. True enough, on the face of it, it seems to be unexceptionable. After all, bonus is paid out of profits and how can it be made into a cost item? This is, however, too naive a view when Industrial Tribunals consider bonus to be deferred wage and treat it as such. It would be unrealistic, in view of the present attitude of labour, to disregard all this.

As the Commission views it, and Government concurs, the crux of the problem is administrative, selling and distribution expenses. The Commission has come to the conclusion that Dunlop's are not exerting sufficient control over administrative, selling and distribution expenses, and these should be frozen at the 1953 level. This conclusion has been arrived at (a) from observing the steady increase year by year and (b) by comparing Dunlop's expenditure in this regard with Firestone's. To take

1946 as the base year, when Government was taking the bulk of the supply and the administrative set-up was still on a war-time basis, and to conclude, as in the case of Dunlop's, that expenditure on administration etc. in 1953 had increased by 229 per cent, is not very fair. Nor is it proper to compare Firestone's expenditure with that of Dunlop's, when the former works only as a branch office and confines its activities to the production of a narrow range of tyres and tubes alone. Since the Commission accepted Dunlop's as the representative unit, it would have been more logical to confine its examination to Dunlop's expenditure alone and give more concrete suggestions for reduction in expenditure, i.e. whether and to what extent salaries and emoluments should be reduced, how far retrenchment could be effected etc. That would have strengthened the hands of the management to bring about the economies desired by the Commission.

In a situation like that prevailing in the tyre industry, where all over the world economies of large-scale production have reduced the number of producers to a few, to look to competition to secure fair price for the consumer would be futile, though Government apparently has made up its mind to try both price control and competition as the ultimate remedy. Tyre producers, if they are far-sighted, should not object either to the emergence of Indian enterprise in this field or to wide Indian participation in their share capital. In fact, they welcome it. It is only about costs and over-heads that they may have a legitimate grouse, assuming that the measure of control suggested interferes with their operations—of ploughing back profits and initiating continuous new developments within the country in the shape of new products and improvement of existing products. Government wants to invite competition so that control on profits may not weaken the incentive to development. Price freeze may under certain circumstances also freeze the quality of the product. Government may also look to wide Indian participation in the capital of tyre companies for supplying the needed pressure on the companies not to slacken their efforts. A major reorganisation of the industry, particularly of those units which have not yet developed into semi-self-contained Indian units, nor aspire to do so at the moment, will be necessary before all these can be hoped for.

Hauteur

FRANCE is angry over the decision of the United Nations to discuss the situation in Algeria. No UN action on Algeria was envisaged by the sponsors of the resolution in the General Assembly. Their only intention in including Algeria on the agenda was to elicit information about the situation there. This has provoked a show of diplomatic arrogance by France. M. Pinay walked out of the General Assembly; the entire French delegation to the United Nations has been withdrawn. M. Pinay has threatened diplomatic repercussions on nations which voted for the resolution. Because of Russia's support to the resolution, the forthcoming visit of M. M. Pinay and Faure to Moscow has been cancelled.

France is a civilised nation. She is a great power. Her people are intelligent. But M. Pinay's diplomatic affront to the United Nations will prompt civilised and intelligent persons both within and outside France to echo the sad comment of *Le Monde* on the French policy to North Africa:

"France has lost a little more of her prestige as a liberal nation, a little more of her reputation as an intelligent people, and a little more of her standing as a great Power".

France insists that Algeria is part of Metropolitan France. M. Pinay's main argument against the Algerian resolution before the General Assembly was that, under Article 2(7) of the Charter, the United Nations had no authority to discuss issues or questions which were domestic problems of nations. That Algeria is a Department of France, is a legalistic myth. France's claim has no moral basis. As Paul Johnson described the problem some time ago, "the French occupied Algeria by force, they colonised it by force and they still hold it by force". There are two nations in Algeria: 1,000,000 Frenchmen who control the administration and 80 per cent of the economy and 8,000,000 politically and economically underprivileged Arabs".

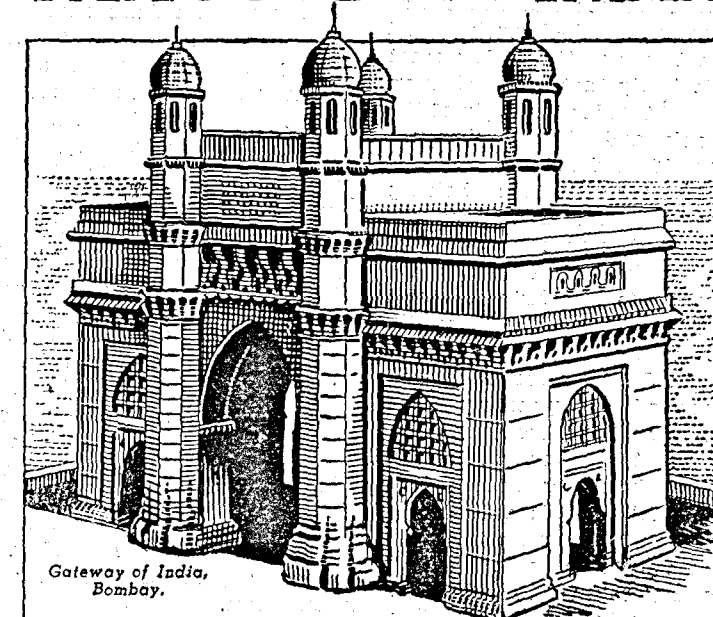
Apart from legalistic myths, there is the fundamental question of human rights. "It is very evident", M. Pinay made the observation on his return to Paris, "that the events of these days will show it is necessary to modify the functioning of that institution (United Nations)". This

has been "very evident" long ago. If France can quote the Charter in defence of her plea, fortunately unsuccessful, that the situation in Algeria cannot be discussed by the United Nations as Algeria is part of France, it is evident that the Charter needs modification to fulfil its primary aims and objectives.

There will be disappointment over the reaction of the Western Powers to the General Assembly's decision to discuss the situation in Algeria. M. Spaak, the Belgian Socialist, is combative in his support of M. Pinay's haughty conduct before the

United Nations. He has not yet reached a decision about whether the matter should be referred to NATO. But he has expressed his opinion that NATO Powers must have a common policy on issues voted upon by the United Nations. It is not without interest that the *New York Times* has expressed surprise that Greece and Iceland, two NATO Powers, have voted for the Algerian resolution. Bandung has emerged as a major influence in the United Nations. But Bandung is not a counter-NATO. M. Spaak and the leaders of the Western Powers can only perpetuate world conflicts by instigating NATO Powers against Bandung countries.

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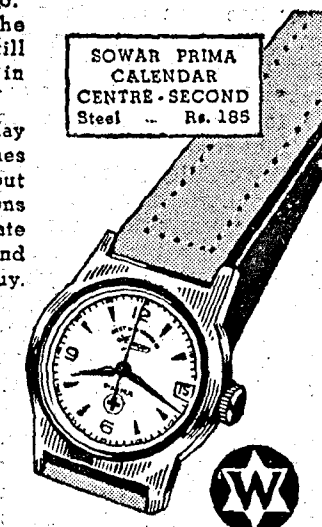
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Weekly Notes

Prices in Agriculture and Industry

THE problem of agriculture is its reorganisation which in its turn means changing the existing system of land ownership and cultivation. And since agriculture does not stand in isolation, the problem has to be viewed in relation to the rural economy as a whole on the one hand, and the industrial sector on the other, which brings in the question of price policy. Neither on the question of price policy nor on that of land policy was Shri Ajit Prasad very illuminating when he initiated the economic policy debate in the Lok Sabha. For the latter, he has an excuse. Land comes under the State list. The Centre can only plead or try to persuade; it cannot direct the States. About agricultural prices, however, Ajit Prasad did not feel diffident at all. Price support had worked, and it had cost very little. He almost seemed to imply that reorganisation of rural credit under the aegis of the State Bank and the warehousing scheme would do the rest. Strengthening the agriculturist's holding power may protect him from the middleman, but it does not do away with the problem of relative prices or appropriate techniques and organisation needed for securing the objectives of the Second Plan.

While the Minister for Food and Agriculture is busy supporting prices in this sector of the economy, it is good to see at least one of the industrialists advocating price reduction. Lala Sri Ram is still toying with the idea of letting every middle class home have a table-fan for Rs. 60/- and a ceiling fan for Rs. 100/-. The price reduction that Jay Engineering has been able to offer in respect of sewing machines, naturally figures in his speech at the annual general meeting of the company. So, to say "toying" is not to question his intentions, but merely to draw attention pointedly to the current disparity in the movements of industrial and agricultural prices and the drift towards a high cost economy. Lala Shri Ram is prepared to plunge for price reduction, if labour would co-operate by accepting a ceiling, not on wages but on bonus, or rather forgoing a part of bonus, while managing agents make a similar cut on their commission. But even if this is done, it will hardly go very far in the enterprises which Lala Shri Ram controls. Shri Ram's ventures are mechanized to a sur-

prising extent and wage bills account for only a modest part of their total cost. Taxes come in the way of substantial price reduction and taxes can hardly be touched these days, judging from the way things are going. That does not mean that Shri Ram believes in low wages. He does not. He claims that Jay Engineering workers are the most highly paid and challenges the claim of Bombay industrialists that the wages they pay are the highest, though he admits that the industrial worker in Bombay is the most highly paid in India but whether it is due to his better ability or harder work or otherwise he does not know.

Laos

NON-INTERFERENCE in the internal affairs of nations is one of the principles of Panch Shila. Both India and Laos accept Panch Shila as the basis of relations among sovereign nations. India wishes well of Laos, whose Crown Prince and Prime Minister were on a visit to this country. Laos is one of the States in Indo-China which is expected to hold general elections under the Geneva Agreement by the end of this year. Owing to political differences between Laos and Pathot Lao, the elections, which were to have been held in August, had to be postponed. As the leader of the International Supervisory Truce Commission, India has a responsibility to ensure that the Laotian elections will be free and fair. But the people of this country will echo Pandit Nehru's wish that the people of Laos will succeed in solving their problem without outside interference.

Under the Geneva Agreement, the elections are to be held in the areas under the Royal Laotian Government and also in those under the control of Pathot Lao as a preliminary to the union of these two parts of the country. Pathot Lao represents a resistance movement which is influential in the two northern provinces of Laos. Its representation in the transitional Government, pending the elections, is provided under the Geneva Agreement. Pathot Lao demands representation in the administration which is to arrange the elections. There is deadlock between Pathot Lao and the Royal Laotian Government on this issue.

That was why the elections were postponed from August last to De-

cember next. There are suspicions that the Royal Laotian Government speaks with two voices. Laos participated in the Bandung Conference of Asian and African nations. In New Delhi recently, the Crown Prince of Laos reiterated that country's adherence to Panch Shila. But, some time ago, when the American Secretary of State visited Laos, the Laotian Government issued a communique expressing satisfaction that Laos was covered by the geographical guarantee of the Manila Treaty. Pathot Lao may not claim the same status as that enjoyed by Viet Minh under the Geneva Agreement. But impartial observers will endorse the views expressed by the International Supervisory Truce Commission that the Royal Laotian Government should reach an agreement with Pathot Lao so that the elections can be held for unifying the country.

Calcutta Tramways

MR D E WEBB, Chairman of the Calcutta Tramways Company, Ltd., is provocative in his address to the shareholders of the Company. He is proud of Calcutta Tramways' achievement. This "unsubsidised public transport undertaking in the year 1955 can carry its passengers for 2½ miles for a fare of 1d. and make a profit". The story has a moral. "I think", Mr Webb concludes, "this says a great deal for free enterprise".

With the proposed final dividend of 4½ per cent. free of tax, the total ordinary dividend for the year to December last will be higher at 7½ per cent. free of tax.

CTC carries passengers 2½ miles for a penny. Even then, CTC earns enough to step up dividend payments. So far, so good. But this is not the end of Mr Webb's story. Mr. Webb laments that sums provided during the year for modernisation "are insufficient to cover the necessary expenditure on improved rolling stock, revised track layouts and the latest equipment for the workshops and sub-stations of this great undertaking." He apologises that, in the absence of an increase in fares, allocations for modernisation cannot be raised. He explains that the Company does not propose to raise fares as any such action may provide opportunities to Calcutta's "political extremists" to create trouble and civil disturbances.

American Subsidiaries in U K

THOUGH the late Sir Alexander Fleming, the discoverer of penicillin, and the father of anti-biotics, was a Briton, the commercial production of anti-biotics until recently was an American monopoly and the new £2½ million anti-biotic factory opened last week in Kent, is a joint Anglo-American enterprise. While the project is essentially a British project, the parent company which founded the firm, Charles Pfizer and Co., Inc., is American. This is going to be the most modern plant in Europe and according to the hand-out issued by the British Information Services, it is expected to save Britain between 7 to 8 million dollars a year in foreign exchange. This sort of Anglo-American co-operation is, of course, not new. Indeed, it has been one of the most remarkable of post-war phenomena, the economics of which has not perhaps received the attention it deserves.

As a result of enormous post-war expansion of American corporate investment in Britain, many of the goods previously imported from the U S are now being produced in Britain not only on a large enough scale to eliminate imports, they are playing an increasingly important role in Britain's exports. In the latest issue of the District Banks Review, Mr. John H. Dunning points out that before the war U K imported some 70 per cent of the products of such newer industries as agricultural tractors, industrial instruments, anti-biotic drugs and sulphonamides, whereas now she is well nigh self-supporting and has actually sent overseas about 30 per cent. of last year's output. Indeed the U K is today the second largest world exporter of office machinery and agricultural tractors and the value of the refined petroleum exported is in excess of the "traditional" coal exports. Moreover, despite the pre-war American monopoly, Britain is exporting substantially the same quantities of washing machines, refrigerators, agricultural tractors and excavating equipment as the States.

The immediate explanation of the high export achievements of American branch subsidiaries is that in its post-war screening of would-be foreign investors, the British Government has been biased towards those which offered a high export potential, whilst the Americans have been influenced by the world dollar shortage and tariff restrictions. Moreover there has recently been a tendency, especially where the British

subsidiary can produce and sell at a lower cost than its parent concern owing to the different wage levels in the two countries, for the parent concerns to route all foreign orders via their subsidiaries.

From this the author concludes that American manufacturing firms in Britain are helping to further Britain's newer exports. There is, of course, a reverse to the picture and that is the outflow of dividends. Although this flow will no doubt grow, the net gain of foreign exchange should continue to increase, provided the export (or import replacement) achievements of the American subsidiaries expand in like proportion. American corporate investment is strengthening the economic and strategic ties and should be mutually satisfactory since the U. K. would benefit from American research and the U. S. from the differential in manufacturing costs and the inherent skill of British labour.

Different Story in India

SAVING in foreign exchange in general and savings in dollars in particular have also been a prime consideration which paves the way for the operation of American subsidiaries in this country also. But primarily because of the agreements regarding their fields of operation, few of the subsidiaries, American or British, have so far played any appreciable role in our exports. There is one peculiarity, however, in the operation of some of these subsidiaries, particularly the American, to which attention has been drawn in this paper from time to time but on which not much light has been thrown by the Reserve Bank or the Government. It is the capital part of their operations. Many of these subsidiaries seem to operate without making any significant direct contribution to the country's foreign exchange reserves in so far as they are financed very largely, if not wholly, from bank advances. The Tariff Commission on Fair Prices of Rubber Tyres and Tubes has shown that one of the tyre companies, American, has a paid-up capital of only Rs. 20,000 though its total turnover runs naturally into crores. Since this subsidiary, like others, has the full sanction of exchange control, it would be interesting to know how its operations square with exchange regulations and in what way, beyond saving of foreign exchange on tyre imports which are rendered superfluous, it contributes to the foreign exchange reserve of the country.

'Divine Right'

FEW will envy Shri B G Kher in his new responsibility as Chairman of the Hindi Commission. The questionnaire issued by the Commission has itself caused considerable uneasiness in the non-Hindi-speaking States, particularly in the South. In the Madras Assembly, powerful voices were raised for extension of the time-limit of 15 years set by the Constitution to replace English by Hindi as the official language. And on behalf of the State Government, it was conveyed that efforts would be made to get the constitutional provisions regarding the issue re-opened and reconsidered in concert with other non-Hindi speaking States in the country. The only hopeful feature is that the Madras Government is prepared to be guided by the views of other non-Hindi speaking States. It is important that whatever attitude comes to be adopted has the support of as many non-Hindi States as possible; for the issue is truly a national one, and individual dissent would only complicate matters not only for the country as a whole, but also for the State concerned.

Meanwhile, there has been no lack of assurance on the part of the Union Government that there is no intention to impose Hindi on the country; but the insistent advocacy for the language, and the steps that are already being taken for installing it as the official language, make the distinction between persuasion and compulsion seem very thin.

To speak of 'Hindi imperialism' may be more than hyperbolic; but the air that some of the Hindi zealous of the north assume of being almost divinely ordained to lay down the law on language and culture to the rest of the country smacks of frank domination. It is the tone and aspect of these shoddy autocrats, more than any other factor, that has queered the pitch for the easy progress of Hindi. But the question is whether the non-Hindi-speaking majority, however annoyed they may be by the insolence of these few, should, because of the few, jeopardise in any manner the interests of the many. Indeed, it is a matter for grave consideration whether the present trend towards unity, cohesion and social and cultural synthesis should be retarded through lack of a common, unifying medium of communication native to the soil. English may, and must indeed, continue as a language of importance; but can we whole-heartedly hug it, as our *lingua franca*?

Pandit Nehru in the South

THE separatist undercurrent in South India, concern over Hindi, the threat to the honour of the National Flag and the re-emergence of communalism or rather of casteism in less repellent, though not for that reason less mischievous, garbs lend special significance to Pandit Nehru's extended tour in the State of Madras, regardless of what the immediate purpose of his visit might have been. Apart from that, District Board elections are drawing near; and though the Congress might have done well in the civic elections in Madras, it provides no clue to the possible turn of events particularly in the districts which were included in Pandit Nehru's itinerary. In two of them, the Congress has an embarrassing alliance with a party owing its origin to communalism; in two others, Shri E V Ramaswami Naicker's Dravidian forces roam; and in the remaining district, the position of the Congress is frankly weak.

If the crowds that lined the streets to welcome Pandit Nehru, the warmth of their ovation or the eagerness with which they listened to him are any indication, his tour has been a great success. But the fact that is often apt to be overlooked in Nehru's case is that the masses are likely to have one type of feeling towards him and quite another to the organisation that he represents, though the two may seem to get mixed up. However closely Pandit Nehru may identify himself with the Congress and however emphatically he may proclaim it, most people are prone to make that fine distinction between the man and his organisation which sometimes leads to unexpected results, as in the case of some campaigns he conducted at the time of the last elections.

In the course of his present tour, Pandit Nehru has been persuasive on the issue of language, silent on the Dravidasthan movement and as heartily critical of sectarianism as ever. This was perhaps to be expected; and though there cannot be much surprise either in his vehement declamations against those who might have been, or tend to be, disrespectful to the National Flag, one wonders whether the full fury of the language he employed on the subject was called for. It seemed as though he was attaching too much importance to the dolings of a group of charlatans in the South who have been entertaining the public to antics far crazier than the one which

provoked Pandit Nehru's ire.

Apart from that, it is a moot point whether respect for a symbol as freely and happily accepted, as lofty and as deserving of universal acclaim as the National Flag is to be promoted by indignant outbursts and threats of punishment on the part of leaders and State dignitaries every now and then—or rather by the robust play of enlightened public opinion. Reverence that is enforced bears no comparison with reverence that is freely and thoughtfully given or is fostered by popular will.

Letter to the Editor

Mal-adjusted But Not Ethnic Anglo-Indian

YOUR indictment of the Anglo-Indians (in the Weekly notes in the last issue), to my mind, savours more of Beverley Nichols and Bhowani Junction. Your advice to this community is that of a candid friend but has it occurred to you that your exhortations to the Anglo-Indians might very usefully be directed to other Indians? Is it your contention that Anglo-Indians are more mal-adjusted and less patriotic than, say, the Indian Muslims, who even to this day owe their spiritual allegiance to Pakistan, or the Parsis, who, even to this day, dearly love to pass off for Greeks and Spaniards

From the London End

Assimilation Or Independence — Turmoil in Algeria

ON August 23, 1946 there took place a remarkable and highly suggestive episode in the first post-war French Constituent Assembly. The war in Europe had ended a year earlier and constitution-making in France had begun; in the extremely complex and politics-ridden discussion the question of the future of the Colonies turned out to be the least important. If there were any Colonial problems they were solved, at least to all Frenchmen, by the enthusiastic verbiage of M Herriot: "There are a hundred million Frenchmen" and "our younger brothers not yet of age". It was in the midst of protestations like these that the young Algerian Deputy, Hadj A Saadane dropped the first brick of realism into French overseas politics. With a modesty that should have been a lesson to his European colleagues,

while on continental tours financed by 'Tata Deferreds' and the savings effected by staying in Parsi ghettos at rock-bottom rents? Perhaps, sir, it may not be very tactful on your part to alienate the riotous Muslim or the prosperous Parsi. Hence your partiality for the Anglo-Indian.

As for the Anglo-Indian demand for English medium schools, surely you are not unaware that these institutions are largely patronised by 'superior' non-Anglo-Indians who would resent their children sharing tuition with the common herd in vernacular schools. The real Anglo-Indians who badly need your advice are the spiritual and mental Anglo-Indians amongst us, the type of denatured Indian who is illiterate in his own mother tongue, who disdains Indian ways and manners, who is a trifle ashamed of being known as a Hindu, and who is remarkably immune to any nationalising influences, like the Mysorean intellectual who after two decades of service in Bombay cannot tell Marathi from Gujarati and who has to forego a proper hair-cut due to sheer inability to communicate with the barber. In the meanwhile, we had better leave the ethnic Anglo-Indian to himself and try to reform the 'brown' and the 'ebony' sahibs in the country.

"A mal-adjusted but not an ethnic Anglo-Indian"
Bombay October 5, 1955

he commenced his maiden speech:

"I feel somewhat embarrassed in addressing this assembly, which consists chiefly of Frenchmen (violent interruptions, right and centre) because I fear I may not be able to make myself understood."

The President rose to "correct" M Saadane. He reminded him that he was "a Frenchman" and that he was "speaking from the rostrum of the French Parliament". The modest M Saadane persisted. In a brief retort to a Radical deputy's interruption that if he did not understand the President's "correction" he "must go", M Saadane said:

"If France does not give us the rights which she ought to give us in accordance with her philosophic traditions and her history, we shall go!"

Only the extreme left benches ap-

plauded. But as a whole the French deputies still could not understand why the Algerians refused the offer of being called Frenchmen. And it was here that M Saadane let loose the brick:

"Many people say to us: why do you not accept the policy of assimilation? We are making Frenchmen of you. Why do you reject the honour done to you? In a community like ours the national stage is an inevitable and natural stage of development and I do not understand how any members of this Assembly could possibly condemn national feeling. You brought us your civilisation—that above all I honour in the record of France—the ferment which would make possible the enfranchisement of man. You showed us the way, you gave us, the taste of liberty, and now, when we say that we do not want the colonial spirit or the spirit of colonisation and that we wish to be free, to be men, no more and no less, you deny us to take over your own formulas, and are surprised, you Frenchmen, that a few spirits among us aim at independence."

The abjectly insensible President then called upon M Saadane to "address us as a Frenchman".

Now, some nine years later, the French Government announces that nothing will deter it from its policy of "forcible assimilation" in Algeria. And in a way which M Saadane had so cogently argued nine years ago, the Second College of the Algerian Assembly has now decided by a large majority to reject French integration—forcible or otherwise. The period of boycott and inevitability of bloodshed between Algeria and France on the scale of Morocco is now in the offing.

The policy of "assimilation" was first contained in the infamous Algerian Statute of 1947. And it was in that statute that the tone and deeper meaning of "assimilation" came to be learned by the Algerian people. The statute recognized the territorial unity of the three Algerian departments and it gave them certain administrative autonomies with an apology of a parliament of their own. The powers of the parliaments (the colleges) were so restricted as to reduce them to talking shops. The feature of the statute which most clearly showed French colonial aims in Algeria was the provision which perpetuated the

pre-war demarcation between the colons (the French settlers) and the Algerian people. The statute placed the Algerians in the "old" category and the Europeans in the "new" category. These two types of "citizens" vote in separate colleges and while the first "old citizens" college (the Second College of the Algerian Assembly) outnumbers the "new" college by eight to one, both send the same number of representatives to the Algerian and the French assemblies.

In spite of the restricted powers of the Colleges and of the Algerian Assembly, the French administrator has continued to act as a dictator in the interest of the colons rather than as an "adviser" as he was supposed to do under the Statute. In fact, therefore, the 1947 Algerian Statute had the effect if not the purpose of perpetuating those power relationships which existed in the pre-war years rather than promoting what was termed "assimilation".

In a thousand other ways, irrespective of what guarantees remain in the 1947 Statute, the policy of assimilation has been and is being flouted. The police in Algeria act arbitrarily where such actions concern the "old citizens". Only in January last a group of Algerian deputies made a protest to the Paris authorities at the lack of "fair judicial" facilities for Algerians subject to arbitrary police action. The protest went unheeded and the Algerian deputies responded by stating that they had seen "through" the policy of integration and would accordingly subscribe to the demands of Algerian nationalists. Racial discrimination and segregation (the very opposite of "integration") is practised in the occupation of land in particular areas, in the grant of trading facilities, the right to enter particular occupations and trades. The social and economic hegemony of the colons governs French policy in countless forms and after nine years of warning, the change which the Statute of 1947 was supposed to introduce remains as dead as all French promises of "reforms".

Like the policy of all the Colonial powers, French policy in Algeria is steeped in hypocrisy. The more naive of French administrators, when they are frank and honest, say that universal suffrage in Algeria will create havoc for French democracy, that the Algerian people are ignorant and that there is no limit

to their capacity to be led astray. It is for these reasons, such administrators explain, the Algerian people should be told how to fill their voting forms, and if they choose wrong in spite of that, "we must be able to correct the results". (It was because of doubt on this understanding that the results of the last Algerian elections were rigged by the French authorities). The more subtle exponents of French policy in their franker mood, however, refer to the investments of the French capitalists and of the French banks, of the phosphate and potash mines and to the cheap labour which is so abundant in the country. They may also justify the maintenance of French power in Algeria to satisfy France's prestige in the Mediterranean and in Africa. And all this placed alongside the protestations of a "hundred million Frenchmen" and "assimilation", fouls the political atmosphere in Algeria.

The statements of the modest M Saadane in 1946 have always reflected the mood of the Algerian people faithfully. In the first elections after the 1947 Statute, the Algerian Peoples' Party demanding the right to self-determination swept the polls and gained almost all the seats in the Second College. The reaction of the colons was shown by their voting to power in the First College the reactionary colonial Gaullist Rally. The completely opposing stand which the one college took to the other created for the French Ministry of the Interior an impossible situation. Being past-masters in the art of political humbug, the Authorities both in 1948 and 1951 so shamelessly rigged the election results that the representatives sent to the Second Algerian College were nearly all official candidates—"yes" men, as they are called locally. It is these "yes" men who have now withdrawn support to integration and gone over to the Algerian Peoples' Party. It is these "yes" men who last week refused to come to Algiers to listen to the "reforms" which were promised in the 1947 Statute and which now was again to be promised by M Soustelle, the Resident-Governor. And thus with the postponement (by M Soustelle) of the Algerian Assembly following the "yes" men's refusal to co-operate any longer, the whole facade of democracy in Algeria has vanished. Integration, or the French understanding of it, has been seen through and the era of bloodshed in Algeria has begun.

From the Calcutta End

Plan and Big Business

WEST Bengal's Big Business does not like the look of the Plan-frame. It does not seem to be bothered about whether a physical or a financial approach to planning is more appropriate. It does not endorse the Plan-frame's emphasis on cottage industries. But its main quarrel with the Plan-frame is that the draft's bias to the public sector will impede economic progress. It is opposed to the proposed Company Law.

Last week, presidents of the Bharat Chamber of Commerce and of the Indian Chamber of Commerce had occasion to analyse the Plan-frame. Shri Rangnath Bangur, President of the Bharat Chamber, was combative in his criticism of the investment pattern of the Plan-frame. Shri N. L. Kanoria, President of the Indian Chamber, stressed the need for blasting the transport bottleneck. Both were critical of the Company Law.

Plan's Investment

Neither Shri Bangur nor Shri Kanoria discusses the problem of availability of resources for the second Plan. But Shri Bangur questions the investment pattern of the Plan-frame. Under the Plan-frame, the outlay on the public sector will be Rs. 4,300 crores, and that on the private sector will be Rs. 2,200 crores. Shri Bangur's contention is that such an investment pattern will have wholly differential income-effects on the various economic groups. And, also, it will unduly widen the public industrial sector without producing proportionate beneficial results either on employment or on the distribution of income.

One of the main aims of the Plan-frame is to provide ten to twelve million new jobs. Detailed breakdown figures of new employment and annual real output per worker in the various sectors of the economy are included in the Plan-frame. From these figures, it would seem that the income of industrial workers will increase by Rs. 407, while the increase in the income of agricultural and allied workers will be about Rs. 89. This is what he means by his criticism that the income-effect of the Plan-frame on the various groups will be of a wholly divergent character.

Shri Bangur endorses the Plan-frame's emphasis on industry. But,

of the Rs. 1,400 crores allocated to the industrial sector, only Rs. 400 crores will be spent in the private sector. By the end of the second Plan, the industrial segment of the economy will represent an investment of Rs. 1,300 crores in the private sector and an investment of Rs. 1,200 crores in the public sector. By the end of the second Plan, therefore, Shri Bangur complains, the private sector will, in investment terms, play a relatively subordinate role to the public sector in the industrial economy of the country.

Employment

Shri Bangur is not without sophistication in his arguments against the Plan-frame's emphasis on industrial investment in the public sector. He applies the test of employment to damnify the Plan-frame's investment pattern. New investment of Rs. 1,000 crores in the public industrial sector will not provide employment to more than one lakh persons. But, Shri Bangur calculates, Rs. 400 crores of investment in the private industrial sector will increase employment by five times as much.

Shri Bangur concedes that the estimated investment in the public industrial sector will broaden the capital base of the economy. But he argues that it is the economic base rather than the industrial base which should be strengthened at this stage of planned economy. "I hold, therefore", Shri Bangur concludes, "that the investment volume in the public sector has been over-allocated". He has a constructive suggestion. It should not be difficult for those familiar with the pattern of industry in India to anticipate it.

Medium Units

He is in favour of a shift in investment from heavy industries to medium-sized industries. There is scope for expansion of medium-scale industries. These industries can absorb a considerable portion of the working force now employed in agriculture and allied industries. Such an occupational shift is desirable. In support of his plea for expansion of medium-sized industries, Shri Bangur argues that, at the present phase of the national economy, the problem is more of balancing than of keying-up aggregate income.

Shri N. L. Kanoria discusses some of the points raised by Shri Bangur.

But he is convincing in his plea for blasting the transport bottlenecks. Expansion of the railway system lags behind the rate of economic development. So, mobility of goods suffers. There is a plan by the Railway Board to increase mileage by 3,000 miles. Shri Kanoria estimates that an increase of 10,000 miles in railway mileage would have been more appropriate. He is also in favour of a more rapid development of road transport. Expansion of railway and road transport could, Shri Kanoria suggests, provide considerable new employment.

Shri Kanoria is equally constructive in his discussion on the railway freight structure. He concedes that the railways, India's biggest national asset, must be a paying proposition. But his point is that railway freights should be so arranged as to assist rapid expansion of industry. As industries develop, the volume of goods traffic will expand. He argues the case for a more rational freights structure which will help railway revenues by encouraging the volume of goods traffic.

Company Law

Both Shri Bangur and Shri Kanoria refer to the changes in Company Law. Shri Bangur complains that the procedural details are so complex that it may be difficult for small companies to maintain their corporate existence. He is not as much worried about the actual provisions of the law as about the views expressed during the debate in Parliament on the Companies Bill. Shri Bangur is candid in his confession that he is apprehensive of attempts to "treat Company Law as an opportunity for pattern-setting of a social system"

Shri Kanoria is more diplomatic in his criticism. There is a clause which empowers the Government to exempt from all or any of the provisions of the law those concerns in which the Government holds 51 per cent or more of the share capital. Shri Kanoria takes objection to this attempt to introduce casteism in company finance and management. State undertakings are expanding with the extension of the public sector. Their affairs should be subject to periodical examination through increasing public participation. This demand will be widely endorsed.

Official Papers

Farming as Industry in Denmark

Danish Agriculture—Denmark as a Food Producer. The Danish Agricultural Organisation, Copenhagen. Pp. 94. Price not stated.

THE question is sometimes raised whether India cannot achieve prosperity through development of agriculture, apart from, and in addition to, industrialization. But the question is raised only to be immediately dismissed without even a cursory examination. The examples of Denmark and New Zealand are usually considered to be exceptions which prove the rule that prosperity cannot be achieved through agriculture, however well developed. The fact that both the countries named are small in size is taken as conclusive evidence of the absurdity of the belief that India can ever tread the path followed by them.

Without suggesting that India can in fact follow this path, it is open to argue that considerable development of Indian agriculture is still quite possible and that in bringing this about, the experience of these two countries might prove invaluable. This is particularly so because in future the development of Indian agriculture must be much more varied than it has been so far. The need "to increase the supply of food of higher nutritive and protective value such as fruits and vegetables, milk and milk products, eggs, fish, meat etc" has been recognised in the Draft Plan-frame. It is time now that we turned our attention to how this can be done. The story of Denmark's progress is very interesting from that point of view.

"The soil", this little book points out, "is virtually Denmark's only raw material. There is not much of it and it is not in itself particularly fertile." Yet, although only a fifth of the total population is dependent on agriculture, "Denmark's prosperity depends upon selling her agricultural products abroad." Agricultural products average about two-thirds of the value of all Danish exports. The explanation of this can be found in the production of large quantities of top quality foodstuffs at competitive world prices. The story of how Denmark maintains its watchwords of efficiency and quality is one of untiring effort to improve strains of livestock and techniques of production, with strict enforcement of high quality standards for every product and the operation of

the whole system at every stage through co-operation.

Co-operation is in fact the kingpin of the whole system. A single Danish farmer may belong to the co-operative dairy, bacon factory, cattle export society, egg export association, feeding stuff society, the fertiliser society, tractor station, poultry dressing station, seed association, cattle breeding society, cattle insurance and other insurance societies, laundry, cold-storage lockers, machinery purchase societies and, last but not least, credit society. This formidable list justifies the conclusion that producers' co-operation is a dominant factor in Danish agriculture.

The reason why a single Danish farmer may belong to such a large number of co-operatives is that Danish agriculture is largely mixed farming, dairying, pig-keeping and poultry farming being the major occupations that are combined with cereal production. These different activities are carried on so as to sustain one another, thus contributing to the prosperity of the farmer.

In each field of activity, a tireless search for quality in the product and for efficiency—to reduce costs—characterises the common effort. To ensure an improvement in the quality of the product, careful breeding and elimination of low quality stock are resorted to. The elimination of

tuberculosis in cattle and the raising of the production of milk as well as of its butter-fat content have helped dairying. The deliberate development of a breed of pigs with long sides, light shoulders, good hams and little back-fat, which grow rapidly under careful feeding, has helped this sector.

Finally, the development of qualities of high egg production and good flesh have made poultry farming an important contributor to the average agriculturist's income. It is clear that no effort is spared to ensure in every sector those qualities that will pay the Danish farmer for the effort put in by him. Farming is not treated merely as a way of life—an excuse for slipshod production technique and inadequate effort. Farming is an industry whose object is a high standard of life for the Danish citizen, and it is clearly realized that this can never be achieved without meticulous care and long-term effort.

This little report has chapters on horses, potatoes, fruits, herbage and grain seeds also. Though the information is presented in a popular style and few quantitative data have been given, except incidentally, it impresses the reader considerably by its repeated emphasis on the basic principles followed in all sectors of Danish agriculture—quality and efficiency through co-operation.

Book Review

Unemployment: Cause and Cure

Problems of Unemployment in India by Moti Lal Gupta, University of Rajputana, Jaipur, Rs. 10. Pp. 184.

THIS is the author's doctoral dissertation at The Netherlands School of Economics. It is divided into three parts. In part one the magnitude of the unemployment problem is estimated, in part two an attempt is made to analyse this problem and in part three, measures are suggested to solve it.

Under unemployment, the author includes seasonal, disguised and visible unemployment and estimates that about 30 per cent of the population of working age is unemployed in India. Inevitably this estimate is

based on certain arbitrary assumptions. However, it accords well with the general impression about the magnitude of this problem.

In the part dealing with factors responsible for unemployment, the author lists growth of population, shortage of capital, British trade, tariff, transport and fiscal policies, the system of education etc. This is rather a commonplace presentation of the problem and the author has not tried analytically to link the different factors so as to establish

the casual relations in this dynamic process.

One of the major solutions, suggested by the author, of this problem is to develop industries with low capital coefficients. The author seems to be confused at this point, and is not able to distinguish two separate problems: the problem of choosing the industries to be deve-

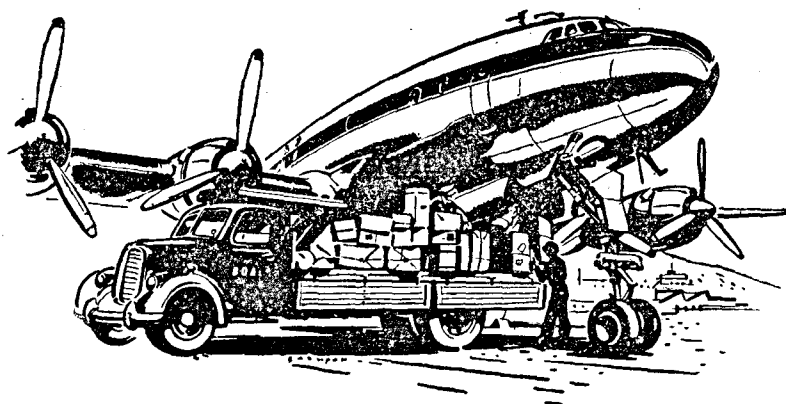
loped and the problem regarding the choice of the methods of production for these industries. The right criterion for the choice of industries to be developed is social benefit—social cost criterion, however nebulous it be, and not the capital intensity criterion. The capital intensity criterion is relevant only when trying to solve the second problem.

In trying to deal with far too many topics, the treatment of the subject has become rather superficial. Moreover, there are a lot of tables and computations, which are irrelevant to the main purpose and could have been safely omitted from the book. It could perhaps be regarded as a competent piece of compilation rather than a good piece of research.

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Flood Damages of 1955, Orissa Delta

Kumud Bhushan Ray

A LOOK at the map will show that the waters of the three principal rivers flow through one or another of the many channels in the Orissa Delta. Thus the water of:

The Baitarani flows through the Lower Baitarani and Dhamra, or the Kharasua and Maipura Rivers into the sea, while the Dhamra and Maipura Rivers are connected with each other.

The Brahmini flows through the Kharasua or the Bara Brahmini, which are joined together lower down, and then through the Dhamra and Maipura Rivers into the sea.

The Mahanadi flows through the Birupa, Lower Mahanadi, and Katjuri Rivers. The Birupa flows through the Bara Brahmini and finds its way into the sea through the Dhamra and Maipura Rivers. The Lower Mahanadi splits up into the Nuna, Chitartola, Sukpaika and Paika Rivers, which join a little upstream of the outfall into the sea, near False Point Light House. The Katjuri splits into the Lower Katjuri and Kuakhai. The Lower Katjuri has a loop known as the Sarua, and the lower reach is the Debi River flowing into the sea. The Kuakhai splits into the Kushabhadra flowing into the sea, and the Bhargavi and Daya flowing into the Chilka Lake.

It is thus very uncertain how much of the flood waters of each of these three principal rivers will flow through the several channels in the Orissa Delta.

Erosion of River Banks

The flow of water on the surface of the land is down an inclined plane, from a higher to a lower level, and is due to the motive force of gravity. The acceleration caused by the motive force of gravity is balanced by the frictional resistance to flow, so that running water in a channel develops a mean uniform velocity. In order that the velocity may remain high, no part of the motive force of gravity should be allowed to be dissipated. Such dissipation of energy occurs in the creation of eddies, in flowing round bends, in erosion of river bed and banks, and in transportation of the additional silt load formed in the process of erosion.

The primary function of a river is to drain the water from its catch-

ment to the sea, and to replenish the water that evaporates from the sea, thereby maintaining nature's balance. For a river to perform adequately this function, it must have:

- A channel of adequate sectional area;
- A high velocity of flow;
- The shortest length from the source to its outfall; and
- A stable alignment.

The great force which a river commands—its current of water—enables a river to create and maintain a channel of adequate section, by its power of erosion and of transportation of silt load. As these powers increase in geometrical progression with an increase in the velocity of the current of water, the velocity in a channel must remain high. With a high velocity, a river has been observed to develop a straighter alignment, so that it has the shortest length from its source to its outfall. Such a river is able to maintain a straight alignment without eroding its banks.

Rise in Bed Level

Erosion of river banks goes on increasing the channel width. With an increasing sectional area, the velocity of flow goes on decreasing, reducing thereby the power of transportation of silt load of a current of water. Part of the silt load, therefore, goes on depositing on the channel bed, raising the bed level of the river. Thus with erosion of river banks, the river goes on becoming wider and shallower. When silt deposits to a greater extent in certain parts of a channel bed, islands are formed. Erosion of river banks also causes development of bends, lengthening the channel.

Thus with the erosion of its banks, the channel of a river becomes wider and shallower, while its alignment becomes tortuous and the course of the river lengthens. The hydraulic mean depth goes on decreasing in a widening and shallowing channel, while the slope of water surface goes on flattening in a lengthening channel. As a result, the velocity of flow goes on decreasing, so that the discharging capacity of the river goes on diminishing. With a decreasing velocity, the river is not able to transport the whole of its silt load to its outfall into the sea. A part of the silt load thus goes on being de-

posited on the channel bed, raising its level. With a rise in the channel bed level, the dry season as well as the flood season water level goes on rising, until flood water level becomes higher than that of river banks. There is then overflow of water away from the channel, submergence of river side lands and flood damages.

With a gradual lengthening of river channel, as a result of development of bends, water in a river has to travel increasingly longer distances to its outfall into the sea, with a decreasing velocity. Drainage of water from a river's catchment into the sea is thus delayed, there is consequent heaving up of water level, further rise in flood water heights, greater overflow away from its channel, greater submergence of river side lands, and greater flood damages.

Natural Levees and Swamps

When water flows away from a river channel, there is a sudden decrease in the depth of water flowing over the river bank, as compared to that in the river channel. This sudden decrease in depth causes a sudden decrease in the velocity, and this decrease in velocity continues as the water flows away from the river's edge, on account of the decreasing depth of water. A considerable part of the large silt load, transported by a current of water with a high velocity in a river channel, is thus deposited on a small width of the river banks. Marginal embankments, or as they are called, levees, of small width, are thus formed naturally along both banks of the river, where water overflows the banks. Further away from the river banks, the velocity of flow over the land becomes negligible, so that little or no silt is carried so far, and with little or no deposit, there is little or no rise in the level of the land, which remains practically at its original level.

As this process of overflow continues, the level of the natural levees goes on rising, while the level of the channel bed and consequently the dry season and the flood season water level also goes on rising. When the dry season water level in the river channel becomes a little higher than that of river side land, water collected on the land cannot drain naturally into the river channel. River side lands are thus converted into swamps.

Marginal Embankments

To protect homes and lands from flood damages, the height of natural levees has been raised by man. Marginal embankments or levees are thus the oldest type of river engineering in the alluvial and deltaic plains of the world. The earliest levees were constructed along the Yellow River in China in 603 B.C. From old records, it appears that serious difficulties were experienced in the Yellow River levees, and in many instances they proved uneconomical and sometimes positively harmful. A breach in the Yellow River banks in 1897 appeared to have caused the death of a million people, owing to sudden submergence of the river side lands.

Levees do not prevent erosion of banks. With uncontrolled erosion, the channel goes on becoming wider and shallower, and its length keeps on increasing. As a result, the velocity of flow goes on decreasing, causing deposit of silt, rise in level of channel bed and of dry and flood season water levels, necessitating raising of levee heights.

This happened in the Mississippi river. The first levees were constructed in 1777. Between 1833 and 1927, the height of the levees had been raised as much as 17 feet in places. But in spite of such raising of levee height, levees were overtopped and breached. In 1882, there were 284 breaches. The largest number of breaches occurred in the great floods of 1927. The sudden flow of water through the breached levees submerged 20,000 square miles of land in six States, caused 350 deaths, left 60,000 people homeless and resulted in property damages estimated at 270 million dollars.

River Conditions in Orissa Delta

A study of the Orissa Delta shows that the outfall channels of the Mahanadi—the Daya, Bhargavi and Kushabhadra—have deteriorated considerably. The Debi and the Lower Mahanadi have developed wide and shallow channels, having many islands and loop channels. Through the Birupa, Mahanadi water finds its way into the sea through a tortuous and longer channel.

Under such condition, velocity of flow in these river channels is low, so that a part of the silt load is deposited on the channel bed. The consequent rise in level of channel bed has caused the dry season and flood season water levels to go on rising. The construction of marginal embankments along the banks

of these rivers has led to considerable rise in channel bed and water levels. All this has been brought about by erosion of river banks. The question in everybody's mind is: Since river channels in the Orissa

Delta are in this condition for years, what is the cause of the abnormal flood damages this year?

Ordinarily, at the beginning of the rainy season, discharge in a river goes on increasing gradually. The

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resulting gradual increase in velocity enables a current of water gradually to scour the channel bed, thereby increasing the depth of flow. With increasing depth, velocity of flow as well as the sectional area of the channel increases, so that the discharging capacity goes on increasing. Thus when in the latter part of the rainy season, a high flood discharge comes down the river, it is accommodated and drained away quickly. There is no abnormal rise in flood water heights, no overflow, no submergence of river side lands and no flood.

This year, however, there had been drought in the early part of the rainy season in Orissa. As ordinary flood discharge did not flow in increasing volume down the river from the beginning of the rainy season, the channel bed had no opportunity of being gradually scoured and deepened; so the discharging capacity of Orissa rivers could not be gradually increased. Hence when in the latter part of the rainy season, a sudden high flood discharge came down, there was abnormal rise of flood water levels in the shallow channels of the rivers, and marginal embankments were overtopped and breached. Water rushing through these breaches, suddenly submerged lands and villages in the Orissa Delta to great depths. The inhabitants had no time to remove any of their belongings. The flood damages were thus colossal.

Prolonged Submergence

As explained above, due to uncontrolled erosion of river banks, the level of channel beds in the Orissa Delta Rivers has risen, and is now higher than that of the river side lands. Thus even when flood water levels in the river channels have gone down, the water on the land is not able to drain naturally into river channels. This explains the prolonged submergence of river side lands and villages in the Orissa Delta. The level of the water can go down only very slowly, by evaporation and slow drainage into the sea, mostly by seepage.

Need of Deeper Channels in Rivers

Deeper channels would lower the dry season and flood season water levels in rivers. The author has advocated the deepening of rivers, by narrowing their wide and shallow channels. A deeper river develops a higher velocity and consequently has a higher discharging capacity, so that high flood discharges can be accommodated and drained away

quickly. Flood water level in the rivers will then remain low, so that there will be no overtopping of river banks, no overflow away from its channel. A deeper river has also a lower dry season water level, so that water collected on river side lands is able to drain naturally into the river channel.

Deepening a wide and shallow river channel in the dry season had been and is being done by the Steamer Companies in India, by utilising the great force of a current of water in a river, by the use of "bandals". These are temporary expedients, as the bamboos driven into the river bed for the "bandals" are undermined, with the rise of water level and consequent increased velocity of a current of water in the river in the flood season.

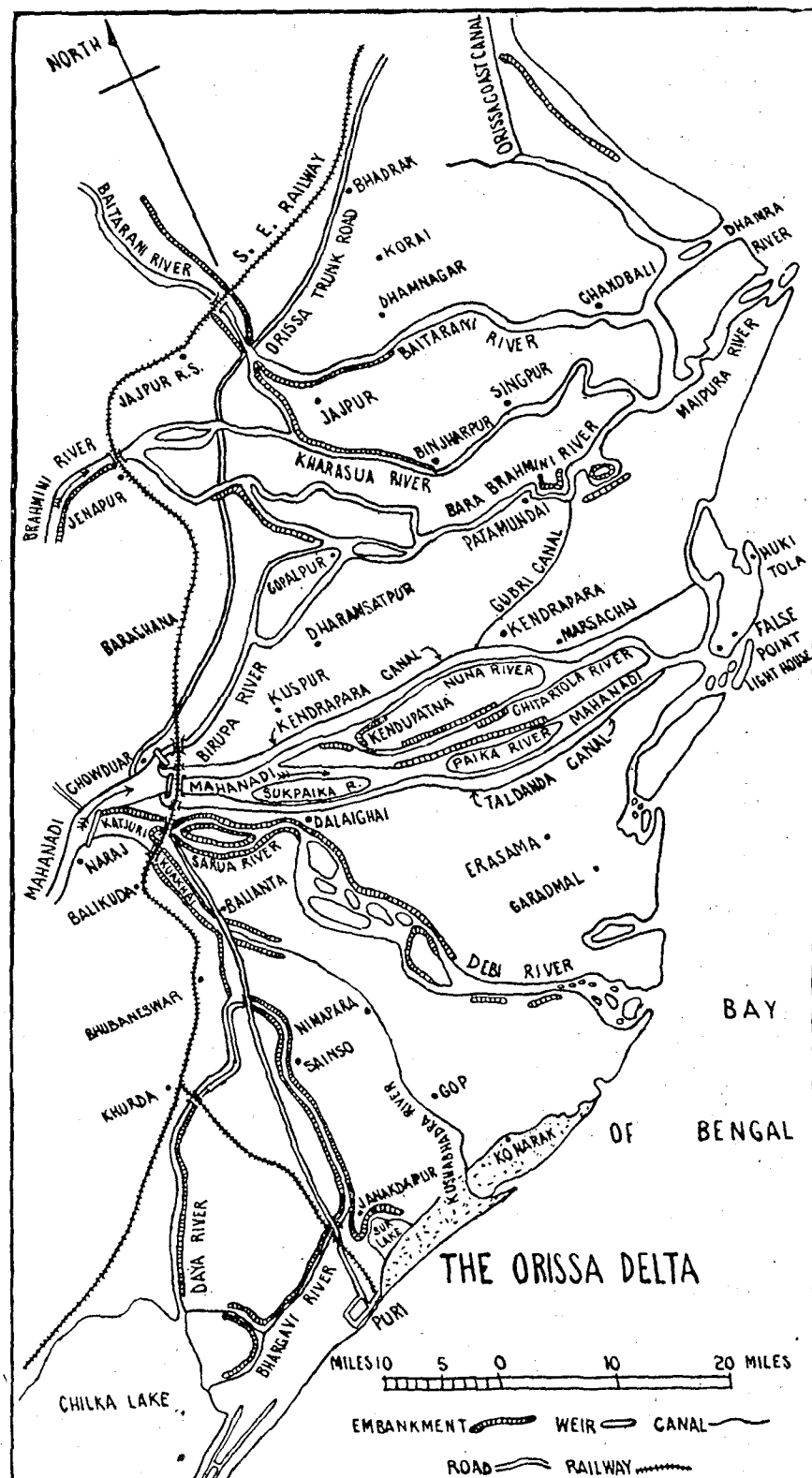
The author has developed these "bandals", and the "permeable screens" used by him maintain themselves in a river channel even in the flood season.* These "permeable screens" assist a river to utilise the great force of its current of water to deposit silt and form new parallel river banks, by reclamation of a part of the wide and shallow river bed, and by the development of a narrow and deep channel between the newly formed parallel river banks.

An Adequate and Stable River

A current of water with a high velocity is able to develop and maintain a deep channel of adequate sectional area. It has been observed that a current of water with a high velocity of flow may flow alongside and parallel to an erodible bank, without causing it to cave appreciably. Erosion of banks being thus prevented, a river channel alignment becomes stable. Dry season and flood season water levels in a deep channel will remain low, so that there will be no overtopping of river banks, no overflow and no submergence of river side lands and no flood damages. In a narrow and deep river, a nucleus channel is always maintained, which is easily utilised by the flood waters. Such a nucleus does not exist in a wide and shallow river.

The cost of "permeable screens" is a fraction of the cost of marginal embankments, or of any other type of river control work that has been attempted, such as dams and reservoirs, etc.

*Those interested may refer to the author's earlier articles in this paper, particularly in Diwali Number 1954.



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Investment Trends and Financial Policy

K N Raj

A MASS of financial data, covering the year 1954-55, has become available in the last few months. The public are interested in these data in so far as they throw some light on the larger economic trends and policies in the country. But most people who try to understand the meaning and significance of the data from this point of view are likely to find them somewhat confusing. The reason is that, for all their impressive coverage, variety and detail, they come from different sources, represent estimates made at different points of time, and have often different reference periods. Some of the information which is required for linking them up and reconciling the discrepancies is also not accessible to the public. What one is confronted with, therefore, is a rather impossible jig-saw puzzle, and anyone who attempts to put the different pieces together, and tell a story out of the picture that emerges, has to take several risks in the reconciliation and interpretation of the data.

It is this which makes it particularly unfortunate that the Reserve Bank of India, which brings together and presents these data in its annual Report on Currency and Finance, has not offered a coherent economic analysis and interpretation. The Report for 1954-55 published two months back by the Bank, does not contain even a synoptic analysis of the financial operations of the Central and State Governments taken together, not to speak of a reconciliation of the estimated budget deficits with the other data presented in the Report. There are estimates of the changes in money supply, and also descriptive accounts of the foreign exchange transactions of the Reserve Bank, the operations of the scheduled banks, the estimated receipts and payments of the Government, and the trends in prices. But the broad order of magnitude of the increase in public investment during the year, the extent to which this increase was matched by public saving, the contribution of the gap between public investment and public saving to the increase in money supply, the significance of the shift in the asset preferences of the public in favour of time deposits and government securities, and the implications of all these for not only financial but for economic policy in general, are largely left to be inferred

from the statistical data presented in the Report.

The few exercises in the analysis of the data that the Report has permitted itself are loose and confusing in the extreme. What, for instance, is one to make of the statement that "a better balance between aggregate demand and aggregate supply seems to have been achieved", when it is followed by a reference to "the sharp fall in agricultural prices and the continued seriousness of unemployment"? Another example is the reasoning about the change in money supply: "Money supply expanded sharply during the year, accompanied by a substantial increase in bank credit. Despite this increase, prices have declined; it would thus appear that the increase in money supply took place in response to the growth in economic activity". If prices declined along with the growth in economic activity, why was it and how, in any case, could it have been "in response" to it? Is it more pertinent that prices have declined despite the increase in money supply, or that money supply has increased despite the decline in prices?

Let us take as our starting point the trends in public investment. One thing that is obvious is that the rate of public investment in India has been increasing in the last few years, and particularly since 1953-54. The question is, by how much? If one were to go by the estimates of the Central and State Governments, the increase in the last two years would seem indeed phenomenal. According to the latest available estimates, their expenditure on the Plan was around Rs. 260 crores in 1951-52 and Rs. 270 crores in 1952-53, but rose to about Rs. 340 crores in 1953-54* and over Rs. 540 crores in 1954-55. Thus the rate of public investment would appear to have doubled in the course of the two years,** the increase in 1954-55 alone being equivalent to about 2 per cent of the national income. If these estimates are correct, and this rate of progress can be maintained, it seems also reason-

*This estimate is based on the data from preliminary accounts, published by the Planning Commission in its last Progress Report on the Plan.

**We shall ignore, for the moment, that the increase in the outlay on the Plan has been partly on some items of recurring expenditure.

ably certain that the expenditure targets of the First Five-Year Plan will be fulfilled.

A closer scrutiny of the estimates, however, throws some doubt on the magnitude of the increases in the rate of public investment so far realised. The consequent revision which is necessary in the estimates helps also to explain a little more easily the trends in employment, prices and money supply that have been recently in evidence, and brings out indirectly the significance of the particular way in which it has been possible to finance the expanding public investment in this period.

The method open to us for verifying the estimates of the increase in public investment expenditure is necessarily an indirect one. Both in 1953-54 and in 1954-55, the 'revised' estimates of the Central and State Governments visualised substantial reduction in their cash balances and increase in their issue of treasury bills; the two items together were expected to amount to about Rs. 142 crores in 1953-54 and over Rs. 245 crores in 1954-55. But the actual decline in cash balances and the increase in treasury bills issued have proved to be considerably smaller, being only about Rs. 47 crores in 1953-54 and Rs. 146 crores in 1954-55. Moreover, of the increased treasury bill issue of Rs. 137 crores by the Central Government in 1954-55, it would appear that about Rs. 30 crores have been absorbed by the State Governments. There are of course reasons other than shortfalls in the estimated development expenditure which could account for the difference between the 'revised' estimates and the actuals, such as unexpected increases in current revenue or moderate decreases in the non-Plan expenditure, and in fact, there is reason to believe that, in 1953-54, these latter were more prominent. It would seem, however, on a close examination of the estimates, that the shortfall in development expenditure compared to the 'revised' estimates, was not less than Rs. 25 crores even in 1953-54 and was perhaps larger than Rs. 100 crores in 1954-55. If this assessment is correct, the expenditure of the Central and State Governments on the Plan could not have been more than about Rs. 330 crores in 1953-54 and Rs. 440 crores in 1954-55.

One can look at these shortfalls from different angles. From one point of view, it is disconcerting that the gaps between planned and realised investment expenditure have been widening and not narrowing with every successive year of the Plan. This will be obvious from the table:

	Expenditure on the Plan (In Rs crores)		
	Budget Estimate	'Revised' Estimate	Accounts
1951-52	N.A.	286	260
1952-53	345	322	270
1953-54	413	356	(330)
1954-55	571	542	(440)

Large and persistent gaps of this kind, if they are not anticipated, can have serious repercussions on economic and financial policies. But let us assume that these gaps do enter into the calculations of the policy makers, even if they do not explicitly say so. What is then impressive is that, though the shortfalls have been

growing larger, the levels of realised investment expenditure have also been rising fairly rapidly. How has this rising public investment expenditure been financed?

It is clear that the current revenues of the Central and State Governments have gone up very little in the last few years and that their non-Plan expenditures have not only not declined but have gone up. 'Public Saving' (i.e., the saving of public authorities) has therefore not increased, and was probably not more than about Rs. 100 crores in 1954-55. The bulk of the rising public investment expenditure has obviously had to be financed, in consequence, through borrowing and by creation of money. But, as can be guessed from Table I below, the actual increase in money supply in the last two years directly attributable to fiscal operations has been relatively small.

This was on account of the very considerable increase in the rate of absorption of government securities

by the public in this period, and it is the circumstances in which this happened that we need to look into more closely.

An idea of the extent of the increase in the absorption of government securities (including treasury bills) by the public can be had from Table II.

It is known that, in 1951-52 and 1952-53, the Central and State Governments reduced their holdings of rupee securities and treasury bills, but in 1953-54, there was a small increase and, in 1954-55, an increase of probably over Rs. 40 crores. It will be evident from this that the absorption of government securities and treasury bills by the public, which was at one stage negligible, and perhaps around Rs. 40 crores in 1953-54, was likely to have risen to more than Rs. 120 crores in 1954-55. This is exclusive of the larger subscription to 'small savings'.

If rising investment expenditure by the Government can be expected in the future to be matched in this way by larger absorption of government securities by the public, the fears about the possibility of financing an expanding volume of public investment, that are expressed so often in the discussions about the Second Five Year Plan, would appear to be misconceived. As investment expenditure goes up, the amount financed by borrowing will also go up, and so even if there are no corresponding increases in the income of the Government, from taxation or through State enterprises, the bulk of the expenditure could be covered. It requires only one further step in reasoning to conclude that, if the bulk of the expenditure of the Government could be covered by borrowing, even if not by its current income, a large investment programme could be financed without creating inflationary pressures, in much the same way as in 1954-55.

But before one jumps to a conclusion of this kind (and several members of the A I C C seem to have already arrived there), one must be clear what exactly the increased absorption of government securities signifies. One of the facts that might be noticed in this connection is that it is not merely the rate of absorption of government securities that has been growing. The holdings of time deposits with the scheduled banks have also been increasing. In 1951-52, these holdings of time deposits had fallen by Rs. 8 crores, but they went up by Rs. 27 crores in

Table I Money Supply

	(in Rs Crores)	
	1953-54	1954-55
Increase in money supply	+ 29.3	+ 126.6
Increase in the time deposits of banks	+ 16.2	+ 48.3
	+ 45.5	+ 174.9
Increase attributable to surplus on current account in the balance of payments	+ 44.9	+ 13.1
Increase attributable to increased loans, advances, and discounts by banks	+ 22.0	+ 32.8

Table II Absorption of Government Securities by the Public

	(In Rs crores)			
	1951-52	1952-53	1953-54	1954-55
Increase in outstanding Rupee Loans of the Central Government	-36.4	+1.5	-37.5	+108.9
Increase in outstanding Rupee Loans of State Governments	+11.0	+11.3	+24.9	+ 13.2
Increase in Treasury Bills outstanding	-43.7	+1.0	+19.7	+136.9
	-69.0	+13.8	+ 7.1	+259.0
Increase in holdings of rupee securities and treasury bills by the Reserve Bank and the scheduled banks.	-39.2	-13.6	-42.9	+ 91.1
Increase in holdings by the public, as well as by the Central and State Governments in their Cash Balance Investment Accounts	-29.8	+27.4	+50.0	+167.1

1952-53, Rs. 16 crores in 1953-54, and by no less than Rs. 48 crores in 1954-55.

The larger absorption of government securities and this increase in the holdings of time deposits by the public suggest that the bulk of the increased saving in this period has been among classes which are in touch with the commercial banking system and familiar with the mysteries of the organised capital market. An analysis of the sources of 'small savings' will probably show that the increased subscriptions to these also have come largely from certain classes in the urban sector. It is therefore not unreasonable to infer that the larger absorption of government securities, taken along with these other developments, reflects an improvement in the relative position of the middle and upper income groups in the urban sector.

This, in itself, is not surprising or difficult to explain. For we know that the fall in prices in this period has affected mainly the agricultural incomes, and has improved the terms of trade for the urban sector, helping to increase, in the process, real incomes and profits in this sector. Apart from the fixed income groups that have been able to save more, the relative stability of the prices of manufactured goods and the expansion of their output by the utilisation of excess capacity have helped the urban producers of these goods to reap larger profits.

The fall in prices itself, however, we must remember, was occasioned by a large increase in the output of consumption goods (particularly of foodgrains) unaccompanied by a corresponding increase in the demand for them. The inadequate increase in demand must, in turn, be attributed to insufficient expansion of the rate of investment. Thus, in the ultimate analysis, the larger absorption of government securities in this period, which made it possible to finance a growing volume of public investment without corresponding increase in money supply, is to be explained, not by a simple formula about "improved flow of savings", but with reference to a rate of investment which was inadequate relatively to the increased output of consumption goods and caused, in consequence, a shift in the distribution of incomes that helped the savings to accrue to the middle and upper income groups in the urban sector.

This analysis, if correct, implies several things, some of which it may

perhaps be useful to spell out. It will be obvious, for instance, that the improvement in the response to government borrowing against the background of a growing rate of public investment does not in itself prove anything about the possibilities of sustaining a rapidly expanding public investment in the future. The crucial relationship to study and watch is that between increases in investment and the accompanying increases in demand and output. In the period, 1953-55, it so happened that the increase in demand did not keep pace with the increase in output partly because the Government was not in a position to expand its rate of investment rapidly enough and partly because the magnitude of the increase in output was unexpected; but there is no reason why, in the future, the increases in demand should not out-strip the increases in output, in which case not only are the terms of trade likely to be turned against the urban sector, with adverse consequences perhaps on the savings of those who are most inclined to subscribe to government loans, but the increased saving, irrespective of the form in which it tends to be held, will necessarily have to emerge through price rises.

It follows that those who try to prove the feasibility of the rapid expansions in public investment visualised in the Second Plan, on the basis of what they believe to be the potentialities of government borrowing, are as much the victims of the financial approach as those who oppose these expansions on the basis of what they consider to be their knowledge of conditions in the capital market. It will probably contribute to clarity of thinking if less attention is given to government borrowing, as the factor that must ultimately set the limits to public investment,

and more attention paid to the steps that have to be taken to ensure that the increased output of consumption goods becomes available to the extent assumed or, in the alternative, to regulate the increases in demand according to the increases in supply.

It is one of the significant features of the period we have been analysing that the increase in output was not only of consumption goods but also of materials and equipment required directly for investment. This was possible because there has been new investment in industries like cement, steel and locomotives in the period of the First Plan and also because of the previously-existing excess capacity in engineering industries which has now been almost completely absorbed. The increases in supply seem to have been in the aggregate just about adequate for the increases in demand from the growing investment programme, with the result that there has been no additional pressure on foreign exchange for the import of capital goods. As will be evident from Table III, the value of the imports of producer goods has actually declined in this period, and this despite the fact that, along with the expansion in public investment, there has been also in all probability an increase in the volume of private investment in the country.

It is this simultaneous expansion of consumer and of producer goods that provided the increased investment potential in this period and made possible the expansions in investment without untoward consequences. (Indeed, considering the trends in prices and in balance of payments, it is clear that investment could have been increased even more.) The fact that savings increased in the economy in this period, without having to be forced through rise in prices, and the circumstances

Table III Imports of Producer Goods

	(In Rs crores)		
	1952-53	1953-54	1954-55
Electrical machinery	17.7	19.1	15.8
Textile machinery	16.4	12.4	14.1
Prime movers, other than electrical	10.2	6.3	6.8
Other Machinery:	17.9	18.1	16.3
Metals:			
Iron and Steel and manufactures thereof	16.3	18.4	21.9
Others	16.0	10.3	18.6
Vehicles (carriages, wagons, chassis, and parts thereof)	11.6	8.1	8.2
	106.1	92.7	101.7

that a large part of the increased savings went into government securities, must be considered the effect of these real developments which increased the investment potential, rather than as active factors in the situation responsible for the non-inflationary financing of an increased volume of investment. In the Draft Plan-frame for the Second Plan, the expansion of producer goods has been visualised on a large scale, and for the good reason that it will help to increase the capacity for sustaining a growing volume of investment in the future without adding to the pressure on foreign exchange. But what is not certain is that the methods visualised for expanding the supply of consumer goods are adequate to sustain the growing investment in the interim period. It is on this that attention needs to be concentrated, and not on the potentialities of borrowing as a source of finance.

In the technical jargon of the economist, we might say that our concern should be with the 'flows' in the economy consequent on larger investments rather than with the 'stocks'. If the increased output of consumer and producer goods is adequate to meet the direct and indirect increases in demand generated by the additional investment, the additional saving corresponding to this investment is bound to emerge somewhere in the economy without being forced through price rises. Whether these savings are held in the form of cash or as government securities, or as time deposits, is a matter of secondary importance affecting primarily the composition of stocks; for, in so far as they represent potential purchasing power, time deposits and government securities can be converted into cash and the proceeds used for purchases at any time almost as easily as cash itself. The basic problem is to maintain conditions in which there will be no tendency to run down cash, deposit or security holdings, and this will depend largely on the price trends which, in turn, will be related to the 'flows' in the economy.

In fact, if the required increase in the supply of consumer goods can be ensured, even the proposed increases in taxation are not strictly essential as a means of financing the additional investment. If the current income of the Government does not expand—as it did not to any significant extent over the period 1953-55—but the expansions in the output of

consumer and producer goods prove adequate to prevent a serious rise in prices or deterioration in the balance of payments, it will only mean that the Government will not have used the tax weapon to appropriate to itself any part of the increased income of the community and thus to bring about an equitable distribution of this income.

This income distribution aspect is certainly not unimportant in the context of development, as, with expanding investment, profits in the economy will also tend to expand, and it is only by skimming the profits and capital gains accruing that the State can provide the social services with which the conditions of living for the mass of the people can be improved. If there is no significant increase in the current income of the government, and additional expenditures have to be financed through borrowing or creation of money, there will be inevitably a bias against expansion of social services, since it is the kind of investment the additions to output from which are not so obvious and the increased product will not be forthcoming in a concrete form in the market for absorbing the demand created in the process of investment. Our reasoning is, therefore, not that additional taxation is unnecessary but that this taxation should be in the main of a progressive character designed to absorb profits and capital gains, and moreover that, if the real balances set out in the Plan-frame can be secured by appropriate technical and organisational arrangements, additional taxation should be viewed in this way as a device for equitably distributing the increases in income rather than as one required for the financing of the additional investment.

In setting out the estimates about the planned increases in investment and the planned increases in output, as well as the real commodity balances, and in expressing the confidence that no comprehensive system of physical controls would be necessary, what the Plan-frame has said, in effect, is that the high propensity to consume of the community will be matched by a skilfully arranged investment pattern which ensures a correspondingly favourable capital-output ratio. This, as we know, is not a matter for theoretical argument, but something which will depend on the practical feasibility of the technical and organisational arrangements visualised.

If, however, the technical and organisational arrangements are not adequate for this task, the role of taxation as a means of financing the investment programme will have to be much more severe than visualised anywhere in the Draft Plan-frame. For, additional taxation will then be necessary as a means of reducing the demand for the goods in short supply, and if these happen to be among the basic necessities of life the amount that would have to be absorbed as tax revenue before a significant impression is made on the demand for these goods will have to be a multiple of the actual discrepancies between demand and supply. This is why it is disconcerting to find a tendency to shift the emphasis from the real balances set out earlier in the Plan-frame and the organisational problems involved, to the problem of financing the investment programme, and particularly to the possibilities of borrowing and increased indirect taxation. For this is to evade the basic issues involved in a planned programme of rapid development, and it will not be long before the consequences are evident.

THE CENTRAL BANK OF INDIA LIMITED

(Established December, 1911)

Head Office: Mahatma Gandhi Road, Fort, Bombay 1.

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

Directors:

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

Branches and Pay Offices in all important cities and towns of India, Pakistan, Burma and in London:

London Branch:

159, Fenchurch Street, London, E.C.3.

New York Agents:

The Guaranty Trust Co. of New York.
The Chase Manhattan Bank.

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

N. K. Karanjia,
General Manager

From the Chair

Jay Engineering Works Limited

Speech of the Chairman Sir Shri Ram, Kt.

THE following is the text of the speech delivered by Sir Shri Ram, Kt., Chairman of the Jay Engineering Works Limited at the Annual General Meeting of the Shareholders of the Company held at Calcutta on 21st September 1955:-

Gentlemen,
We are meeting almost after a year and I am glad to say that the past year has been of continued greater success and greater service, which is evident from the figures given in the Table below:

The Balance Sheet, Profit and Loss Account and the Directors' Report have been in your hands for some time and with your permission I will take them as read.

I will now mention a few special features of the year. The most important and in consonance with our past policy was a further reduction in the price of our sewing machines from Rs. 200/- to Rs. 175/- on the 1st of December, 1954. You will no doubt remember that it was only on the 1st of July 1953 that we had reduced the price from Rs. 220/- to Rs. 200/-.

Our prices are about 60% less as compared to the well-known makes available in India.

Needle Plant

The Tariff Board, while recommending the removal of protective duty, also suggested that we should put up a Needle Plant, and the Industries Ministry, when conveying this to us, suggested that we should put up a Needle Plant. We are glad to say that we have received a licence for putting up a Needle Making Plant. The orders for machines have been placed with a reliable firm, and I hope I will be in a position to tell you next year, that we are now making and supplying our own needles; in fact, the only part of sewing machines which up to now was not made by us.

Protective Duty

We are glad to say, and perhaps, with some pride, that the protective duty from Sewing Machines was removed during the course of this year, but we are grateful to the Ministry of Commerce and Industry that to protect the indigenous industry from imports of cheaper

varieties they have restricted the imports.

Excise Duty

Not only was the protective duty removed but actually when announcing the Budget proposals for the year 1955-56 the Hon'ble Minister for Finance had proposed an Excise Duty of 10% on sewing machines. This was a great shock to the infant industry of sewing machines. I am, however, glad to say that on the representation of sewing machine manufacturers, both on big scale, and on small scale basis, the Finance Minister appreciated that the sewing machine was not either an article of luxury or of consumption, but an instrument of earning their livelihood by tailors and poor class women. He also appreciated that this industry was providing means of livelihood to thousands of people working either on their own on cottage industry basis, or working for the big scale industry in their homes. We are also very grateful to Hon'ble Dr. B. C. Roy, who appreciated our difficulty, and helped us in our difficulty. I am glad to say that the Excise Duty from the sewing machines was removed.

I am also glad that the Hon'ble Finance Minister finally levied instead of 10% on sale value, a fixed duty of Rs. 5/- per table and Rs. 10/- per ceiling fan, which has avoided a lot of difficulties and misunderstandings, and we are grateful to the Finance Minister for this.

Exports

While our production has gone up and the sales have also increased for all our products, but due to increased demand in the country, so far as sewing machines are concerned, much to our regret, we had

to restrict the export to foreign countries. We, however, hope with our steadily increasing production now, to again increase our exports.

As I said last year, the Industries Ministry have created an Export Promotion Council for studying the foreign markets and advising exporters. I have no doubt that in course of time they will prove very useful, and we on our part will do everything to make it successful and take full advantage of their services.

Increased Production

I have said above that our production is steadily increasing, and while the average production of sewing machines last year was 6,476, in the month of August last, in spite of fewer working days, we produced 9241 machines.

Due to our steady expansion we need much bigger area of land, than is available in the present site. We have visited a number of sites to which place we could remove a part of our factory and relieve congestion here. Nothing in this connection has yet been finalised.

Factory At Chindwara

Partly on account of difficulty of space and mainly to reduce cost, we are putting up a factory for making Bhilawa Enamel, instead of in the factory itself, at Chindwara, a Bhilawa collecting centre in C.P.

Our requirements of timber for various purposes, either for our sewing machines, tables, covers, bases etc. or for packing purposes having greatly increased, we are putting up a small saw mill at Chindwara, which is a very big timber centre. We hope this will result in a good deal of reduction of costs.

Particulars:	Year ending 31-3-54:	Year ending 31-3-55:
Sales (In spite of reduction in prices in 1954-55)	Rs. 1,87,37,729/-	Rs. 2,23,95,049/-
Profits	" 16,31,020/-	" 18,78,517/-
Payment to Labour	" 46,84,106/-	" 54,27,552/-
Number of Workers	2,403	2,639
No. of Schools & Students in Embroidery & Tailoring Schools ..	Students 4,000	Students—8,000
	Schools 72	Schools — 120
Centres for Sales and Service ..	712	781

We are also grateful to the Development Wing of the Industries Ministry for time to time helping us by lending the services of foreign experts got under T. C. M. Scheme. In many cases their advice has been of great help.

Helpful Conference

Since we last met, we invited the Managers of all our Branches, as well as all our agents and sub-agents in the month of March. About 700 people came in this conference. We made very satisfactory arrangements for their board and lodging. We had free and frank discussions with them about their problems and our problems and we invited their free and frank criticism about our ways of working, about the quality and the defects of our products, and what sort of improvements etc. they would like us to make.

They were taken round the Factory and every process and every part and its function was explained to them. It was only after they had spent a lot of time in the Factory that they realised the enormity of the problems, the amount of work that has to be put in, in making a sewing machine of quality and they also realised the difference between a cheap and a good machine, and they made extremely useful suggestions and we are grateful to them.

It was our first experiment on these lines and it certainly was a very great success.

Higher Dividend

You will have no doubt noticed with pleasure that with the permission of the Industrial Finance Corporation of India, we have increased the dividend this year to 12%.

Section 23 A

While on this subject, I might tell you that in the new Budget, as finally approved by the Parliament, the definition of Section 23A has been so considerably modified which may create serious difficulties in the way of our paying back our debts to the banks or even to the Industrial Finance Corporation, or building up Reserves for future expansions. The changes were: that if 60% of the share capital was held by 5 or fewer persons, the Company had to pay 60% of the profits as dividend and in certain circumstances even 100%. I am glad to say that on the representations made to the Finance Minister, he has agreed to give exemptions under certain circumstances, and we have

also applied for the exemption from the new Section 23A.

Electric Fans

You will be glad to know that our production of Electric Fans also has considerably increased. Not only in sewing machines and Hurricane Lanterns are we the biggest manufacturers in the country, but I believe, during the last few months we have been the biggest manufacturers of electric fans also.

Like many other articles, Electricity is no longer a luxury and it is our intention to produce a cheap table and a cheap ceiling fan which we may be able to produce on mass production basis, and we will try to sell a table fan for, say, about Rs. 60 and a ceiling fan for about Rs. 100 so that even a worker in a factory or the lower middle class people, and clerks may also be able to buy the same.

Like all our other departments, the expansion of our Tool Room could not keep pace with the demand on the same, either from our own manufacturing sections or from our friends outside for the supply of tools and jigs and gauges. We are trying to expand it as fast as circumstances permit.

Good Advices

As I said last year, our suggestions scheme is going on very satisfactorily and sometimes extremely good suggestions are received, which are of very great value.

Our Statistical Quality Control Department is also going on, and with the help of the unit formed by the Indian Statistical Institute we are expanding our work in this direction, and are trying to get the greatest benefit from the advice of this unit.

Capital-Labour Relation

I am glad to say that the Planning Commission have very rightly realised the importance of good capital-labour relations which are absolutely necessary for the satisfactory carrying out of the Plans of the country. Meetings were recently held in the Planning Commission between the representatives of Government, Labour and Capital, and it was realised on all hands that steps should be taken to remove all causes of friction and steps should be taken to improve the relations. I hope and pray that much goodwill will come out of the deliberations of this tripartite conference, and its Committees.

During the last many years various Tribunals, High Courts, and Appellate Tribunals have given decisions on various matters, and surely by now it should be possible for the authorities, in consultation with the parties concerned to lay down some sort of norms, and some system of easy solution, and arbitration so that both Labour and Capital may be able to give their undivided attention to their work, and have peace of mind.

While on this subject, I am again happy to say that our relations with all our colleagues, from the highest officers to the smallest worker, have been very friendly and good, and I hope and pray that they will go on improving with the time.

We are glad the 2nd Five-Year Plan is of much higher dimensions—we in our humble way will do all we can to make it a success.

Comparative Wages

Some Industrialists in Bombay compare their wages with wages paid elsewhere. They forget that the Industrial Worker in Bombay is the most highly paid in India whether it is due to his better ability or harder work or otherwise I do not know.

But comparing wages paid in Bombay with other places will be as unfair as comparing wages paid, say in USA, with those paid in India and we still claim that our worker is the most highly paid.

Appreciations

I cannot close my remarks without conveying my gratitude to all my colleagues, right from Bishan Swarup Agarwal and T. R. Gupta to everyone concerned, for the loyal and devoted service they have put in, and I hope and pray that when we meet next year we will be able to give better account of our working.

Thank you.

**The
Economic Weekly**

Volume VI - 1954

Bound sets of the above

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Around Bombay Markets

Firm Undertone

Thursday, Morning

EQUITIES have once again come into their own. In sharp contrast to the halting movement witnessed for some time past, the stock market made strident advance during the week under review, helped by speculative buying all round. The absence of any bearish pronouncement, governmental or otherwise, could itself be construed as a favourable factor. Besides, the crop of bonus share issues, some already announced and others in the offing, also helped to sustain a firm undertone.

In the textiles section, the recent observation by the Union Commerce and Industry Minister that India was well on the way to become a net exporter of cotton before the end of this year on the one hand and the increasing off-take in the cotton piecegoods market, in view of the approach of Dussera, on the other, invigorated the market. As a result, all the leading textile counters recorded sizeable gains.

In the steel section, there was considerable speculative support. Tata Steel Ordinary opened at Rs 243-8 and touched the highest for the week on Wednesday at Rs 255 to close at the same level. Indian Irons almost followed Tata Steels and closed on a distinctly better note at Rs 39-2-6, the lowest for the week being Rs 38-1.

On better working reports of some of the leading mills, textile shares registered sizeable gains with Bombay Dyeings in the lead. The introduction of three shifts in some units and reports of introducing rationalised methods of production soon were particular points in favour of Bombay Dyeings. The increase of Khatau dividends from Rs 8 to Rs 10 per share, the proposal to issue two shares for one held (subject to Government sanction) in the case of Shivrajpur Mining and the declaration of dividend at the rate of one bonus share for three held in respect of Shri Niwas Cotton, strengthened sentiment all round. The rise in the value of Indore Malwa was also attributable to the announcement of an interim dividend.

In the miscellaneous section, ACC, Bombay Burma, Belapur, Phalton, Tata Chemicals and Scindias were in the limelight. In the case of ACC,

the prospects of a better future thanks to the country's several development plans, have helped sustain the strong sentiment. Bombay Burma improved on capital reorganisation reports, while sugar shares took courage from bonus expectation and higher dividend prospects. The announcement of preference dividend enabled Tata Chemicals to move from Rs 15-11 to Rs 18-2 at the close. Small priced shares also benefited from the general firm trend and closed better.

Cotton

Bearish Trend

THE cotton futures market displayed a distinctly bearish tendency during the week and the ruling contract closed quiet at Rs 622.

In the main, sentiment was adversely affected by expectations of a bumper crop in the 1955-56 season.

There was no sign of improvement in the spot section which continued to suffer from a perceptible slackness in demand. Even the reports of floods in the Punjab resulting in some damage to the crop failed to enthuse the market and profit-taking towards the close of the week accentuated the downward trend.

The problem of US surplus cotton has been causing serious concern in all the leading cotton producing countries. The recent increase in acreage under cotton in Mexico, Egypt, Turkey and Syria has served only to aggravate the problem. On this question, the International Cotton Advisory Committee expressed the view that there appeared to be little reason to expect any immediate acceleration of the upward trend in cotton consumption to offset increased cotton production. In view of this, the problem

MARKET LEADERS DURING THE WEEK

	Oct. 5, 1955	Week's Range		Sept. 28, 1955
		High	Low	
Steel Shares :				
Tata Ordinary	255- 0	255- 0	243- 8	244- 0
Indian Iron	39- 2½	39- 3	38- 1	38- 3½
Textile Shares :				
Bombay Dyeing	548-12	550- 0	527- 8	533-12
Century	446- 4	446- 8	423- 4	423- 8
Kohinoor	345- 0	345- 8	327- 0	327- 0
Simplex	188- 0	190- 0	169- 0	170- 0
Swadeshi	228- 0	231- 0	218- 8	217- 8
Miscellaneous Shares :				
Associated Cement	203-12	205- 0	194-12	195- 4
Belapur	347- 0	348- 0	336- 0	366- 8
Burma Old	616- 4	621- 4	566-14	569- 6
National Rayon	235-12	237- 0	227-14	228- 4
Premier Const.	173- 0	174- 0	160- 8	163- 0
Scindia	16-14	17- 0	15- 8½	15-13
Tata Chemical	17-15½	18- 2	15-11	15-14
New India Asse.	48-12	48-12	45-12	46- 4

OILS AND OILSEEDS

	Oct. 5, 1955	Week's Range		Sept. 28, 1955
		High	Low	
Seeds :				
Castor May 1955 (per candy)	93- 4	96- 8	92- 0	94-12
Groundnut Dec-Jan (per cwt.)	22- 2	22- 6	21- 7	20- 0
Linseed Feb-Mar	23- 1	23- 1	22-15	23-14
Kardi Ready	13- 4	13- 8	13- 4	13- 8
Nigerseed	23- 4	23- 8	22- 8	22- 8
Oils :				
Castor Oil Com. (per quarter)	10- 6	10- 8	10- 6	9-14
Groundnut Oil R.R. (")	11- 7	11- 7	11- 2	11- 3
Linseed Oil (")	14- 4	14- 4	13- 8	13-10

of surplus may very nearly prove intractable.

It is not surprising, therefore, that the declining trend in the cotton futures market in both New York and Liverpool had its immediate repercussion in Bombay, the February contract having come down from Rs 621-8 to Rs 618-8 on Tuesday. Again, when these markets showed a 'technical' improvement, there was moderate upward movement in the February contract. At the close of the week, however, sentiment was weak.

Oils and Oilseeds

Steadier Trend

EXCEPT for groundnut and groundnut oil, the oilseeds market ruled steady, compared to last week. Thanks to large-scale buying, prices of both castor seeds and oil improved. Business to the tune of 800 tons is reported to have been done on American account in castor oil at prices ranging between 10.50 cents and 11.50 cents. This was reflected in the rise in price of castor oil by nearly 12 annas to Rs 10-6. Castor ready followed suit, and recorded moderate increases.

Apart from the effect of business on behalf of the USA, the firmness in castor oil prices was also brought about by a shrinkage in arrivals and the keenness shown by crushers for purchase of seeds to meet their immediate requirements. Besides, tenders against the September contract were reported to be less than anticipated earlier, though they are likely to be higher than the tenders issued against the same contract in the previous year.

Trading in the September contract commenced in the third week of April this year at Rs 76.6. It declined to Rs 72-10 in June, only to shoot up by nearly Rs 35 to touch the highest level at Rs 105 in the first week of July. Thereafter it saw a steady decline and moved between Rs 80 and Rs 90 during September, to wind up finally on Thursday, September 29, at Rs 94-8.

Castor May opened around Rs 94 and shot up on speculative buying to Rs 96-8 but closed at Rs 93-4 on Wednesday.

Groundnuts and oil were depressed during the week with Khandesh closing at Rs 22-2 and oil R/R at Rs 11-7.

Linseeds remained firm on support from local traders.

Around Calcutta Markets

Hesitant Trend

Wednesday, Evening

EQUITIES may not be falling. But recent price movements on the stock market here underline the absence of investment support. Price fluctuations remain narrow. There has been a considerable fall in the volume of business. Neither buyers nor sellers are active. This is what happens to stock markets when the outlook becomes uncertain. There is no doubt that investors are hesitant. There are, however, differences of opinion about whether they have any reason to be hesitant.

In the main, the narrow range of fluctuations in recent days is due to technical factors. Some days ago, the massive sales in Indian Iron of an influential "bear" operator had to be squared-up. This process was effected through a mutual understanding among the "bulls". At the moment, therefore, the technical position in Indian Iron is vulnerable. There is no active "short" interest. But the extensive "bull" position remains. These "bulls" will have to liquidate their holdings some time, some day. But, on current indications, the market will then be deprived of the "bear" cushion.

On technical considerations, therefore, Indian Iron should have been falling. These shares are not slumping because the holders cannot afford to let a landslide occur. That is why "bulls" are determined to exploit all "bullish" developments. Relative steadiness in Indian Iron in the last few days is due to these tactics. Recently, steel selling prices were raised. "Bulls" were prompt in exploiting this event. They lost no opportunity in warning "bears" that steel retention prices will be announced soon, and that these prices will be fixed at higher levels.

It is a safe assumption that steel retention prices will be stepped-up. But neither higher steel selling prices nor higher steel retention prices are likely to lead to higher dividend disbursements by iron and steel companies. New Delhi is firm in its decision that increased profits arising out of higher retention prices must be ploughed back to strengthen reserves, and should not be frittered away in higher dividend payments. This quashes all hopes of higher dividend disbursements by Indian Iron.

But there is another argument which has some "bullish" implications. In his last speech as Chairman of Tata Steel, Shri J. R. D.

Tata hinted that, apart from the contemplated new issue, in future the Company's policy would be to capitalise reserves by issuing bonus shares. Arguments advanced by Shri Tata for future issues of bonus shares by Tata Steel are not inapplicable to Indian Iron. There is a case for re-adjustments in the capital structure of both the companies. This is a potential "bull" factor.

Meanwhile, the market hopes against hope that the forthcoming dividend of Indian Iron will be higher. Last year's production, earnings and profits were better. But it is widely felt that New Delhi is opposed to raising dividend payments. Incidentally, output data for Burnpur Works indicate a fall in current production. It will be recalled that New Delhi warned shareholders some time ago that this year's steel output of both the existing companies might be lower because of technical adjustments incidental to implementation of expansion projects.

In the first half of this week, Clive Street was influenced mainly by developments in Dalal Street. There are both technical and basic reasons for a spurt of about ten points in Tata Steel since the beginning of this week. According to reliable reports, there is an active "short" interest in Tata Steel. "Bulls" are in a position to rig prices up in the sure knowledge that the Company would be issuing right shares soon. There has been a sympathetic rise in Indian Iron. It is partly due to end-account buying operations. But it should not be ignored that the management of Indian Iron has not yet reached a decision on the question of issuing right or bonus shares.

Despite the improvement in Indian Iron in the first half of this week, leading cash scrips remain quietly steady. There are reasons why Jute shares remain idle. Although the abolition of export duties on jute manufactures will be of help to the Indian industry in holding its position in export markets, it is more than evident that Pakistan is determined to deprive her rivals of any possible advantage arising out of devaluation of her currency. Karachi has reiterated Pakistan's determination to maintain the export minimum price of raw jute at the pre-devalued sterling level. Pakistan's rivals are, therefore, not likely to acquire supplies of raw jute at cheaper prices.

CURRENT STATISTICS

BANKING RETURNS				
Reserve Bank	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1280.22	1285.69	1292.98	1155.04
2. Rupee Coin	112.05	111.32	109.57	106.62
3. Deposits				
a) Central Government's	58.03	58.93	64.38	108.92
b) Banks'	62.77	58.53	54.98	61.29
c) Other Governments'	11.64	12.23	40.15	35.56
d) Others'	16.37	16.34	18.87	34.58
4. Foreign Securities	671.81	671.81	656.81	613.15
5. Balances held abroad	47.65	49.62	63.10	118.54
6. Rupee Securities	488.94	438.94	508.91	417.74
7. Investments	49.85	49.60	63.19	97.48
8. Loans and advances to Governments	2.02	1.82	0.25	—
Scheduled Banks				
1. Demand liabilities (net)	596.65	591.62	599.22	547.41
2. Time Liabilities	415.23	412.62	409.06	352.15
3. Cash on hand	33.88	33.04	33.27	33.41
4. Borrowings from Reserve Bank of which against Usance Bills	12.47	17.37	16.48	5.49
5. Advances and Bills discounted of which State Bank's	554.34	560.25	563.90	498.64
6. Investments of which State Bank's	98.78	103.13	107.04	103.49
Cheque Clearance	141.24	128.90	131.10	153.54

†For Reserve Bank and Cheque Clearance week ended 30-9-55. Scheduled Banks week ended 23-9-55

Bombay Money Rates	30-9-55	23-9-55	2-9-55	1-10-54
Inter-Bank Call Rate	2½	2½	2½	2½
3 months deposits	2½	3	3	2½
6 months deposits	3	3	3	2½

Bombay Bullion				
	In Rupees and Annas			
	6-10-55	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	94- 10	95- 6	95- 2	86- 15
Forward	†	†	†	87- 0
Silver (per 100 tolas)				
Spot	168- 0	169- 4	165- 0	157- 4
Forward	†	†	†	157- 4

† no trading

COTTON STATISTICS						
MILL CONSUMPTION						
(in '000 bales of 400 lbs each)						
Description:	June '55	May '55	Apr '55	Mar '55	Feb '55	Sept '54 to June '55
Indian	345.1	335.8	345.9	350.1	322.6	3399.8
Foreign	47.7	48.1	47.2	51.1	50.1	538.9
of which American*	8.39	9.6	12.6	13.2	13.4	143.6
Egyptian	14.75	15.0	14.7	15.6	15.1	168.0
E. African	18.19	18.4	15.3	16.7	18.4	183.3
Sudan†	5.87	4.7	4.03	3.9	3.2	33.2
Pakistan	xx	x x	0.12	0.99	0.09	4.8
TOTAL	392.8	383.9	393.1	401.2	372.7	3938.7
Consumption in corresponding periods a year ago:						
Indian	312.94	321.01	322.6	314.9	311.4	3221.1
Foreign	65.10	64.80	61.7	58.3	56.4	590.9
TOTAL	378.04	385.81	384.3	373.2	367.8	3812.0
* Includes both United States and Peruvian cotton.						
† Includes both Sudan Egyptian and Sudan American						
xx Negligible						

* Includes both United States and Peruvian cotton.

† Includes both Sudan Egyptian and Sudan American

xx Negligible

MILL STOCKS OF COTTON						
(in '000 bales of 400 lbs each)						
	June '55	May '55	Apr '55	Mar '55	Feb '55	
Indian:						
1954-55	1637.4	1587.4	1478.4	1346.4	1161.2	
1953-54	1242.9	1280.2	1252.0	1168.5	1032.1	
Foreign:						
1954-55	161.1	145.9	138.9	145.8	135.4	
1953-54	213.0	209.0	201.8	163.9	146.2	

Source: East India Cotton Association

COTTON IMPORTS						
(in '000 bales of 392 lbs each)						
Source	May '55	Apr '55	Mar '55	Feb '55	Sept '54 to May '55	
USA	2	0.5	19	19	91	
East Africa*	30	35	16	12	185	
Egypt & Sudan	20	15	8	34	140	
Other countries	1	2	1	1	9	
TOTAL	53	57	44	66	405	

Total imports in corresponding months of the previous year

*Includes Kenya, Tanganyika and Uganda.

Source: Indian Trade Journal

COTTON EXPORTS			
(in bales)			
Exports from 1st Sept. to 29th Sept. '55			
Destination	1955	1954	1953
United Kingdom	6,173	800	—
Continent	21,556	1,904	657
China	34,451	—	132
Hongkong	10,892	110	—
Japan	32,365	2,556	4,615
USA	756	—	—
Other foreign countries	1,395	50	84
Total all foreign countries	107,588	5,420	5,488
Coast Ports	11,671	9,695	6,701
TOTAL	119,259	15,115	12,189

Source: East India Cotton Association

INDEX NUMBER OF WHOLESALE PRICES ALL INDIA FINAL ESTIMATE OF CEREALS

(Base: Year ended August 1939 = 100)					1954-55						
Group and Sub-Group	Week ending 17-9-55	Week Ago	Month Ago	Year Ago	Area (000 acres)			Production (Million tons)			
					1954-55 (Final)	1953-54 (Partially revised)	Percentage Change	1954-55 (Final)	1953-54 (Partially revised)	Percentage Change	
I Food Articles:	312.0	315.2	320.5	361.1							
Cereals	378	382	386	398							
Pulses	263	263	285	295							
Others	230	233	237	320							
II Industrial Raw Materials:	401.0	392.8	405.6	426.1							
Fibres	411	395	415	427							
Oilseeds	374	375	385	435							
Minerals	419	419	414	409							
Others	420	421	419	411							
III Semi-Manufactures:	324.4	323.9	326.3	354.7							
Leather	329	327	338	333							
Mineral Oils	201	201	201	221							
Vegetable Oils	362	362	333	455							
Cotton Yarn	408	407	405	455							
Metals	259	259	257	239							
Oilcakes	344	342	333	414							
Others	330	330	330	304							
IV Manufactures:	369.3	368.7	371.2	377.0							
Textiles	404	403	407	421							
Jute	404	398	423	455							
Cotton	402	402	402	415							
Rayon & Silk	474	474	474	447							
Woollen	278	278	278	310							
Metal Products	352	352	352	340							
Others	286	286	286	286							
V Miscellaneous:	553.3	554.2	563.2	604.0							
All Commodities:	353.7	353.2	358.5	383.5							
					Khariff Cereals						
					Rice	74,424	77,032	-3.4	24.2	27.6	-12.2
					Jowar	43,456	43,657	-0.5	9.1	7.9	+14.9
					Bajra	27,350	30,094	-9.9	3.5	4.4	-20.3
					Maize	9,325	9,360	-0.4	2.9	3.0	-0.7
					Ragi	5,747	5,714	+0.6	1.77	1.81	-2.3
					Small millets	13,680	13,979	-2.1	2.42	2.43	-0.1
					Total	173,982	179,836	-3.3	44.0	47.1	-6.7
					Rabi Cereals						
					Wheat	26,842	26,310	+2.0	8.5	7.9	+8.5
					Barley	7,999	8,721	-8.3	2.8	2.9	-4.1
					Total	34,841	35,031	-0.5	11.3	10.8	+5.1
					Total Cereals	208,823	214,867	-2.8	55.3	57.9	-4.5

INDUSTRIAL PRODUCTION

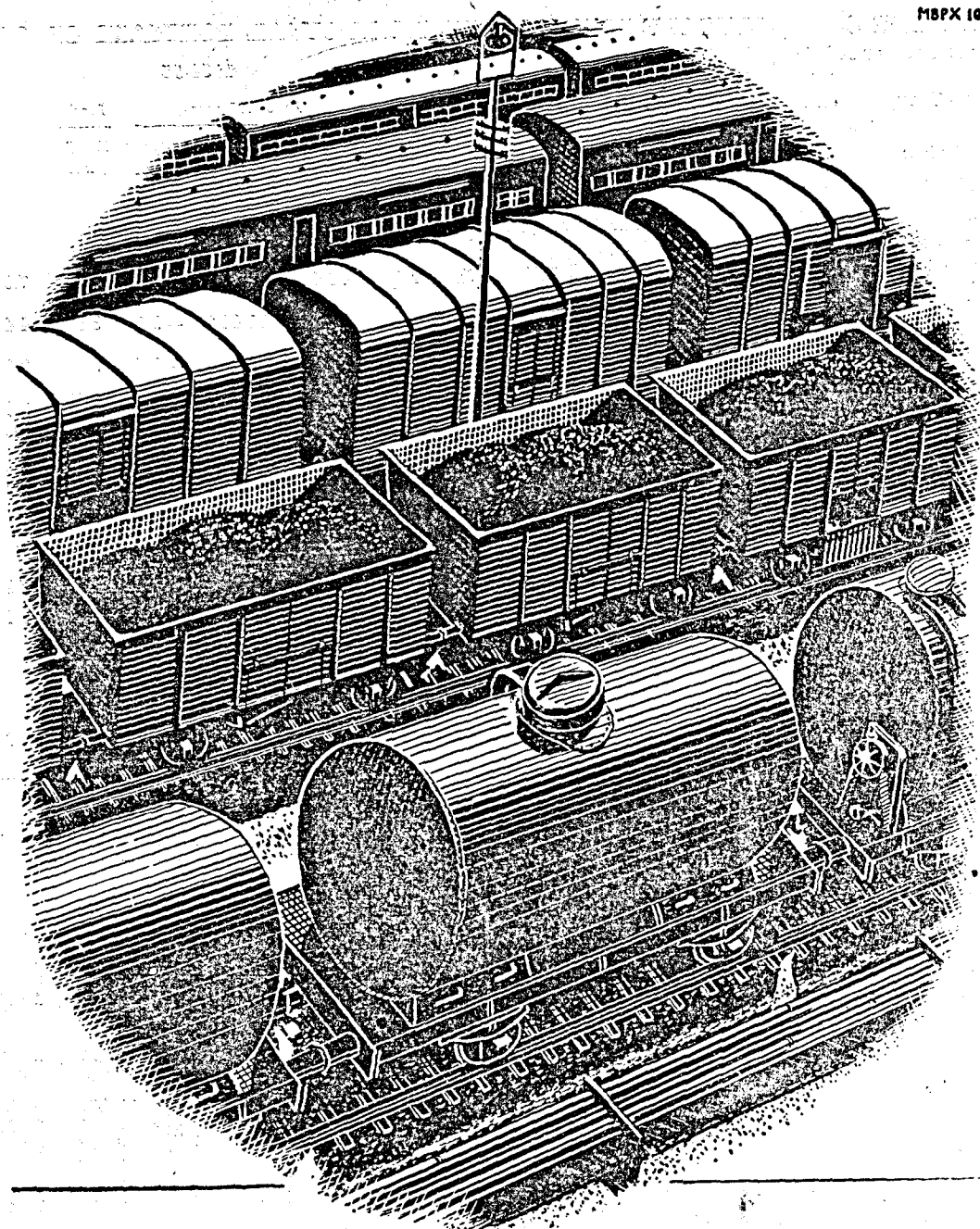
1955								1954 Monthly Average			
	Units	July	June	May	Apr	Mar.	Feb.	June	1954	1953	1952
I Consumer goods											
1) Cotton Textiles	Cröre yds	44.60	41.80	40.10	41.80	42.9	40.2	41.52	41.65	40.65	38.3
2) Woollen Manufactures	lakh lbs	18.78	17.44	15.54	50.40	48.5	50.6	15.99	15.63	16.04	13.82
3) Matches	'000 cases	—	—	50.10	24.67	26.56	20.44	40.50	45.0	51.5	51.6
4) Sewing Machines	Nos	8,536	8,200	8,401	8,207	8,087	7,100	6,470	6,683	5,202	4,170
5) Vegetable oil products	'000 tons	—	24.02	24.23	18.93	21.79	18.52	19.08	19.23	15.97	15.90
II Raw Materials or Intermediate goods											
1) Cement	'000 tons	—	351.9	375.4	364.8	380.3	363.7	352.5	366.5	315.0	294.8
2) Chemicals:											
a) Sulphuric Acid	tons	—	—	11,302	13,255	14,350	12,120	12,616	12,573	9,091	8,007
b) Caustic Soda	"	—	—	2,603	2,682	2,992	2,579	2,314	2,442	1,909	1,422
c) Soda Ash	"	7,193	6,768	5,509	6,570	6,955	5,907	2,978	4,024	4,739	3,694
3) Coal	lakh tons	—	30.75	31.75	32.33	33.04	32.49	28.85	30.64	29.87	30.19
4) Cotton Yarn	lakh lbs	1,440	1,330	1,250	1,300	1,350	1,250	1,275	1,301	1,255	1,208
5) Jute Manufactures	'000 tons	84.1	85.7	81.7	85.7	88.9	81.8	74.6	77.3	72.4	79.3
6) Non-ferrous Metals:											
a) Copper	tons	620	620	635.0	647.2	674.0	605.0	560.0	597.6	410.0	506.6
b) Aluminium	"	610.8	613	653.2	599.3	627.5	461.4	234.6	407.2	313.2	297.2
c) Lead	"	—	174	170.7	222.4	211.3	162.0	85.0	149.0	141.2	94.3
d) Antimony	"	36.0	50	75.0	80.0	80.0	30.0	56.0	44.9	10.9	15.1
7) Paints & Varnishes	"	2,671	—	2,104	2,373	2,623	2,616	2,990	3,068	2,671	2,681
8) Paper & Paper Boards	'000 tons	—	—	13.9	15.07	15.04	14.1	13.10	12.94	11.64	11.46
9) Iron & Steel:											
a) Pig Iron	'000 tons	—	—	150.9	152.7	150.2	137.9	138.4	149.4	137.9	140.4
b) Steel ingots & castings	"	—	—	143.0	144.6	149.1	138.3	131.0	140.4	125.6	131.5
c) Semi-finished Steel	"	—	—	123.7	124.0	129.5	115.0	115.3	121.0	102.5	109.0
d) Finished Steel	"	—	—	106.3	106.6	115.3	96.3	96.9	103.6	85.3	91.9
III Capital goods											
1) Machine Tools	'000 Rs.	—	—	598.8	381.2	432.8	544.6	431.0	416.9	367.3	369.8
2) Diesel Engines	Nos	—	683	801	893	914	747	773	721	310	354
3) Electric Motors	'000 HP	16.8	20.7	19.4	20.7	20.6	17.9	15.3	15.6	13.5	13.1
4) Power Transformers	'000 KVA	46.6	47.2	41.5	40.0	42.1	41.1	29.3	33.3	25.7	17.9
IV Transport Equipment											
1) Bicycles	'000 Nos	—	30.90	40.0	39.11	38.99	30.55	34.9	31.03	22.01	16.41
2) Automobiles	Nos	1865	2,083	1,953	1,607	2,272	1,500	755	1,205	1,160	1,274

October 8, 1955

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The Hard Test

EVEN the harshest critic of the Fazl Ali Commission Report will agree that the Commission had an extremely tough assignment. They had to ascertain the desires of people in different areas, weigh conflicting claims, apply what they, as impartial judges, considered to be the basic criteria for deciding the issues, and work out a pattern which satisfied to the maximum the people's aspirations as well as their own conscience. All this had to be done with due regard to the Constitution that we have given unto ourselves, and the cultural and economic heritage that India has. It was a task that would have awed the greatest of us; and it was a task that no body of men could have performed to everybody's satisfaction.

It is, therefore, no matter for surprise that so many, including the Prime Minister, are surprised by the recommendations, though they may not all be surprised by the same thing or for the same reason. What has surprised the Prime Minister and why, are secrets which he has so far not disclosed. But in most other cases, it is just because the recommendations have not given them what they considered or proclaimed to be their pound of flesh. There will also be some who feel that the Commission, after an academic discussion of the factors that count in carving out a State, has thrown it all to the winds in fixing the boundaries of different States. And yet others will perhaps raise metaphorical eyebrows at the administrative arrangements suggested for a smooth transition to the new pattern of units. Whatever the reason, it is obvious that the Report has not fully satisfied everybody; and if that is the test of objectivity, the Commission has certainly been objective to a degree.

The trouble is that having given ourselves this Commission we cannot just shelve its Report and call it a day. The Government might, of its own accord, or under pressure, modify some recommendations in the process of implementation. But such modifications cannot be so many as to make nonsense of the pattern set out by Shri Fazl Ali and his fellow commissioners. Which means that whatever alterations are now suggested will have to be demonstrably in accordance with some principle or principles that the Commission has enunciated but not followed; and it will need to be based on a specific elucidation of the 'national' interests that are to be promoted thereby. Otherwise, ad hoc adjustments that smack of appeasement of particular sections will only mean strengthening the case for pressure groups.

The Government's position at the moment is very unenviable. Despite its professions to the contrary, the Commission has arranged the boundaries in such a way that, with the exception of Bombay and Punjab, all others are linguistic States. Why then, the Maharastrians and the Punjabis ask, should they be denied the right to form their own States? Again, though U P, Bihar and Madhya Pradesh are all peopled by those who speak Hindi, they are different States. Why then, the Mysoreans ask, should there be only one State and not two for the Kannada-speaking people? If breaking up Karnataka or Madhya Pradesh into smaller units is sought to be countered by arguments of administrative viability, how could the formation of Vidarbha and Kerala and Hyderabad be

justified? Many such 'contraries' will have to be solved and in the process those that are now pleased with the reorganisation will probably turn bitter.

No wonder, therefore, that the Prime Minister said that the Report had set a hard test to all of us. The test really is whether, placing India above the particular State to which we belong, or want to belong, we are prepared to evolve, through trial and error, the best set of internal units that we possibly can have. And in evolving that pattern, whether we believe in the good faith of the other man who speaks a different language as much as we want him to believe in ours. It is by all accounts a difficult test, since it involves crying halt to a tendency that has for various reasons been brought out in its worst form. And that is that unless a person lives in a State in which his language is the principal language, his status in the country is inferior to that of others, and his 'culture' will suffer. It is, on rational grounds, a viewpoint most inimical to the working of a Federal constitution in a country like India. For, nothing can so bank up prejudices and suspicions as the feeling that one's social and cultural development depends on having, as it were, a closed group of like-speaking persons.

Either we believe in secular democracy or we do not. If we believe in it, it implies mutual respect amongst citizens, irrespective of the way they live, the faith they conform to, the language they speak or the diet they eat. From which it follows that none of us, by having a language-State of our own, should imagine that thereby a special privilege is conferred on us. The protagonists of particular linguistic States are always eager to emphasize that the minority languages in their area would not suffer any disadvantage. Why then should they feel that if they are not in a majority, their language and culture will suffer? Surely, this amounts to believing that they are made of nobler stuff than the others. It is a particularly insidious form of the 'Herrenvolk' principle, and however much we may protest, it is a principle most harmful to the development of a feeling of oneness in the country.

All this is to say that individual or regional characteristics should be mercilessly weeded out in order to evolve a mythical set of Indians, each indistinguishable from the rest in matters of cultural equipment,

dress or habits. The point is that one has to learn to live with such differences, and learn to like them. It should be a matter of pride that these differences do not affect political, social or economic relationships between man and man in India. Only then will it become true that by developing one's language or culture, one enriches others as well as oneself. There will be many who say that all this is understood, and that it has nothing to do with the reorganisation of States. But the pity of it is that the establishment of good relationships is made conditional upon linguistic integration. Give us our States, they say, and we will be most friendly to the others. But why cannot one be friends with others otherwise? Why does not one think of the national needs that are crying to be met, needs that are no less insistent in the remote villages of Maharashtra than in those of Gujarat or Bihar or Orissa or Andhra?

The material well-being of the country will not automatically improve by redrawing the State boundaries. All of us, whatever language we speak, have, as a nation, access to a given volume of resources, physical and human. And it is by improving the volume and quality of these resources that we can, in the future, hope to be better off as a nation. That basic fact is being ignored in the fight for territories and majorities. The scramble that we are engaged in may or may not contribute to an augmentation of the products that we all want to share. But who pauses to weigh these matters when the slogan for so many is 'cry the beloved language'?

Unfortunately, the States Reorganisation Commission's Report is likely to add to such vociferous cries. It will also be criticised on the ground that the suggested rearrangement is biased in favour of the Congress Party. And it is more than likely that the positive recommendations for furthering a feeling of oneness in the country through administrative adjustments will be ignored or resented. The fact that the Commission went into such details regarding recruitment, educational administration etc. is in itself an indication of the sort of separatist tendency likely to be encouraged in the new States. Had the Commission been unaware of this, or had it discounted its potentialities, it would not have carefully laid down the procedure for staffing essential services and the judiciary in different States. Some of these, such as

the institution of various technical services on an all-India basis, and appointment of at least one-third of the high court judges in each State from outside the State are measures which could, and should, be taken irrespective of the basis adopted for redrawing State boundaries. But part of the cry for linguistic States derives from a desire to ensure more of such jobs in each area to local recruits. To the language-patriot, therefore, the Commission's suggestions will seem to be a Machiavellian move to take away by one hand what is offered by the other. And for that reason, they might either reject the administrative recommendations in principle or get round them in practice. Either way, it would be a sad reflection on the extent of trust which we repose in one another.

We have before us an issue the solution of which will make or mar the future of this country. The Commission has given its verdict according to its best judgment, and there is no point in imputing motives or ostentatiously burning the Report. That is not a civilized way of reacting to something which we collectively asked the Commission to do for us. It is everybody's task now to contribute to the setting of a pattern that will work to the advantage of all of us. We can, with a realisation of that great responsibility, achieve miracles. Or we can use the States Reorganisation Commission's Report to break up the country into warring camps and take the road to national ruination. The choice is with us now, and let us decide in a manner that will make possible our looking back on this as our finest hour.

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A National Institute of Social Sciences

ONE of the important recommendations which emerged from the deliberations of the Seminar on Casteism and Removal of Untouchability which met in Delhi between 26th September and 2nd October was the idea of starting a National Institute of Social Sciences. The suggestion was long overdue. And it is a matter for surprise that it was not made earlier by a responsible body though it is well-known that some of the leading social scientists were informally discussing the idea for some time. The cat has only been belled; that is all, but even that is important.

The Government of India cannot escape the charge of neglecting the social sciences. Otherwise a National Institute of Social Sciences would have been one of the links in the splendid chain of national laboratories which an enlightened and far-sighted government built in the first few years of Independence. This blindness is all the more surprising in a country which is ruled today at least as much by caste, kindred, linguism and sectarianism as by the progressive ideas of Pandit Nehru and the party which he leads. The importance of social research is only gradually being brought home as the Plan is getting under way. Even here it was left to the Americans to lead the way—the Community Project Administration started its Evaluation Programme with funds from the Ford Foundation. It is true that in the last two or three years the Research Programmes Committee of the Planning Commission has made grants of sums of money for various research projects. It is interesting to recall in this connection that the first grants were all made to economists to conduct socio-economic surveys of towns and cities. Some sociologists protested that economists were only competent to undertake strictly economic surveys and this resulted in the recruitment of a few non-economists to the R P C and in the creation of the Technical Welfare Sub-Committee to advise the R P C on schemes of research into projects directly bearing on social welfare. Such projects have to be closely related to the development schemes of the Plan in order to be financed by the R P C.

In short, economists in this country have, like economists elsewhere, the gift of collaring all the money that is available for social research.

This is to some extent due to the fact that economics is the most developed of the social sciences, and even more important, economists occupy positions of power in the Government of India. To put the thing in a nutshell, economics is different from the other social sciences in that money has always been available for research, and jobs have always been available for economists. This has been responsible for the greater mobility of economists as compared not only with other social scientists but with other academicians as well. The universities have been drained of good economists and the drainage has been towards the International Monetary Fund, ECAFE, Reserve Bank of India and Government of India. The ones who have stayed behind look up occasionally from their huge and cluttered-up tables to heave a sigh at the absence of their more gifted and nimbler colleagues. The universities are, to some extent, to blame—the low salaries, the utter confusion regarding language policy, the lack of incentives to research, and the pervasive stink of academic politics have driven the more sensitive minds to places where they need not pretend to a life of plain living and high thinking.

The long and the short of it is that research in the social sciences has been woefully neglected in our country. Even in the relatively affluent subject of economics, a number of factors have been responsible for killing research. One of them is certainly the extremely unattractive conditions which prevail in our universities today—and very little is being done to remedy this situation—and secondly, the attractions of service outside. Economists are after all human, and a good many of those who are outside universities would only be too glad to return to the latter if conditions improve. It is up to the Government to see that suitable conditions are created in our universities to attract and to retain their good men. In brief, in no social science are we producing research work of a high quality. There are a few able men, it is true, but they are swamped by the others.

The Seminar has definitely stated that the proposed Institute should concern itself with pure or fundamental research. It should not at all surprise anyone if this idea does not find favour with powers that be. Of

find favour with the powers that be. Of all people, politicians are the least equipped to be able to see the utility of 'useless' things. This is especially so when the country is preoccupied with planning and productivity. The national mood is in favour of doing useful things, and by and large, this is as it ought to be. But there is a danger that this may defeat itself when pursued in all matters and to an extreme.

In the last three or four years, the Research Programmes Committee has been making some grants for applied research. (The American Foundations financing research in India also make grants only for 'useful' projects.) Pure research is left to the slender resources of the universities which have already started telling their unfortunate scholars, "Why don't you approach the Government of India?" The award of a R P C grant goes to strengthen the department's and university's status, and also satisfies the demands of local patriotism. But R P C grants are made only for strictly utilitarian research.

All in all, the 'Brahmins' are having a bad time. This is deplorable because in the long run pure research is the goose that lays the golden eggs of utilitarian research. There must always be a core of people thinking about fundamental problems if applied work has to be more and more fruitful. And as things stand today, fundamental research is neglected in every branch of human knowledge, and especially in the social sciences. If the objection to creating an Institute for pursuing only pure research is very strong, then the Institute could have two wings, one Pure and the other Applied. The danger here is that the Applied wing will soon drain away all the funds. People engaged in Applied research are usually better showmen than the 'Pure' men, and when a 'Pure' man has showmanship 'Pure' research suffers.

The Institute should be so conceived that its administrative side will not develop to the detriment of the research side. This has happened in all Government of India research institutions and it is high time that a committee was appointed to rationalize the administrative side of these institutions in such a way that the institutions performed better, if not start performing, the job they were primarily designed to do, viz.,

research. As things are at present, the Directors who were appointed for their scientific eminence are becoming increasingly busy with things which are far removed from research, and they are occasionally heard consoling themselves that they are enabling others to do research. If the Institute of Social Sciences is to avoid this major pitfall, its administrative procedure needs to be greatly simplified, and second, there ought to be one able man whose whole-time business it should be to look after the administrative side. But such a man should not be the Director. The Director should be engaged actively in research work of his own, otherwise the Institute will go on the wrong track.

There are some who fear that the creation of such an Institute will affect adversely research work in the universities. There is no reason why this should happen if it is made clear from the very beginning that the

Institute is not the sole body to pursue social research in the country. Centralisation in the realm of knowledge is always attended with danger, and especially in the humanities and social sciences. That is why there must be more than one active centre of research in the country. And surely India is big enough and its problems are important enough for the Government to incur the extra cost.

Actually the setting up of the Institute might have a healthy effect on research done in the universities. Junior fellows of the Institute may be attached to particular universities while working for their doctorates, and vice versa. And if the senior fellows turn out first-rate work it will not be without effect on the young men and teachers in the universities.

The Seminar has recommended that the task of carrying out a sociographic survey of the major castes

and other groups in the country should be entrusted to the Institute. Such a survey would have lasting scientific and historical value, and would also be helpful in tackling the problems of particular groups. Besides, the universities and Institute could come together in undertaking this gigantic task. We mention it here only to show that the Institute might actually benefit the universities, instead of coming in the way of their development.

All in all the Seminar is to be congratulated on suggesting the need for a National Institute of Social Sciences. We hope this suggestion will be debated in the circles that matter and a decision taken in the near future. We must stress here, however, that every care must be taken to ensure that the Institute, if and when created, does actually do research work of the highest order. Otherwise it ought not to be created.

Weekly Notes

TELCO Prices

GOVERNMENT have requested the Tariff Commission to conduct an enquiry into and make recommendations on the 'fair prices' that should be paid for locomotives and boilers manufactured by the Tata Locomotive and Engineering Co. Ltd. (TELCO) since February 1, 1954. The Commission has also been asked to indicate the period for which these prices should hold and the basis for further revisions in them.

Under the agreement between the Railway Board and TELCO signed in 1947, the railways have agreed to buy 50 locomotives and 50 boilers per year when the factory is in full production. Further, should the factory achieve a higher rate of production, it was agreed that the Railway Board should buy such surplus production in preference to imports. Trouble has now arisen because the prices quoted by TELCO are higher than those quoted by foreign firms and are considered by the Railway Board as excessive. Since TELCO consider the higher costs to be a result largely of the terms and conditions imposed by the Railway, they plead inability to lower the prices. Hence the need for a thorough enquiry.

The Railway Board's view is that TELCO's quotations could be reduced if costs of production are calculated exclusive of charges admissible only

during the initial stages of development, and if existing capacity is utilised properly. TELCO, on the other hand, argue that the prices are based on actual costs of production. They are higher because the Railway insists on 75% of the components being produced indigenously and because the boiler orders placed are for those of an uneconomic size.

Considering that the Railways would be the major if not the sole purchaser of TELCO's products, it is obvious that the extent to which capacity can be utilised depends on the railways' offtake. It is also evident that in the present state of things, TELCO's costs should be higher than those of foreign producers, who have been in the field for long and have a much larger operational size. It would, in this connection, be interesting to see how TELCO's costs compare with those of Chittaranjan and why the differences, if any, arise. The Tariff Commission's decision in this regard would be of more than usual interest—since there would be many more cases of this sort in the future, with Government appearing on the one side as a monopolistic buyer and private units appearing on the other as more or less monopolistic sellers.

Indonesia

FOUR major political parties have emerged out of free Indonesia's first general elections. There will be no immediate change in the Gov-

ernment. Dr. Harahap's Masjumi Party will continue to function as an undertaker Government until the completion of the work of the Constituent Assembly. Any change in the Government is, thus, not likely before April next. More disquieting is the uncertain verdict of the general elections. It is clear that Indonesia will have a coalition Government. But it is not yet clear whether the Nationalists or the Masjumi Party will dominate the next coalition Cabinet.

Dr. Soekarno's popularity is reflected in the narrow lead of the Nationalists in the elections. His Party fought the elections on two main issues. It told the people that Indonesia was politically free, but economically dominated by the Dutch. It is well-known that the Nationalists accept the Bandung attitude to foreign affairs. The Communists endorsed the Nationalist viewpoint that Indonesia was under Dutch economic domination. They were diplomatic in assuring voters that they would work for a "popular front" and would not try to establish a Red regime. Dr. Harahap's Masjumi Party stressed the dangers of the growing popularity of the Communists. It warned the voters that Nationalists were fellow-travellers. Though Dr. Sjahrir has still some influence, the Socialists are fast losing political hold on the country.

Western Powers would prefer a coalition Cabinet of the Masjumi Party and the Socialists. Both these parties have pro-West leanings. Dr. Soekarno's Nationalist Party is intimately associated with Bandung and all it stands for. That is why the Nationalists are not popular in Washington or in Amsterdam. From the election results, it would seem that the voters accept Bandung, and are opposed to attempts to cajole Indonesia into SEADO. It has been apparent for some time that the Army plays an important role in Indonesian politics. It remains to be seen whether the Army will help Dr. Soekarno to form a coalition Government, or will tilt the political scale in favour of the Masjumi Party. But Dr. Soekarno is in a position to exploit the United Islam Party in its opposition to the Masjumi Party. It is, however, not yet clear whether he can count on United Islam to dictate terms to the Army.

Steel Imports

IN July, steel prices were increased by Rs 20/- per ton on an average. They have been again increased by another Rs 80/- per ton now. Government communique states that this steep increase is to subsidise larger quantities of imports of steel. T T K is reported to have stated that the present shortage of pig iron and steel in the country had taken Government quite unawares and he has tried to pass on the blame, to some extent, to the private sector. This is rather unfortunate. Till lately, Government did not give any encouragement to the private sector to expand steel production. On the other hand, the price policy adopted since 1948 has been hampering the development of steel industry in the private sector. That apart, it does not reflect any credit on Government to admit now that the present shortage of pig iron and steel developed unexpectedly. It only shows that the Ministry responsible for the development of steel industry was not aware of the development projects sponsored by other Ministries. Anyway, Government have now decided to make all-out efforts to get as much steel as possible from abroad and the target for the next year is about 1 million tons. It appears that the agency to be used to procure steel is the Government trade representatives abroad. It should be admitted that Government Officers have not shown much competence in any large-scale purchases of this nature

abroad. As large-scale transactions are expected, it is better to have the assistance of those who are closely associated with the steel trade in any negotiation that the Government might undertake for the procurement of steel from abroad. This is a point that Government will have to bear in mind if they have not already taken steps in this direction.

Industrial Relations

PROPOSALS for ensuring better industrial relations and for accord a fairer deal to labour are, of late, being widely discussed, and during the last session of Parliament the Industrial Disputes Bill, directed to this end, has been introduced in the Lok Sabha. There has been a striking awareness, especially on the part of Government, of the need for smooth employer-employee relations in implementing the several programmes of development, and in this context, the observations made by the Union Deputy Labour Minister, Shri Abid Ali, at the seminar on industrial relations at Visakhapatnam last week, are significant inasmuch as they give, in a nutshell, Government's policy towards labour-employer relations. Shri Ali's prescription for avoiding disputes is this: managements in industry should accept and respect the trade union movement, and they must regard the problems of workers as their own and deal with them "at the highest level with sympathy and personal touch". On the other side, labourers should play their role with a sense of discipline, responsibility and realism, and identify themselves with the country's efforts at achieving economic development. And if a socialistic pattern of society is to be attained quickly, these two conditions are essential. The Government, on its part, would encourage the development of trade union movement on sound lines and will also help settle disputes when they arise, with its conciliation and adjudication machinery.

Shri Abid Ali has rightly emphasised that without a genuine and strong trade union movement for the industry or the unit, industrial relations will be weak, and therefore workers should not only organise themselves effectively but be well informed about their unions. In this connection two points need special emphasis. For the trade union to be really genuine i.e. for it to be an entirely workers' move-

ment, it would be necessary to rid it of external influences. It is well known that outsiders who become labour "leaders" or hold office in the unions, often misguide labourers into disputes with managements and make political capital out of the situation. Again, the labour movement in India is divided between divergent political ideologies. It is, therefore, necessary to eliminate the external influences that have brought about a division in the rank of labourers. This is, no doubt, a process needing time. But no efforts should be spared to make the labour movement self-reliant.

The multiplicity of trade Unions and the rivalries that they often give rise to should be enough to understand the need for consolidation. As Shri V V Giri, former Union Labour Minister, suggested some time back, efforts should be made to have one union for one industry, and this industry-wise organisation would greatly facilitate effective collective bargaining.

Shri Abid Ali has neatly summed up some of the recent 'progressive' proposals such as labour representation on management, profit sharing etc. when he says that "association with management wherever possible, sharing of gains, prosperity and provision for the future would be still another effective way of building up healthy labour-management relations". These proposals are, however, still under examination by the Planning Commission and while it is difficult to be dogmatic on the merits of such proposals, it must be pointed out that they cast a responsibility on employers, which they must recognise and live up to, if they want labour to honour its responsibility and obligations. And in the context of the officially accepted policy of a socialistic society, unless employers are prepared to be progressive and share the gains of industry with labourers, happy industrial relations would, for ever, remain an ideal.

New Major Ports

IT was evident from Shri Lal Bahadur Shastri's broadcast last week that although considerable expansion of port facilities is proposed during the Second Plan, no decision has yet been taken regarding the development of a new major port. On the West Coast, south of Bombay, the choice between Mangalore and Malpe has not yet been made and the Minister indicated that technical in-

vestigations with regard to the feasibility of developing Mangalore into an all-weather port are still being carried out. On the east coast south of Calcutta, Paradip at the mouth of the Mahanadi in Orissa is being considered for development and preliminary investigations have provided favourable results.

Since further investigations will be necessary before these projects can be taken up, only Rs 5 crores have been provided during the Second Plan to cover them as well as other minor port development. The development of a major part is a long-term programme even after a final decision has been made, considering the progress of Kandla so far. Even though the decision to develop Kandla was taken urgently as far back as 1948, only Rs 6 crores of a total of Rs 14 crores have been spent so far. The bunder for discharging cargo from sailing vessels and from ships anchored at moorings, and the staff colony have been completed, while the oil jetty is nearly ready. The four cargo berths and one passenger berth are, however, still under construction. From the Kandla experience it is obvious, therefore, that even after final decisions are taken with regard to the two new major ports, it will be many years before they are available for use, and the leisurely way in which the question is being treated is hardly justified.

The Transport Ministry is probably influenced in this connection by the fact that programmes for the extension of the facilities at the existing major ports are under active implementation. That these will improve port facilities considerably is undoubted. But the question of the new major ports is really independent of them, being linked to the development of new major industrial areas—Orissa and the surrounding areas in the East and the new Karnataka State in the South.

If the pace of industrial development really goes up at the rate anticipated during the next decade, the need for these ports will become very urgent and then the time needed to develop these ports might prove to be a major obstacle to further industrial progress. The development of ports must precede and stimulate industrial development, or at the very least proceed concomitantly with it. It cannot be left to follow industrial development, hampering rapid progress in the interval.

Other Port Developments

SHRI LAL BAHADUR SHASTRI revealed in the course of his talk that only Rs 37 crores of the planned expenditure of Rs. 62 crores had been incurred on ports, during the First Five Year Plan. This slow progress was attributed to the complicated nature of the works which involved long preliminary investigations and preparation. Only after momentum had been gathered could the work be expected to proceed rapidly. The unexpended sums from the first Plan together with new schemes which have been drawn up for the new Plan period make a total of Rs. 60 crores for investment during the Second Plan.

The schemes included in the Plan are intended to render the existing capacity more effective through modernisation and replacement of old and obsolete equipment. Additional berthing capacity is to be provided at Calcutta, Madras and Cochin, while river training measures in the Hooghly, provision of mechanical handling appliances at Calcutta, channel dredging, modernisation of the Princess and Victoria Docks and improvement of ship repair facilities at Bombay are among the measures included in the Plan. A new dry dock has also been planned at Visakhapatnam as part of the development programme of The Hindustan Shipyard. The improvement of facilities at 18 minor ports, which have now been designed as intermediate ports, has also been planned. Inadequacy of shore facilities and situation of approaches are their major problem and a solution of these will help them to play a larger part in the development of India's transport system.

Private Foreign Capital

THE flow of foreign capital on an organised basis has been mainly through official channels since the end of the War. The International Bank for Reconstruction and Development and the Commonwealth Development Finance Corporation have been the major sources and though they have provided substantial amounts of capital for reconstruction and development projects, the need for organised private institutions for the provision of foreign capital has been deeply felt. The newly-formed Transoceanic Development Corporation is expected to satisfy this need.

The new Corporation, which has been formed by Kuhn Lach and Company of New York, the First Boston Corporation of New York and S G

Warburg and Company of London, has the support of a large number of banks, issuing and investment houses in the United States, Canada and many Western European countries. Registered in Canada, the Corporation has a share capital of \$10 million divided into shares of \$100 each, all issued and subscribed. Only half the capital is called up at present. The Corporation will undertake equity investment in existing and new companies. It will also assist the promotion of new enterprises. This new entrant to the field of international finance is highly welcome. It is to be hoped that some of India's projects will find support from the new Corporation.

Imperial Tobacco

SHAREHOLDERS of the Imperial Tobacco Company of India, Ltd., will welcome the disclosure by Mr E H Hare, the Chairman, in his address before the first annual general meeting since the conversion of the Company into a public company that the directors propose to declare interim dividends in future, provided the profits so justify. For the year to March last, a final dividend of 4 per cent free of income-tax, is proposed.

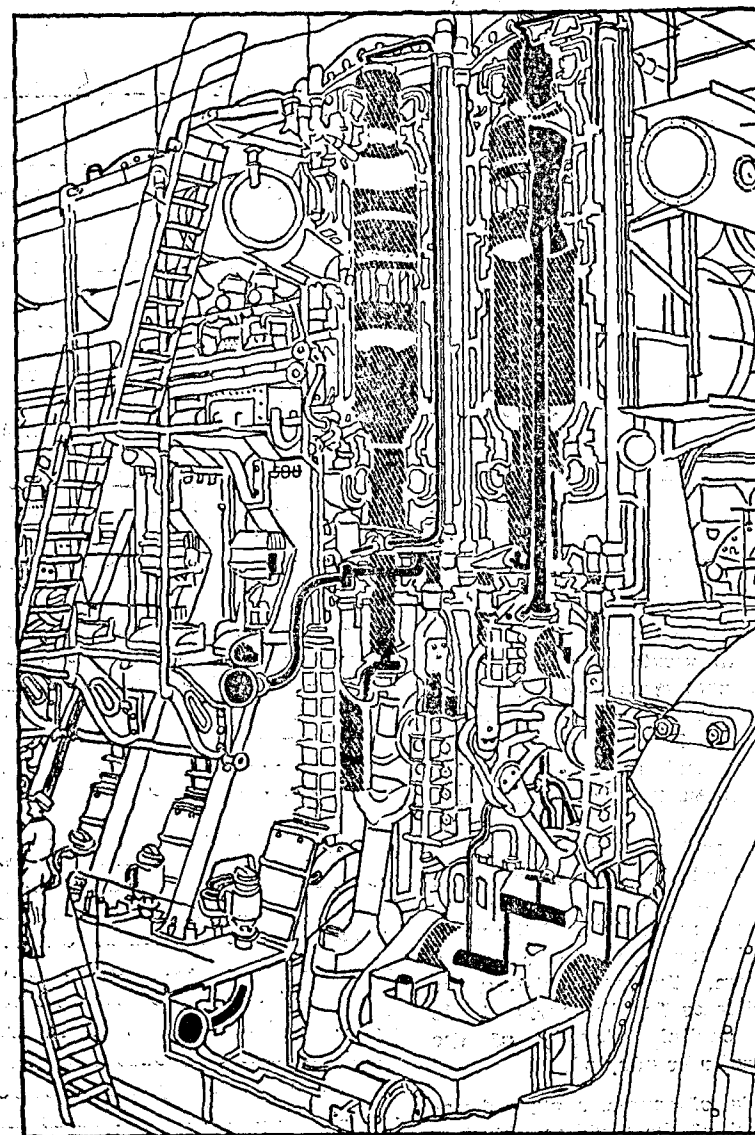
There has been a satisfactory increase in the volume of sales for the first five months of the current financial year over the same period of last year. This is the reason advanced for declaring an interim dividend of 2 per cent, free of income-tax, out of the profits of the current year.

Mr E H Hare is a progressive industrialist. He is aware that the progress of his Company's business is intimately associated with the continuing economic prosperity of the country. He, therefore, welcomes the steps that have already been initiated to frame the second Plan, and measures that are being introduced to ensure prosperity to the remotest villages.

Mr Hare is aware that taxation of tobacco products is a fruitful source of revenue. But, Mr Hare observes "in fairness to the consumer and with a view to ensuring the maintenance of a sound revenue-producing source to Government, the latter should consult with the Tobacco industry as to the best method of applying the incidence of such taxation . . ." Mr Hare expresses disappointment that the Taxation Enquiry Commission has recommended no material change in the structure of tobacco taxation.

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A More Positive Approach

PROFESSOR MAHALANOBIS gave an exposition of the Plan-frame on Gandhiji's birthday at a meeting organised by the London Majlis. In course of this exposition, he made, inter alia, the following points:

(i) The Plan-frame gives high priority to heavy industry because the economic progress of any country depends on the development of its heavy industry;

(ii) The Plan-frame rests on a "feed-back process" the rate of increase in the supply of consumer goods determining the rate at which it would be possible to make investment in heavy industry;

(iii) In a socialist economy there is no conflict between the objectives of raising labour productivity and creating new employment; but in India it is necessary for the present to depend on handicraft and cottage-industry for the creation of additional employment.

Professor Mahalanobis' argument, which he presented persuasively enough, seems to be wrong at several points. This does not necessarily mean that the Plan-frame is unsound; though it does mean that where the Plan-frame is right, it is often for reasons other than those which its author has in mind.

(i) The degree of industrial development essential for the utilisation of the available labour force is higher in over-populated countries than in those that are under-populated. But where a country is not only over-populated but has rich iron deposits, as in the case of India, there is a case for special attention being paid to the development of iron and steel industry, and certain other allied fields of manufacture. It is, however, wrong to generalise. No absolute case can be made out for heavy industry, unless it be on nationalist grounds. In an under-developed country, which is also deficient in iron and coal, the path to economic progress does not lie through a special attempt to develop heavy industry. Even in India, it is good to remember that the fact that a certain product is "key" to the development of other industries, or products, is not necessarily an argument for producing it domestically.

(ii) and (iii) Under dictatorship, investment in heavy industry can be

pushed up even when the supply of consumer goods fails to keep pace. In this connection, the closing years of the First Five Year Plan and the opening years of the Second Plan in the USSR make interesting study. Increased investment in heavy industry was undertaken in spite of the consumer goods industry falling much behind the postulated targets. To make this possible, on the one hand, a rigorous system of rationing and control was applied; on the other hand, the increased purchasing power resulting from heavy investment was drawn away by the State through a turnover tax, which affects the consumer much in the same way as a purchase tax. The rate of the turnover tax on many ordinary commodities was well over 50 per cent. A sales tax to the tune of 2 annas in the rupee (12½ p.c.) imposed in India, even with the clearly declared policy of investing the proceeds in chosen industries, would almost certainly provoke riots.

In other words, a democratic government has to observe certain strict limits in the forced restriction of present consumption that it can feel free to impose. These limits being given, it is not open to a democratic government—even if it be socialist—to create any amount of additional employment with methods of production of any degree of capital intensity. Even a dictatorial government is not all powerful. The Chinese have realised this quite early, and have employed labour-intensive methods in their river valley projects in order to raise the volume of employment. The available volume of capital and the number of additional jobs to be created being given, the ratio between the two indicates for the moment the average capital intensity of the techniques to be adopted.

There is, of course, a more dynamic aspect of the problem. Professor Mahalanobis pointed out that in a socialist economy the government can reinvest the surplus accruing to any enterprise. Such surpluses are normally reinvested by the representatives of the State, under the one system, and by the representatives of shareholders, under the other system. The instrumentality through which the reinvestment is made may, and does, make a difference, but not of the nature that Professor Maha-

lanobis seems to imagine. A dictatorial government can, indeed, make the surplus to be reinvested larger than it would be otherwise, by forcing down wages, by concentrating chiefly on heavy industry, by imposing a high turnover tax, or by other similar measures. But such courses are equally open to dictatorial governments of the non-socialist variety, as represented in the past by Japan, for instance.

The following are few additional observations:—

The rate of economic development in India will depend considerably on the extent to which the government succeeds in mobilising savings in the countryside. This is one of the clearest lessons of economic development in a number of countries. The problem is to forge democratic methods of mobilising and investing rural savings. The answer to this problem lies, at least partly, in linking up rural savings with investment in rural areas. Only in this way can the villager be made investment-conscious. Herein lies the importance of community development projects.

Nonetheless, it is necessary to re-think whether it is desirable to impose discriminatory taxes against medium sized consumer goods industry to afford protection to cottage industry. It might be better to adopt a less negative approach.

In the increased supply of manufactured consumer goods that we would require in future, there should be room for simultaneous expansion of cottage and medium scale industries. There is a very good case for organising more scientific research for helping handicrafts to improve their methods of production. There is need for improving credit facilities for cottage and small industries, and for greatly strengthening the marketing organisation for their products. But it is on this positive approach that the stress should lie. Cottage industries should be encouraged—to struggle, and not to stagnate.

Amlan Datta

C/o India House,
Aldwych,
London,
October 6, 1955.

Shadow Boxing

FROM a perusal of the Report of the States Reorganisation Commission, suspicion arises whether it has properly interpreted the terms of reference. Suspicion grows as one reads some of the passages in the report whether SRC has been unduly influenced by political considerations. Suspicion deepens as one analyses its major proposals that it lacks the courage of its convictions.

Of the three members of the Commission, one is an eminent jurist, another is widely respected as one of India's elder statesmen and the third is a reputed historian and a distinguished diplomat. It was appointed to examine the question of reorganisation of "the States of the Indian Union" objectively and dispassionately "so that the welfare of the people of each constituent unit as well as of the nation as a whole is promoted". Over and over again, the Commission emphasises the supremacy of the nation. It quotes the Constitution to stress that "there is only one citizenship, a common citizenship, for the entire Indian people with equal rights and opportunities throughout the Union".

And yet, it discusses the time factor in introducing changes in the present set-up to conclude that "the task of redrawing the political map of India must be undertaken now and accomplished without delay...". It will not be denied that the Commission's proposals, if accepted, should be promptly implemented. Immediate implementation of the recommendations will be necessary to avoid any delay in holding the general elections as well as in executing the second Plan according to schedule. It augurs well, as latest reports from New Delhi indicate, that Government is aware of these overriding considerations in relation to readjustments in the administrative boundaries of the units of the Union.

Opinions will, and must, differ on SRC's proposals. But there must be no doubt or ambiguity about the tasks set before the Commission, or about the implications of its recommendations. It was not the function of the Commission to redraw the 'political map' of India. But more than once the Commission uses this expression to suggest readjustment of boundaries for administrative convenience. It would be uncharitable, however, to accuse

the Commission of fostering irredentist tendencies. It is emphatic in its rejection of the "homeland" concept or of the theory of "one language, one State". But it would be idle to pretend that there are not combative groups which want to redraw "the political map" of India, or that such movements are without sinister implications.

Those who claim familiarity with the deeper political cross-currents in this country must feel surprised at, if not impressed by, some of the political arguments seriously advanced by many thinking persons in this country. History is cited in support of the theory that India has never been administered, except under British Rule, as an integrated political entity since Asoka. It is symbolic that "Asoka Stambha" is the national emblem of free India. International developments since the first World War are relied on to support the case for small, national, sovereign States. Experiments in Communist Russia are loudly acclaimed to buttress the concept of small, independent, sovereign States within the Republic of India. If Laos or Cambodia can aspire to exist as sovereign States, there is no reason why, it is hinted, West Bengal or Kerala or even Manipur, to take a few examples, could not exist as autonomous, linguistic, sovereign States.

These are dangerous doctrines. These theories are widely advocated. It is a major flaw of the States Reorganisation Commission that these underlying political cross-currents have not been adequately considered by it. To-day, Congress is in power at the Centre as well as in the States. But a time may, and certainly will, come when the administrative control of the Union and of the units may not be under a single party. It is, therefore, necessary to re-examine the provisions of the Constitution relating to relations between the federated Union and the units. It is to be deplored that this aspect of the problem has never been properly treated.

Prospects of gloom are not rare. But the countrywide reaction to SRC's recommendations encourages the hope that implementation of its proposals may satisfy the most predominant urge for reorganisation of the boundaries of States. SRC rejects the theory of linguistic States. But its proposals, if accepted, will lead

to the formation of linguistic States. SRC has not recommended the formation of Samyukta Maharashtra. But Vidarbha will be a Maharashtra State; Marathi-speaking districts of Hyderabad will be merged in Bombay. In the SRC set-up, only Gujaratis will be without a linguistic State. Gurumukhi is a script. Therefore, SRC's rejection of a separate Sikh State does not mean its total rejection of linguistic States.

SRC's acceptance in practice of the theory of linguistic States, despite its theoretical objection to linguistic States, will be welcomed on wider grounds. But it will be criticised for its inadequate appreciation of wider economic factors. Linguism has been a potent influence mainly in southern and western India. SRC has not been unsuccessful in satisfying South India's aspirations. In western India, Gujaratis, though deprived of a State, will have nothing to complain about SRC's proposals. Maharashtrians alone will nurse a sense of grievance. But those who do not rely exclusively on linguism in rearranging the boundaries of the units will wonder whether SRC has duly considered the relation between population and area of the proposed units. SRC's proposals relating to reorganisation of States in central India will evoke criticism from this angle. It could have escaped any such criticism by accepting Sardar Panikkar's suggestions in his minute of dissent.

SRC can claim that its proposals are as good as any other that could be framed. To the criticism that it has ignored basic economic factors, it can reply that it has recommended an industrial location plan and a permanent organisation to consider the claims of economically backward units. Economic implications and consequences of reorganisation of States cannot be avoided altogether. Suggestions are made by SRC to ensure a minimum standard of economic development in the States through planned distribution of expenditure by the Union Government. It is where SRC leaves that the problem of reorganisation of States becomes more complex. Economic implications of planning in a federal State and the federal organisations necessary to ensure uniform progress in the federated units need to be explored further.

From the London End

Labour in Crisis

THE Annual Conference of the Conservative Party has now taken place and that of the Labour Party is about to open. For the Tories, this year's conference, like all the previous ones, has been concerned with how best the acquisitive society which they preach can be brought quickly into existence or, alternatively, how best the dismantling of all those welfare facilities which the Labour age of 1945 to 1950 bestowed, can be introduced without civil unrest and uncertainty. The Conservative Party Conference was made to face some of the more unhappy features of the current economic situation, but Mr Butler's smile was sufficient as an assurance that in no way would the final aims of Toryism be jeopardised by quick remedies of the more easily applicable collectivist type (physical controls over wages and dividends, imports and consumption). The easy streamlined political machinery which the Conservative Party has become was, of course, the hall-mark of the Conference discussions. Considerable confidence in the party and in the accomplishment of their aims was the outcome of the otherwise tedious discussions at Bournemouth.

In contrast, the conference at Margate faces a situation of crisis for the entire British labour movement. The famous Wilson report on the organisational weakness of the party will be before the delegates and they will have to come to realize that unless something very fundamental is done to overcome the present organisational weaknesses and the apathetic policy of the Labour leaders, the Labour Party will have had its day. Mr R T McKenzie, in his outstanding recent study on *British Political Parties*, drew the conclusion that Lowell's characterization of the Liberal Party as being a "sham organisation" can in a certain sense be made appropriate to refer to the Labour Party. A characterisation in this form is serious enough for British labour, but when Mr Wilson's Committee on the organisation of the Labour Party states unequivocally that labour organisation is still in the stage of the "penny farthing" while that of Labour's opponents has moved into the jet age, the crisis is certainly real and overwhelming.

Historically and otherwise the Times has never been a friend of the Labour Party, for it has been

many years now that the Times has warned against the potential menace of Labour if its leadership and policy should shift from the present channels. Now, however, the Times has struck a new note and it warns against the dangers that are developing in view of what it calls the 'decline' of Labour. The last general election outcome is conceived by this august organ as "shocking". It is well to quote from an editorial comment of this paper:

"The shocking fact about the election was the steep fall in the Labour vote for the first time in a quarter of a century The historic question is whether the Labour Party is going into decline or whether the pendulum has simply swung temporarily against it."

In another editorial comment, the Times conceives the current situation in the Labour Party as representing "a picture of an aged party divided within itself, lacking vigour at the top and zeal at the bottom; inadequately organised and inadequately financed, unable to attract the young men and women who might rejuvenate it." This view is completely correct. Anyone who has studied the agenda of the coming Margate conference can, without any reason, doubt the awareness of many members of the Party that the time for revival is now or never. What is alarming about the situation in the Labour Party is that very few of its members know how a revival can be brought about.

The Wilson report virtually confines its recommendations to organisational matters, but it is clear that no matter how streamlined and modern the organisation of the Labour Party is made, Labour's revival in terms of strength and influence will still remain a distant prospect. The revival can only come from a drastic review of policy—from a change in attitude and understanding of Labour's mission so that the minds of Britain's youth can be captured in much the same way as the sickness of Toryism in the 1930's and Labour's alternative policy then were able to attract the youth of that period.

This fundamental requirement for revival is forgotten and one fears that it will be forgotten at the Margate conference. A glance at some of the statments and pronouncements of leading Party theoreticians—MP's and the like—reveals that the

ways of overcoming the crisis have hardly dawned on them. Even the Bevanites, that group of dissidents, who, in the period of their origin, had exercised an enthusiasm and an influence which appeared to delay the coming on of the crisis, are now so overwhelmed by apathy and lack of policy that the more informed of British political commentators have come to speak of "the missing Bevanites", in somewhat the same strain as they speak of the "missing diplomats".

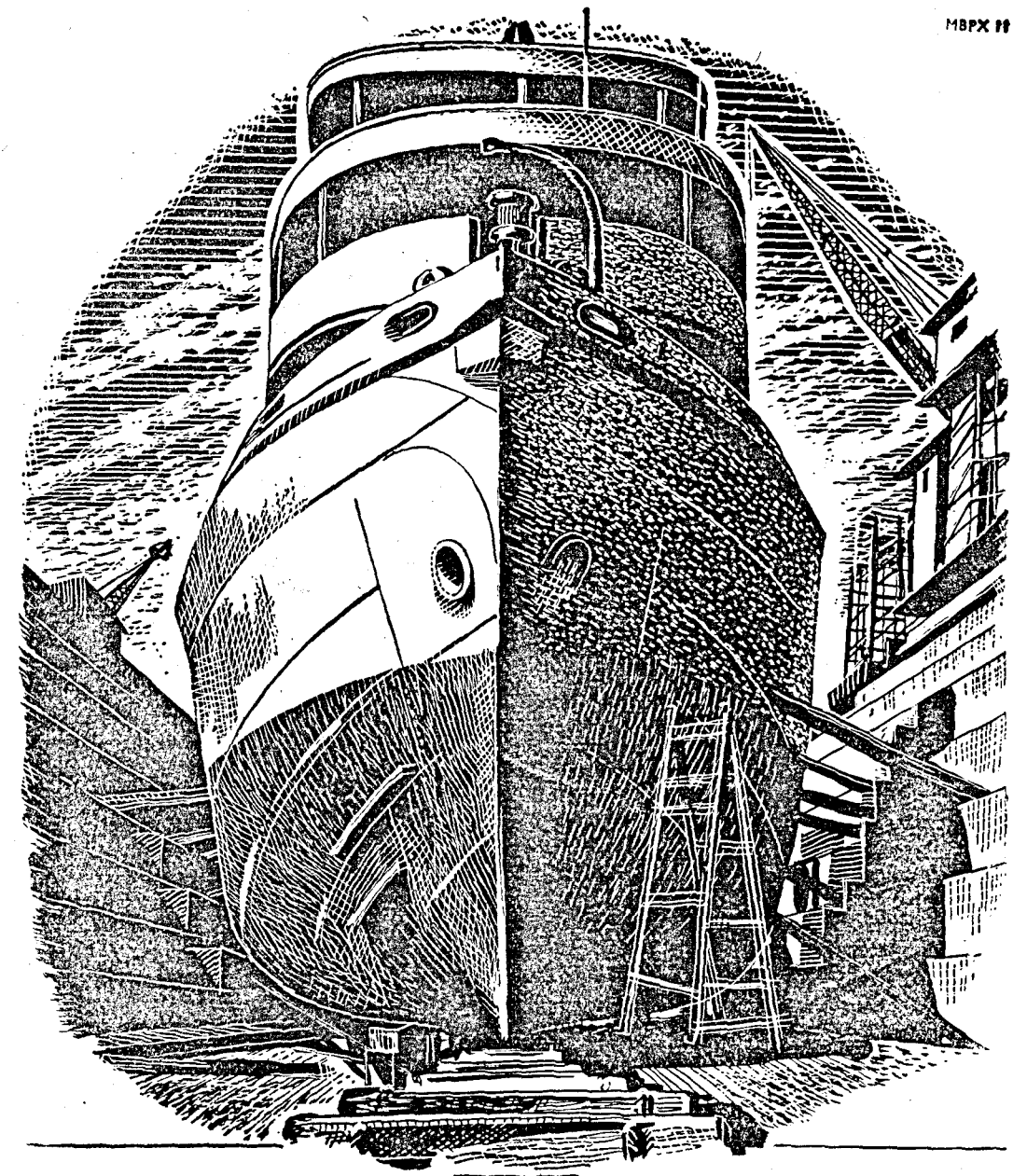
The Bevanites' position in the present situation is clearly brought out by a recent article by its leading thinker, Mr Richard Crossman. In his column in the *Sunday Pictorial*, he writes as follows:

"Five weeks since the election and still no real challenge to the Government. What is the opposition playing at?" I can understand why Labour supporters are impatiently asking this question. They want to see Socialist enthusiasm in the constituencies revived by a resounding clash at Westminster. But at present there is scarcely a tinkle of conflict there. The trouble is that in British politics it takes two to make a quarrel. And the Eden Government refuses to oblige."

The implication of this remarkable piece of logic is that at present the Labour Party has nothing to quarrel with in the policy of the Conservatives. On this basis it can, with reason, be asked, "Why is there a Labour Party?"

The situation dictates the call for a new policy on the part of the organised Left—the Labour Party. It is time that they "obliged" the nation with a quarrel based on the firm understanding that by history Labour has a mission to fulfil.

Instead of this the Labour leadership have from recent pronouncements little to offer in the nature of "a policy of revival". For international peace and tranquility, the Labour leadership have substituted arguments favouring the hydrogen bomb, power blocs, German rearmament and colonial wars. For retrenchment, they have substituted a programme of rearmament. In this situation it is impossible to believe that revival can emerge in its basic form from the coming Margate conference.



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From the Calcutta End

West Bengal is Disappointed

BENGALIS are individualists. They are supposed to be incapable of team work. This is, perhaps, as good an explanation as any other of the misfortunes of Bengal and Bengalis. There is remarkable individual achievement by Bengalis. But they are not good at co-operative, organisational effort. There are as many views on any subject as there are Bengalis. West Bengal is a party-ridden State. Individualism also explains why the joint-stock form of enterprise is not popular among Bengalis. That is why they are not in industry.

Bengalis may lack unity. But on one issue, they are united to the last man and woman. All are agreed that West Bengal, partitioned Bengal, must have more space to live in. West Bengal claimed 12,000 square miles of territories from adjoining States before the States Reorganisation Commission. It got 3,812 square miles. Every Bengali, every political party, is disappointed at this niggardly territorial concession. Communists, Revolutionary Socialists, Praja Socialists, all Left and Right parties, have agreed with the State Congress that injustice has been done to West Bengal.

West Bengal's claims to territories in Assam and in Orissa have been rejected. Most of its claims to areas in Bihar have been refused. But SRC proposes to create a corridor by carving out a portion of the district in Purnea now in Bihar. Since partition, northern West Bengal has been cut out from the rest of the truncated State. This has caused communication troubles. It has fostered a feeling of remoteness in the northern parts of the State. This concession was widely anticipated. It was a foregone conclusion that SRC will concede this claim of West Bengal.

This claim is conceded by SRC on grounds of territorial integrity. "We attach great importance to the geographical compactness of administrative units because we are of the view that the physical integration of such units is vital to their real political and administrative integration". This concession has a rider. Kishanganj sub-division is a predominantly Muslim area. SRC recommends transfer of a portion of this sub-division to West Bengal in the hope that the West Bengal

Government will do nothing to prejudice the interests of the Muslim population of this region.

West Bengal Government's treatment of the Muslim population in this State is unexceptionable. There has, therefore, been some irritation over SRC's rejoinder that the West Bengal Government should make "a clear announcement" that no rehabilitation of displaced persons would be attempted in this region. SRC's concern over this Muslim pocket is commendable. So is the West Bengal Government's policy to Muslims in this State. It is the influx of displaced persons which is the urge, and part justification, behind some of West Bengal's territorial claims. That is why SRC's advice gratis has caused some irritation in West Bengal.

A portion of the Kishanganj sub-division is proposed to be joined to West Bengal on grounds of physical integration. SRC is not in favour of linguistic States. But it has recommended transfer of Purulia sub-district, excluding the Chas revenue thana, to West Bengal on linguistic grounds. On the same logic, West Bengal's claims to some other areas in Bihar and to Goalpara in Assam are not unjustified. But SRC has expressed the opinion that West Bengal's claim to Goalpara is untenable. Tripura has more cultural and linguistic affinity with West Bengal. And yet, SRC proposes to merge Tripura in Assam, and not in West Bengal.

West Bengal, SRC is aware, "has steadily lost territory". Inflow of displaced persons has complicated this land-starved State's problems. There are many aspects of rehabilitation of East Bengal refugees. One is their inability to settle in areas outside West Bengal. But the Andamans is one of the few areas outside West Bengal where many East Bengal refugees have been settled successfully. SRC rejects West Bengal's claims to the Andamans. This and the Nicobar Islands are to be Centrally-administered territories. West Bengal's claim is not conceded, though SRC recommends inclusion of Laccadives and Aminadives in the proposed Kerala State.

That Bengalis will feel aggrieved over the proposals of SRC, is not unnatural. Nor is it surprising that some of the arguments advanced

against SRC are rather partisan and parochial. With the exception of Assam, none of the States in Eastern India is happy over SRC's recommendations. West Bengal is angry. Bihar is in a quarrelsome mood. Orissa is disappointed that it stays as it is. Only Assam is pleased with SRC.

In all parts of the country, reaction to SRC's proposals is unpleasant, if not hostile. SRC may regard this as an indirect tribute to it. In a way, it is. Its basic approach to the problem is sound. It is not unwise in playing down linguism. Its emphasis on the supremacy of the nation will be widely endorsed. It has done well in stressing the need for more cohesion and integrity in the units of the Union of India.

Judged by this basic criterion, SRC's concessions to West Bengal's territorial claims do not seem adequate. As proposed by SRC, West Bengal will be the thirteenth State in area, but will be the fifth State in respect of population. West Bengal will have 34,590 sq. miles with a population of 26.5 million. Bihar will have a population of 38.5 million, but its area will be 66,520 sq. miles. Assam's population will be only 9.7 million, but its area will be as large as 89,040 sq. miles. Orissa's population will remain at 14.6 million, and the area will be the same as now at 80,140 sq. miles.

One should have thought that SRC would consider the problem of population in relation to area. This is not the only or the major factor in redrawing the map of India. But this is an issue which cannot be ignored altogether in making an attempt to draw rational boundaries for the units of the Union. Boundary readjustments are not unfamiliar to Bengal. But partition has crippled Bengal. And West Bengal, divided Bengal, has to bear the main responsibility of settling the East Bengal refugees.

One feels that SRC has not considered fully this problem of displaced persons. West Bengal's main grievance against SRC's recommendations is that the problem of displaced persons has not been taken into consideration.

Reorganisation of States The Approach and Arrangements

THE Historic Report of the States Reorganisation Commission which was released early this week will obviously be the subject of considerable discussion throughout the country. The principal recommendations of the Commission, which consisted of Shri Saiyid Fazl Ali (Chairman), Shri Hriday Nath Kunzru and Shri K M Pannikar, are summarised below. The Commission has recommended the establishment of 16 states without any distinction instead of the 27 existing Part A, Part B and Part C States. In addition, there will be three centrally administered areas to be called territories.

The Commission has insisted that no change should be made unless the advantages which result from it in terms of "the welfare of the people of each constituent unit, as well as the nation as a whole" are such as to compensate for the heavy burden on the administrative and financial resources of the country, which reorganisation must entail.

In view of the controversy over linguistic States, the Commission has affirmed that "it is neither possible nor desirable to reorganise States on the basis of a single test of either language or culture". They have postulated a balanced approach, which would:

(i) recognise linguistic homogeneity as an important factor conducive to administrative convenience and efficiency, but not to consider it as an exclusive and binding principle, over-riding all other considerations, administrative, financial or political;

(ii) ensure that communicational, educational and cultural needs of the different language groups, whether resident in predominantly unilingual or composite administrative units, are adequately met;

(iii) where satisfactory conditions exist, and the balance of economic, political and administrative considerations favour composite States, continue them with the necessary safeguards to ensure that all sections enjoy equal rights and opportunities;

(iv) repudiate the "home-land"

justified on grounds of linguistic homogeneity, because there can be more than one state speaking the same language without offending the linguistic principle, nor practicable, since different language groups, including the vast Hindi-speaking population of the Indian Union, cannot always be consolidated to form distinct linguistic units; and

(vi) finally, to the extent that the realisation of unilinguism at state level would tend to breed a particularist feeling, counter-balance that feeling by positive measures calculated to give a deeper content to Indian nationalism.

Financial viability has an important bearing on reorganisation proposals, but it has to be considered along with other relevant factors. The units should, as far as possible, be self-supporting. They should be so constituted that they have an incentive to raise and are able to raise, on their own initiative, at least a part of the resources needed for their development. The States cannot be so reorganised as to conform to economic regions. Nor can the principle of economic self-sufficiency within an administrative unit be regarded as a clear criterion. Consistently with these principles, however, it would be desirable to avoid as far as possible wide disparities in resources between the various States. The units should be large enough to ensure administrative efficiency and the co-ordination of economic development and welfare activities.

The wishes of the people should be regarded as an important factor bearing on reorganisation, but they have to be considered along with other relevant factors. The facts of the existing situation are more important than the previous historical associations of different areas. Undue importance cannot be attached, therefore, to historical arguments. Geographical contiguity of the units is important from the point of view of administrative convenience. Other geographical factors have to be regarded as secondary.

be transferred to the State of Madras, and

(ii) the districts of Malabar and South Kanara and the Kollegal taluk of the Coimbatore district should be detached from Madras.

The addition to Madras of the five taluks which have been mentioned will be justified by reason of geographical contiguity and linguistic and cultural affinity. It will also meet a clearly-expressed local demand.

Kerala:—The State of Kerala should be formed, which should consist of the following areas:

(a) the State of Travancore-Cochin minus the five taluks proposed to be transferred to Madras;

(b) the Malabar district (including Fort Cochin and the Laccadive Islands), the Kasaragod taluk of the South Kanara district and the Aminadive Islands.

Karnataka:—The State of Karnataka should be created consisting of the following areas:—

(a) the present State of Mysore, excluding the following portions of the Bellary district, namely, the Siruguppa taluk, the Bellary taluk, the Hospet taluk and a small area of the Mallapuram sub-taluk in which the dam and headworks of the Tungbhadra project are situated;

(b) the four Kannada-speaking districts of Bombay, namely, Dharwar, Bijapur, North Kanara and Belgaum, (except the Chandgad taluk of Belgaum district);

(c) the districts of Raichur and Gulbarga from Hyderabad;

(d) the South Kanara district of Madras minus the Kasaragod taluk;

(e) the Kollegal taluk of the Coimbatore district of Madras; and

(f) Coorg.

Hyderabad:—Hyderabad should be reconstituted on the following lines:

Apart from the districts of Raichur and Gulbarga, the Marathwada districts should also be detached from the Hyderabad State. The residuary State which should continue to be known as Hyderabad should consist

1224

30,971

& Nicobars 3,215
Andamans

Jammu and Kashmir—No recommendations are made in regard to Jammu and Kashmir.

Rajasthan—After the proposed merger of Sironj in the new Madhya Pradesh district of Rajasthan.

1225

The residuary State of Hyderabad might unite with Andhra after the general elections likely to be held in or about 1961, if by a two-thirds majority the legislature of the Hyderabad State expresses itself in favour of such unification.

Andhra:—The Andhra State should for the time being continue as it is, subject to certain minor adjustments which are mentioned below.

The taluks of Siruguppa, Bellary and Hospet and a portion of the Mallapuram sub-taluk of the Bellary district should be transferred to Andhra.

The Munagala enclave of the Krishna district, as has already been stated, should be transferred to Hyderabad.

There should be no change in the present position regarding Madras City and its future should be regarded as finally settled.

Bombay:—Bombay should continue to be treated as a composite rather than a unilingual unit. This arrangement will also provide the right solution of the problem of the future of the City of Bombay.

The State of Bombay should be reconstituted so as to include the existing Bombay State minus the Abu Road taluk of the Banaskantha district and the Kannada-speaking districts of Dharwar, Bijapur, North Kanara and Belgaum (excluding the Chandgad taluk), plus the following areas:

(a) the Marathi-speaking districts of Hyderabad, namely, Osmanabad, Bhil, Aurangabad, Parbhani and Nanded;

(b) Saurashtra; and

(c) Kutch.

Vidarbha:—A new State to be known as Vidarbha should be created, consisting of the following Marathi-speaking districts of Madhya Pradesh, namely, Buldana, Akola, Amravati, Yeotmal, Wardha, Nagpur, Bhandara and Chanda.

Madhya Pradesh:—After the separation of Vidarbha, a new State, which may be known as Madhya Pradesh, should be created consisting of:

(i) the 14 districts of the residuary Madhya Pradesh;

(ii) the whole of Bhopal and the whole of Vindhya Pradesh;

(iii) Madhya Bharat except the Sunel enclave of the Mandsaur district; and

(iv) the Sironj sub-division of the

Pradesh State, Rajasthan should continue in its present form subject to the addition of territories mentioned below:

(i) Ajmer, and

(ii) the Abu Road taluk of the Banaskantha district of Bombay, the Sunel enclave of the Mandsaur district and the Lohara sub-tehsil of the Hissar district of the Punjab.

The Punjab:—P E P S U and the Himachal Pradesh are too small to continue by themselves and as there already are economic and administrative links between them and the present Punjab State, the merger of these two States in the Punjab will be justified.

Uttar Pradesh:—There is no case for dividing the Uttar Pradesh, and this State should continue in its existing form.

Bihar:—It does not seem to be either necessary or desirable to create a Jharkhand State in South Bihar; the special needs of this area should, however, be recognised. Seraikella and Kharsawan should continue to be part of Bihar. Some adjustments in two eastern districts belonging to Bihar are indicated under West Bengal.

West Bengal:—Geographical contiguity between the disconnected northern portion of West Bengal and the rest of the State is necessary, and this will have to be provided for. A portion of the Purnea district east of the river Mahananda, being the minimum area necessary for this purpose, will, therefore, have to be transferred from Bihar to West Bengal. The Purulia sub-district of the Manbhum district in the south minus Char Thana should also be transferred from Bihar to West Bengal.

Assam:—Assam has been and must of necessity continue to be a composite State, having regard to its geographical position and ethnological and cultural history.

The demand for the creation of a hill State in Assam is impracticable and there is also no reason, having regard to the peculiar features and circumstances of Assam, why a separate hill State should be created. Tripura should be merged in Assam. The present arrangements with regard to the North East Frontier Agency should continue.

Orissa:—No changes are called for in the boundaries of Orissa which were fixed in 1936 after prolonged and detailed examination.

some of the arguments advanced

TERRITORIES

The units or areas which have not been dealt with so far will be directly administered by the Centre and will be known as territories.

Delhi:—If Delhi is to continue to be the seat of the Central Government, it must adopt a model which is sound in principle and administratively workable in practice. The people belonging to centrally-administered territories in India are more advantageously placed than those of centrally-administered areas in other important federal countries, in that full representation in the Union Parliament has been provided for under the Indian Constitution.

Delhi should be constituted into such a centrally-administered territory; the question of creating a municipal corporation with substantial powers should be considered.

Manipur:—Manipur should be a centrally-administered territory for the time being. The ultimate merger of this State in Assam should be kept in view.

Andaman and Nicobar Islands

The status quo in the Andaman and Nicobar Islands should continue.

The arrangements in regard to areas which have been or may be brought under Central administration in future, either before or after becoming de jure part of the territory of India, must be flexible, until the position is finally clarified.

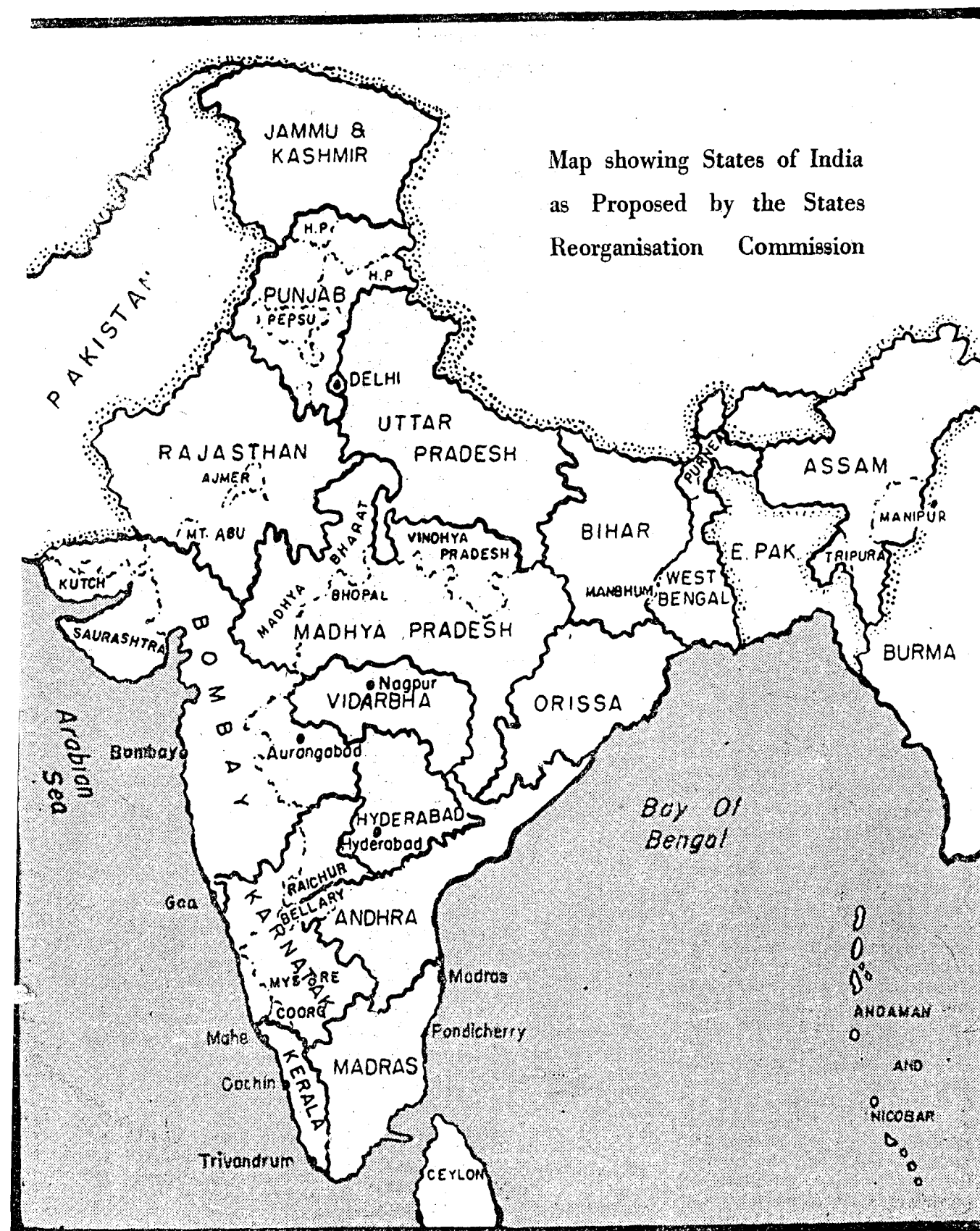
AREA AND POPULATION OF REORGANISED STATES

	Area (In sq. miles)	Population (In millions)
Madras	50,170	30.0
Kerala	14,980	13.6
Karnataka	72,730	19.0
Hyderabad	45,300	11.3
Andhra	64,950	20.9
Bombay	151,360	40.2
Vidarbha	36,880	7.6
Madhya Pradesh	171,200	26.1
Rajasthan	132,300	16.0
Punjab	58,140	17.2
Uttar Pradesh	113,410	63.2
Bihar	66,520	38.5
West Bengal	34,590	26.5
Assam	89,040	9.7
Orissa	60,140	14.6
Jammu and Kashmir	92,780	4.4

Territories

	Area	(Actual numbers)
Delhi	578	1,744,072
Manipur	9,622	577,835

Map showing States of India as Proposed by the States Reorganisation Commission



The Indian Middle Class

—Its Future

B. N. Ganguli

THE middle class in India, as elsewhere in the world, is a much-maligned group of people. Members of this class are abused and slandered by political extremists, both of the right and of the left. The reason is that the middle class refuses to toe the line. Members of this class are self-centred: they are unwilling to sacrifice their deeply ingrained sense of personal integrity and self-sufficiency. They would perhaps subscribe to a diluted kind of social solidarity or even anarchism provided their own basic scheme of values was left untouched. Not infrequently they have an innate suspicion of idealistic experiments. They are inclined to roam backward and forward. But they would never go out of their tether which is their own particular view of life. And at the end of their going forward and backward in moments of stress, they only succeed in sticking to the status quo. This is a mentality which exasperates extremists. Thus, the middle class is described as a reactionary class. And people talk about the decay of this class and indulge in a lot of wishful thinking.

Heterogeneous

The middle class is always a mixture of heterogeneous elements. That is why the impact of social and political change may undermine the stability of certain elements but actually strengthen the position of others. Rot may set in within a certain sector of the middle class. But the class as a whole does not decay, because other and more vital elements grow and redress the balance. It is usual to include in the middle class the middling size entrepreneur in industry and trade, the simple producer of goods, such as the artisan and the farmer, the small shopkeeper and tradesman, and the official and the salaried employee. If we take these broad groups it is quite easy to see how heterogeneous the middle class is. And since the economic interests and incentives of these groups are not identical, their power of adaptation and resistance to a given change will not be the same. Let us see how during the last few decades these classes have maintained or lost their position relatively to one another and whether only certain

elements of the middle class, rather than the middle class as a whole, have been showing signs of degeneration and decay.

In Europe, A Spearhead

In India the modern middle class has shown the conditioned reflexes of an abnormal growth induced by foreign rule. In the West, the Burghers in the towns who formed the solid core of the middle class, were the spearhead of the economic revolution which destroyed feudalism. They were a militant class with the sturdy independence of a new class which fashioned a new society. It played off the other social classes, the nobility, the peasantry, the rising capitalists and the working class against one another to strengthen its position and aligned itself against the one or the other according to circumstances to maintain what it understood as the social balance. This has involved this class in a long struggle the issue of which even now is not clear. But this struggle has sharpened its reactions and moulded its peculiar attitude and sense of values.

In India, An Abnormal Growth

In India the order of events has been different. The British rule created a new feudal class in place of the old, authentic feudal class which had struggled against the rising British power. This new class again was composed of new elements that had enriched themselves as agents or employees of British merchants and traders who found in India a vast field for profitable enterprise, particularly because there was no sharp distinction between governing and trading in those early days. Thus a new class which spilled over from the port towns and other centres of British power to the countryside came into existence to serve as the intermediary between foreign merchants and traders, on the one hand, and the masses of people, on the other, in the joint venture of economic exploitation. This upper class created by the British gradually found itself related to the new middle classes in the descending order of wealth and influence.

These new middle classes, no doubt, consolidated their position in the

urban and rural society as stable elements. But their role was not that of Burghers in the West. They were essentially feudal elements with feudal traditions and attitudes. It was by accident that some were in the countryside and others in towns. All were linked in the feudal chain which the rising British power was interested in preserving. But it must be said that the British system of law created contractual relations and a field for individual enterprise, although economic enterprise was based largely on predatory exploitation of the masses of the population. Thus, that vital element of the middle class which is concerned with simple production of goods, i.e., the artisan and the farmer, steadily lost ground. The small shopkeeper and tradesman gained ground in the atmosphere of a commercial civilisation. The official and salaried class gained considerably in power and influence, because it was allied to British commerce or British administration. The middle sized entrepreneur in industry and trade also had a chance so long as he fitted himself into the new hierarchical economic order which rested on the supremacy of the foreign ruler and the foreign trader.

Lacks Vital Elements

The middle class in India thus grew as a parasitic class devoid of the vital elements like the independent farmer and the self-respecting artisan. A time was bound to come when the inherent economic instability of the Indian middle class could not but create a crisis. The most numerous elements of this class were people with inadequate intermediary interests in land as rent receivers, who had to supplement their income by urban occupations either in the professions or as salaried employees. Owing to the poverty of the country and lack of industrial development, the chances of employment were not expanding as fast as the number of men seeking employment. Owing to the growing depression in agriculture the income of this class as rentiers was also dwindling fast. With the recent disappearance of landlordism this element of the middle class has now become exclusively dependent upon urban occupations. Inflation

during the two wars seriously undermined its economic strength. The Great Depression between the two wars sapped its economic vitality. This element of the middle class actually found the ground slipping from under its feet. To crown all, the Partition destroyed whatever economic strength and resiliency it possessed in spite of the vicissitudes of the last few decades.

Led National Movement

This section of the middle class has joined hands since the beginning of this century with other classes in the community in the nationalist movement. In fact the lead came from the urban middle class which had felt most the cramping influence of British rule. Within this class the hard core of nationalist resistance developed amongst people who had become partially uprooted from the soil and yet regarded shopkeeping, trading and manual work as degrading occupations out of a sense of feudal contempt for these occupations. They naturally assigned a higher value to literature and art and revivalism in general which inspired our nationalist movement.

If one were to trace the history farther one would be tempted to point out that during the period of the second world war and the years following the Partition this section of the middle class has become more unstable. While the class of small merchants and traders and independent producers like the skilled artisan and the farmer have gained in relative economic prosperity, the lot of the salaried employees, with the exception of those in the higher ranks of government service, has now become desperate, particularly in view of the additional burden of maintaining unemployed and unemployable relations who have joined them as refugees.

Present Crisis

The economic and moral crisis through which the middle class has now been passing in India has raised serious doubts and misgivings about the future of this class. All predictions about the future of a class are not only difficult to make but are apt to go very seriously wrong. A class in a class-ridden society has very tenacious roots. It has a knack of absorbing plenty of shocks and is not seriously shaken by the ordinary pressure of circumstances. But it does change its character and adapt itself to the basic changes in the social environment. Hence the future of the middle class has to be fore-

cast in terms of how it is expected to fit into the changing society in India.

The middle-class has not been properly understood either in this, or in any other, country. There are persons who think that the members of the middle class are just 'lackeys' of the propertied classes or feudal elements. It is said that they are under the economic grip of the richer classes in society. Therefore, they have a stake in the existence and stability of these classes. But, so runs the argument, with the increasing concentration of wealth and economic power, the middle class is economically pauperized and is gradually reduced to the level of the working class. So long as it is able to maintain its snobbish respectability it tries its best not to align itself with the working class. But when pauperization reaches an extreme limit this class just disintegrates and cannot but be merged with the working class in the final struggle for a classless society.

Holding the Balance

Things just do not happen in this way. Those who forecast the future of the middle class in this way do not care to see whether what really happens to the middle class fits into their theory. Life being a series of compromises, social life does not follow the pattern of polar opposites which appears so neat and attractive in theory. The fact remains that while class conflicts go on, the middle class stands always in the middle to hold the balance.

Now, a class holding the balance is intensely disliked by extremists. The bourgeois is the worst enemy of the communist, for the communist knows that the bourgeois works for stability, and so long as he is allowed to function he contradicts in himself the polarization of social forces and the formation of only two opposite classes ready to fight each other to a finish. But while the middle class refuses to join the working class as a militant group, it is not a class members of which can be correctly described as lackeys of capitalists. In fact this class sees a good deal to resent in the present economic order, and, if things are squarely put to it, would go very far indeed in trying to check the excesses of a materialistic and capitalistic civilisation. Unfortunately those who speculate about the future of the middle class fail to see that this class is vital enough not to lose its balance in the conflict of social forces.

Is the middle class, then, a class of people who, consciously or unconsciously, are just opportunists? Has this class a positive character of its own? There are extremists who say that the middle class combines in itself the worst of both the worlds. The members of this class do not have the grit, the realism and the capacity for manual work which one associates with workers and peasants. They also lack the initiative and enterprise of the capitalist class.

We are told that the middle class represents decadence of life and culture in modern communities. It may be stolid, but has too much of 'small town' spirit in its attitude to life. On the other hand, those whom the middle class is supposed to serve as their 'lackeys' think that the worm after all cannot really turn, and, therefore, they need not bother about the future of this class. Thus, the middle class is slandered and underrated by extremists in both the camps who want the middle class to be merely a camp follower if it is more sensible and is able to make a choice of its lifetime. But I would submit that these extremists ignore history and have failed to grasp the positive role of the middle class.

Curbed Feudalism

As I have already said, the middle class in the course of its history has fought feudalism. In India it has not fought feudalism in the way it has done in Europe; but it has curbed the excesses of feudalism through its influence on administration and the making of laws very largely because it has been the repository of religious learning and moral enlightenment. In the West the middle class has fought capitalism as well and has aligned itself with the feudal class or the working class according to circumstances. At the same time it has fought the working class in alliance with its opponents. But this kind of behaviour may not be described as mere opportunism. The middle class in the West has wanted to survive in a social order which should ensure opportunity for self-employment for independent ownership of property for the sake of self-employment. Naturally the modern capitalistic society which squeezes out the small man who wants to be his own employer is the enemy of the middle class. Similarly a socialist society which also destroys the independence and initiative of the small man seeking self-employment cannot also be a kind of society

which the middle class will welcome. If we bear in mind these basic attitudes of the middle class, it will be quite clear that this is not just a reactionary and decadent class. It has positive ideals and attitudes which distinguish it from other classes and which unconsciously influence the members of this class all the world over.

In India the absence of industrial revolution and the exigencies of British rule created a middle class which has forgotten its historic role and has lacked the initiative and enterprise of a virile class. British rule created a middle class the members of which fitted into the feudal set-up as subordinate rent-receivers and functionless owners. It also created an urban middle class consisting of clerks, bureaucrats, professional people and petty middlemen in business. Fortunately, this class received modern education which eventually proved a revolutionary force. The contribution of this class to our cultural renaissance and political freedom has been very impressive indeed. It has suffered and struggled for the sake of social and political ideals. But the time has now come when it must develop the basic attitudes of the middle class in other parts of the world if it is to survive economically as a socially significant class. I have always felt that Mahatma Gandhi's programme of economic reconstruction held the key to the realization by the Indian middle class of its effective role of holding the balance between the conflicting economic forces in modern industrial societies. Gandhiji raised self-employment of the small man to the level of a spiritual ideal. He laid emphasis on the development of individual initiative and enterprise, on manual labour and on constructive and creative work. He very clearly saw that the Indian middle class must save itself by ceasing to be either a parasitic class engaged in what he called unproductive work, or a class which is compelled by economic necessity to lose its soul and be used as an instrument of exploitation by others.

Economic Privation

The urban middle class is now passing through a crisis of economic squeeze and privation. We must also remember that it is a vocal class and can influence public opinion. Its economic distress has created a psychological and moral crisis. The danger now is that the economically unstable urban middle class may seek compensation primarily by featuring moral, religious, racial, patriotic and

'social' issues. Feeling economically inferior, the middle class asserts itself on a non-economic plane. Being individually unimportant, the middle elements seek collectively to rise to a state of significance by basking in the reflected greatness of institutions, organizations and personalities. Hence we see the ugly manifestations of psychological malaise like chauvinism, jingoism, provincialism, fraternalism, hero worship, faddism and styles. There is clear evidence that the urban middle class in India is treading a dangerous road. What can really rescue it is robustness of its own outlook and increasing awareness, on the part of the government, of the danger inherent in the slow disintegration of this class. Let us remember that German fascism was born out of post-war inflation which had squeezed and demoralized the German middle class.

Urban and Rural

When one thinks of the future of the middle class, however, one must not ignore the emergence of a fairly strong rural middle class in India in recent years. This class is politically conscious and forms the backbone of rural society. It has become so powerful that no political party in the country dare impose economic burdens or disabilities on this class. This is a class which has been developing on the lines of the Western middle class with its ideal of self-employment for the small man. Its weakness, however, is its tendency to exploit the still smaller man. The future of this class is, in my opinion, very bright. Indeed the disintegration of the small urban middle class will not perhaps merit so much attention in a democracy as the welfare of the rural middle class.

Hence it stands to reason that the future of the urban middle class can be assured if it can align itself with the rural middle class to which it once belonged in the past. If the urban middle class can get rid of its preference for sedentary occupations and soft jobs and ceases to be merely a class of automatic brain workers, if it can outgrow its class prejudices and its attachment to tradition, if it can learn to respect the dignity of labour it can still meet the challenge of the times and perform its proper function in society. Otherwise its economic instability will spell its ruin. Its attachment to tradition and to the so-called cultural values of which this class is so proud will merely lead to frustration and moral chaos if its economic foundation resting on self-employment is undermined by the pressure of economic forces. At the same time I must say that it is the moral tone which this element has imparted to the changing social life in India which can sustain the middle class as a whole and, with it, the very basis of civilized existence in this country. The middle class will fall to pieces if it is to depend only on the interplay of economic interests. The farmer desires high commodity prices. The artisan desires low commodity prices. The public official favours high salaries. The small shopkeeper and tradesman favour low taxes. As regards wages and social policies the salaried employees have the interests of those who are given work. But the small capitalists have the equally definite interests of those who give work. The economic interests of the different sections of the middle class are not only different but also opposed to one another.

Gandhiji's Advice

It is, therefore, on the plane of higher values that the middle class can have real cohesion and avert disintegration although the economic and cultural base of its operations has to be different. Gandhiji understood this complex problem, and he also showed the way. Broaden the base of the middle class by joining the ranks of the simple producer of goods, the artisan and the farmer, the vital elements of the middle class which, in an economically backward country, are also the really stable elements. Otherwise you cannot stop the rot. This was his advice to the middle class that fought for freedom under his banner. Nobody has, to my knowledge, given better advice based on solid historical and sociological sense.

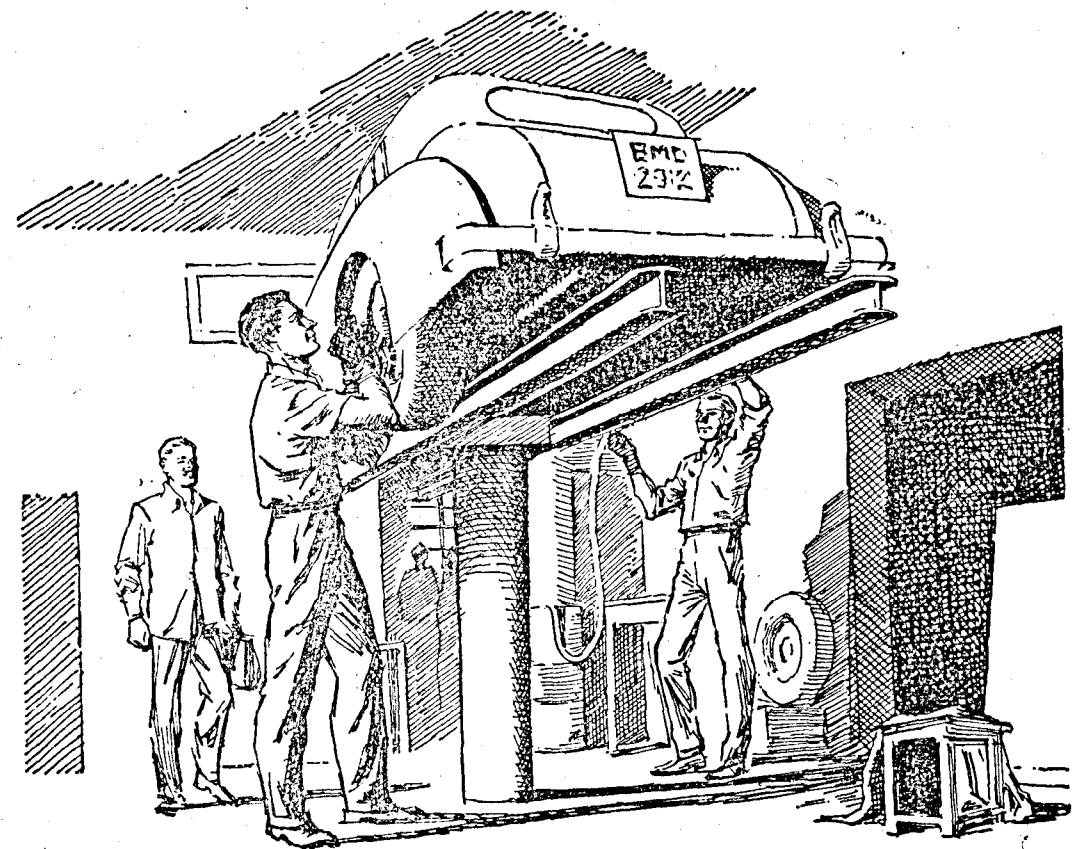
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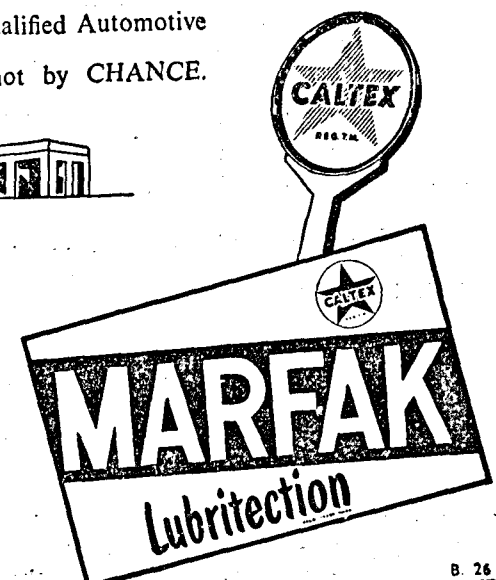
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Castes: Can They Exist in India of Tomorrow?

M N Srinivas

THIS talk* is going to be both dogmatic and provocative: dogmatic because there is no time to develop an argument, but only to state certain conclusions, and provocative because its explicit aim is to initiate a discussion. The mode of presentation would have been different had the talk been intended for a purely professional audience.

The question which I have been asked to answer is worded vaguely, but the vagueness is deliberate—it is designed to permit discussion on two questions: one, should castes exist in the India of tomorrow, and two, are they likely to exist? The first question belongs to the realm of ideals while the second, to the realm of facts. I will consider the former question first.

Hindu Opposition

It must be clear to everyone that in this country only a small minority which is numerically insignificant but which may be—and probably is—powerful, really desires that the caste system ought to go. The vast majority of the population, especially Hindus, not only do not want caste to disappear, but they would probably find it impossible to envisage a social system without caste. As Dr Karve has pointed out, to the bulk of the people living in the rural areas, caste is nothing more than a collection of kin groups—agnates and affines—living in a few neighbouring villages. Joint family and caste provide for an individual in our society some of the benefits which the welfare state provides for him in the industrially advanced countries of the West. A man's earliest friends are frequently drawn from his caste, his kin belong to his caste, and his kin are often an important part of his kith. A caste also stands for a certain amount of cultural homogeneity if not autonomy.

The point which I wish to stress here is that only a small minority sees caste as a menace to our national life. I willingly concede that their number is increasing every day, and that nowadays even in the rural areas one comes across urbanised young men who say that

* Paper read before the Seminar on Casteism and Removal of Untouchability on Saturday, 1st October '55, at Delhi.

caste has begun to poison relations between people. But it is still true to say that the vast majority of the people do not consider caste an evil. It is essential to remember this fact for nothing effective can be done unless the people themselves are made to realize that caste necessarily means casteism, and that the benefits it offers are bought at a heavy price for the country as a whole. It is not at all an easy task to put across this point to the people, and so far neither the politicians nor the social workers have displayed any awareness of the existence of this difficult problem of communication. The first thing to realize here is that good intentions are not only not enough, but may even produce the exact opposite of what is intended.

Talk and Practice

I am not trying to be cynical but I cannot help wondering how many of those who have of late started publicly speaking in favour of a casteless and classless society really mean what they say. Now that this ideal is incorporated in our Constitution, and Pandit Nehru is a very powerful and universally respected man, Congressmen, legislators and other leaders find it more convenient to agree with him than to disagree. Most of us—not only our politicians but our intellectuals as well—are bamboozled into agreeing with something merely because we are afraid to be mistaken for being 'reactionary'. Even discussion of the subject is taboo. In the case of caste this disease has proceeded so far that there is great danger that our talk and policy will leave reality far behind. Secondly, coupled with the widespread fear of being dubbed a reactionary, there is also a shrewd if somewhat cynical appreciation of facts. I know that what I say may seem a contradiction but it really is not so. Agreeing to progressive resolutions satisfies our consciences and assures us of our worldly prospects, while at the same our sense of facts tells us that nothing serious is going to be done by anyone, and that caste will continue to remain what it is. The best of both the worlds are secured by taking such a course.

In April 1954, I was in a village in Mandya District in Mysore State.

A few days previous to my visit to this village a huge fight had occurred between Holeyas (harijans) and Okkaligas (Peasants) in a neighbouring village, and a few had been seriously injured in the fight. One Okkaliga leader complained to me, "These Holeyas, they are getting above themselves. They are now demanding that our girls be given in marriage to them". I tried to explain to him the aims and ideals of explicit Congress and the Republic, and the Caste by voting for the Congress he had tacitly agreed with its policy. He replied, "Then let them (the MLAs) invite Holeyas to their homes for a dinner, and give them their daughters in marriage, and we will follow". He had hit the peasant shrewdness. Many MLAs nail on the head. How his daughters are willing to eat food, piece answer is to Harijan youths? The answer will be obvious. But the same MLAs all vote for a casteless and classless State when they meet in Delhi or Bangalore or Avadi.

Communal Representation

The principle of caste is so firmly entrenched in our political and social life that everyone including all the leaders have accepted tacitly the principle that, in the provincial councils at any rate, each major caste should have a minister. (And this principle has travelled from our provincial capitals back to our village panchayats—nowadays the latter give representation on the panchayat to each caste including Harijans). In the first popular cabinet in Mysore State, headed by Shri K. C. Reddy, not only were the ministers chosen on a caste basis, but each had a secretary from his own sub-caste. And today in Mysore State this principle is followed not only in every appointment, but also in the allotment of seats in schools and colleges. Mysore is no longer ruled by the Mythical demon Mahishasura, but by the very real demon Varnasura. One Okkaliga in Ramapura told me indignantly, "Shri Hanumanthayya wants to rule strictly and impartially, but he must realize that the electors don't want him. They want him to confer favours on the people who have elected him. We want returns for what we have done." I am afraid the Okkaliga

was right—voting is on a caste basis and voters do not understand that it is immoral to demand that the elected minister help his caste-folk and villagefolk. It is at the same time a tribute to Shri Hanumanthayya that he does not think on caste lines. But his party does, and the people do, and this fact cannot be forgotten. Incidentally, no explanation of provincial politics in any part of India is possible without reference to caste.

Mere resolutions and laws are worse than useless as they lead us to believe that we are really doing something. And I must bluntly tell you that if you are thinking that you can get rid of caste easily you are very badly mistaken. Caste is an institution of prodigious strength and it will take a lot of beating before it will die. The first lesson to be learnt here is not to underestimate the strength of your 'enemy'. It is so powerful and pervasive, and its appeals are so strong that the first step in the struggle is to have a precise measure of its strength.

Caste Hindus and Harijans

I must mention here, however, that the Anti-Untouchability Law is having some effect chiefly because some educated and better-off Harijans are trying to get the law enforced. Believe me, this is not an easy matter for them. Naturally their efforts have led to an increase in the tension existing between Caste Hindus and Harijans, but without such an increase and the probable occurrence of fighting and shedding of blood, the rights which the Constitution gives to Harijans will not be translated into reality. I will not be surprised if such fights increase in the near future, especially in the villages. As Harijans get more and more educated, and as their economic condition improves, they are bound to resent increasingly the disabilities which the flat of brute Hindu majority imposes on them. The latter are not likely to yield gracefully to the former's demands and the general public will only awaken to the issues when fighting and bloodshed occur. It is only then that issues which are being discussed at this Seminar will be discussed everywhere, in streets, tea shops and verandahs.

The giving of the vote to the Harijan is also a crucial measure. In the legislative assemblies, Caste Hindus will be increasingly on the defensive, as they will not have the

courage to come out openly against measures to improve the conditions of Harijans. Overt agreement and covert sabotage will probably be the path they will choose. And in this they will probably have the bulk of their co-religionists with them.

I will now deal with the second question. "Are castes likely to disappear in the India of tomorrow?" In trying to answer this question a reference to what has happened in the recent past is unavoidable.

Past Experience

What may be very loosely called a 'feudal' type of society prevailed when the British overran India. Only a tiny section of the people lived in the few cities scattered over the sub-continent while the vast majority lived in villages. The cities were, however, different from the modern industrialized ones. The old cities did not require a radical departure from the traditional way of life. In the village a subsistence economy prevailed. Relationships between individuals and groups were governed not by contract but by status i.e. birth in a particular family and caste largely determined one's rights and duties. Relationships were also 'multiplex'—the same people were involved with each other in several kinds of relationship. Barter was widespread and important while money played a minimal part. The political system consisted of local chieftains who were feudatory either to a distant king, or to the Viceroy of an even more distant emperor. Relations between chieftains, and between them and the king or viceroy were always unstable, and frequently characterized by war. The political system erected very nearly impassable barriers between one chieftain and another. This had many important effects one of which was that it prevented the horizontal spread of caste solidarity beyond the chieftain, and forced the many castes of a region to be interdependent.

Caste-Interdependence and Social Ties

At the village level castes were not only interdependent but acutely aware of the fact, and the annual grain-payments made to the Smith, Potter, Barber, Washerman and Priest dramatised the interdependence. While each caste had its own solidarity, it was also aware of its solidarity with other castes—each Smith, for instance, competed with all other Smiths for the custom of

the agriculturists. Besides this competition, other kinds of ties such as those between master and servant, landlord and tenant, creditor and debtor, and patron and client cut across the divisions of caste. Again, loyalty to one's village was universal, and this was common to all the castes from the Brahmin to the Harijan. It is necessary to point out here that the Harijan occasionally exercised authority over members of the upper castes and this was specially true of south India. Historical evidence going back to a few centuries testifies to his taking an active part in the deliberations of the village assembly. Even as recently as fifty years ago the Holey cheluvadi (hereditary servant of the assembly of village elders) of Kere village beat a rich Smith from Mysore because the latter had the audacity to wear red slippers (chadavu), a privilege expressly forbidden to them in that area. The Smith was a powerful man and he had lent money to the tune of several thousand rupees to the village.

At a higher level, several neighbouring villages were bound together by ties of kinship, economics and ritual. The warring chieftains prevented the extension of ties beyond the region though here and there we find that the Brahmins were considered superior to these political cleavages because of their position as priests. The 'bottling up' of caste ties within the region, and the derivative emphasis on interdependence of all castes living therein, is a most important feature of the pre-British system. With, however, the establishment of Pax Britannica over the entire sub-continent, and the rapid improvement in communications which both strategic and administrative considerations required, castes found it possible to range over wide areas.

Horizontal Caste-solidarity

The horizontal solidarity of a caste gained at the expense of the vertical solidarity of the castes of a region. The coming in of printing, of a regular postal service, of vernacular newspapers and books, of the telegraph, railway and bus, enabled the representatives of a caste living in different areas to meet and discuss their common problems and interests. Western education gave new political values like liberty and equality. The educated leaders started caste journals and held caste conferences. Funds were collected to organise the caste, and to help

the poorer members. Caste hostels, hospitals, co-operative societies etc. became a common feature of urban social life. In general, it may be confidently said that the last hundred years have seen a great increase in caste solidarity, and the concomitant decrease of a sense of interdependence between different castes living in a region.

Certain additional factors have helped to increase horizontal solidarity as well as the tensions existing between different castes. The virtual monopoly which the upper castes if not the Brahmins exercised over the new jobs induced the British to start favouring the low castes. In the South this resulted in the gradual forging of an anti-Brahmin policy by the different states. The barrier which already existed between Caste Hindus and Harijans was carried over to the political sphere as well. Educated members from different castes competed for the same jobs, and there were more men than jobs. The tensions generated between individuals in the struggle for jobs spread to their respective castes as it was the elite of each caste which was competing.

One of the short-term effects of universal adult franchise is to strengthen caste. It is easily understandable that the villager, other things being equal, prefers to vote for his casteman. This is so widely accepted that during the recent elections in Andhra State even the Communists were at pains to select candidates who had the proper 'social base', which, when translated into simple English, means that they belonged to the locally dominant caste. I learn there was only one exception to this, and he, a front-rank leader, was duly elected.

Education of Harijans

The things I have said so far may appear to be extremely pessimistic. I will now therefore point out the existence of certain other and opposing tendencies. As education spreads among the Harijans, it will be increasingly difficult for the Caste Hindus to keep them in the condition in which they are today. There are also signs that the Harijans are organizing themselves to assert the rights which the Constitution gives them. As I said before, this will probably mean the occurrence of fighting between them and Caste Hindus, and an immediate increase of tension, but the latter are bound to give way, in the end. Let no one expect, however, that the pro-

cess will be smooth, quick and non-violent. It would be against the nature of things to expect Untouchability to disappear overnight.

Industrialization and an expanding economy will mean jobs to educated people and this should minimise the bitter inter-caste hatred which is now poisoning relations between individuals and groups. This is especially true of the South where, in the towns especially, one hears of nothing except caste. I believe that the establishment of a single factory will do more to ease inter-caste relations in that locality than an equivalent sum of money spent on propaganda in favour of inter-caste dining or marriage. The mechanization of labour and the provision of underground drainage everywhere will make unnecessary the personal handling of material which is considered not only very dirty but defiling. A new type of education in which the fingers are used for other things besides driving a quill should inculcate not only a respect for, but a love of, manual labour. Widespread industrialization—and not the crazy concentration of industries in and around Bombay, Calcutta and a few other cities as at present—will usher in towns in every part of India, and the heterogeneity and habits of urban life should help somewhat in reducing inter-caste tensions. Co-

education is bound to make inter-caste marriages more common in the future, but I would urge reformers to go slow on this. Marriage is a 'hard point' and too much propaganda at this stage about the desirability of inter-caste marriages may frighten the upper castes into taking a stand against all reforms.

In short, on a short-term basis the country is likely to have more trouble with caste, while on a long-term basis, adult franchise, the industrial revolution which our Five-Year Plans are helping to bring about, the spread of literacy and higher education among the lower castes, the legal rights given to Harijans, the privileges given to backward castes, and the greater Sanskritization of the way of life of the latter, should remove the more obnoxious features of the caste system gradually. In the meanwhile, reformers would do well to study caste more, and realize that quiet hard work, patience and a sense of humour are indispensable in fighting an institution as powerful as caste.

There is one question which, though extremely important, I have refused to consider, and that is, "What will happen to Hinduism when caste disappears?" It raises such far-reaching issues that I cannot hope to deal with it satisfactorily here.

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Irregular Trend

IT was inevitable that the recommendations of the States Reorganisation Commission would have repercussions on stock markets this week. Dalal Street steadied-up as it became known that SRC had not recommended the formation of Samyukta Maharashtra. Dalal Street is dominated by Gujaratis. They are happy over SRC's recommendations. Many others share their joy that Bombay City remains intact. Dalal Street looked up after the release of SRC's report. Clive Street steadied-up in sympathy.

As Tata Steel improved, Indian Iron steadied-up. There were other reasons for the recent steadiness in Indian Iron. There were rumours that the dividend might be announced on Tuesday last. These rumours did not prove true. But Indian Iron started moving up in anticipation of the dividend. It continued to move up, even though the expected dividend announcement was not made on Tuesday last, for different reasons.

This is where technical factors come in. Owing to the intervening Puja holidays, this settlement extends to a month instead of the usual fortnight. It is now believed that the Indian Iron dividend may not be declared before the Puja holidays. Thus, speculators have enough scope and time to indulge in their tactics. It is now being argued that Indian Iron dividend will be stepped-up by eight annas. That remains to be seen.

While opinions differ about the forthcoming Indian Iron development, it is clear that the steadiness in Indian Iron is having a sustaining influence on equities in general, and on Engineering shares in particular. Relative steadiness in Miscellaneous and Engineering shares has been a feature of trading on the Calcutta Stock Exchange in recent days.

There are reasons why Braithwaite are steady-up. There are reports that this Company may undertake capital reorganisation in the near future. Improvement in Braithwaite on such expectations is only natural. A developing trend in these groups may be noted. Recent price movements indicate that recent favourites in this group invariably meet with support whenever these shares tend to slide back below cer-

tain levels. This is not surprising. Those who have recently cornered these shares will, naturally, like to see that the prices of the shares concerned are maintained at reasonable levels.

Tea auction results continue to confirm the expectations of moderate optimists. Tea prices are being maintained at reasonably high levels. Export demand continues to be satisfactory. It is clear that this year's profits will enable the industry to distribute reasonable dividends, although this year's dividend disbursements cannot be as high as those of last year. These are reasons which explain why Tea shares are not falling.

Why are Tea shares not rising? For one thing, investors are worried about the growing burdens on the industry. Recently, the West Bengal Government has imposed an import levy on tea imported into Calcutta and Howrah for use or sale. Besides, at present, investors have no incentive to enter the market. Final dividend payments for 1954 are over. Interim dividend payments for 1955 have not yet started. Investors can, therefore, afford to wait and watch developments.

By far the most disquieting feature of recent trading on the Calcutta Stock Exchange is the inactivity in Jute shares. These shares have been inactive for a sufficiently long time to cause anxiety to genuine investors. Reasons for dull conditions in Jute shares are not far to seek. Jute shares are listless because investors are apprehensive of the outlook for the Indian jute industry.

Some days ago, data relating to stocks of jute goods with the mills were released. Statistics indicated a welcome decrease in the mills' stocks of both hessian and sackings over September. And yet, neither jute shares nor jute goods moved up, though the falling trend in jute goods was halted. Price movements in raw jute and in jute goods have been irregular in recent weeks. This irregular trend is mainly a reflection of the Pakistani Government's determination to maintain the export minimum price for raw jute at the pre-devalued sterling level.

This aspect of the problem has

been discussed in these columns more than once. Primarily, jute shares are friendless because investors are apprehensive of growing competition from Pakistan. Recently, the Industrial Tribunal has awarded higher wages for workers in jute mills. Such an award was not unexpected. But investors are now arguing that the Indian industry, burdened with higher wage costs, will find it more difficult to overcome Pakistani competition. It is of interest to note that the demands of jute mill workers in Pakistan for higher wages have been rejected by the Pakistan Government. Implications of these developments cannot be ignored. But it would be equally unwise to minimise the Indian industry's efforts to modernise itself in order to lower production costs.

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Around Bombay Markets

Bullish Fervour

Thursday, Morning

CONDITIONS on the Stock market during the week under review, were extremely bright, all the leading counters registering considerable appreciation in values. Textile shares generally and Bombay Dyeing in particular drew speculative support. Various factors have been at work to boost up the value of Bombay Dyeing. On the one hand, it is said that the Company's spinning capacity in the spring mill has been considerably augmented, thereby enabling immediate implementation of the multiple shift; on the other, reports are current that the Company would soon announce its bonus issue. This apart, there were also rumours, though unconfirmed, that the Company has already obtained Government's sanction to instal automatic looms. Shrewd market observers, however, dismissed these as wishful thinking. They argued that inasmuch as the Company's level of reserves was below 20 per cent of the increased capital, it failed to satisfy the criterion laid down by the authorities for the installation of automatic looms and hence there was no likelihood of introducing the new device, at any rate, in the immediate future. This did not, however, deter the shares from moving up. In fact, all the textile shares drew considerable support from encouraging Company reports, the crop of bonus issues and declaration of higher dividends. In the event, thanks to sustained short-covering and speculative support, the Stock market closed on a distinctly firm note.

Steel shares moved within narrow limits and did not fully share the general bullish fervour of the textile and miscellaneous sections. Conflicting reports about the high dividend prospects of Indian Iron were, to some extent, responsible for this and there was sizeable selling pressure in respect of Indian Iron and Tata Steels, both these closing at Rs 39-0-6 and Rs 253-4 respectively as against the previous closing rates of Rs 39-2-6 and Rs 255.

Bombay Dyeing led the rest in the textile section. It opened at Rs 546-4, then shot up to the highest level of the week at Rs 569-6 to close firm at Rs 557-8. Kohinoor,

Swadeshi, Century and Simplex also rose to new high levels at Rs 352, Rs 234, Rs 451 and Rs 206-12 respectively. The improvement in Simplex was attributed to reports that the Company had acquired another mill and this attracted sustained investment support from a leading Insurance Company.

In the miscellaneous section also, there was widespread speculative support. ACC attracted good investment and shot up to a new high at Rs 208-12. Shivrajpur rose further and was quoted at Rs 111, the highest for the week. On continued bull support Bombay Burma jumped

from Rs 616-4 to Rs 658-12. Sugar shares also ruled firm at higher levels on bonus and higher dividend expectations. Belapur jumped from Rs 347 to Rs 357, while Phalton registered a gain of Rs 2 to close on reports of fair weather in some of the cotton belts, prices reacted once again. Nevertheless closing quotations higher than those for the Among Banks and Insurance, New India advanced to Rs 52-12 from Rs 48-12, while Bank of India, Central and UCO Bank also appreciated on continuous investment buying. There was good business in Union Bank also.

MARKET LEADERS DURING THE WEEK

	Oct. 12, 1955	Week's Range		Oct. 5, 1955
		High	Low	
Steel Shares :				
Tata Ordinary	253- 4	256- 0	251-12	255- 0
Indian Iron	39- 0½	39- 7½	38-10½	39- 2½
Textile Shares :				
Bombay Dyeing	557- 8	569- 6	538- 2	548-12
Century	445- 8	451- 0	439- 0	446- 4
Kohinoor	344- 0	352- 0	344- 8	345- 0
Simplex	202- 8	206-12	188- 0	188- 0
Swadeshi	229-12	234- 0	226- 0	228- 0
Miscellaneous :				
Associated Cement	206- 0	208-12	201- 0	203-12
Belapur	352- 8	357- 0	344- 0	347- 0
Burma Old	640- 0	658-12	611- 4	616- 4
National Rayon	236-12	240- 8	232- 0	235-12
Premier Construction	176- 8	180- 0	170- 0	173- 0
Scindia	17- 2	17-11	16- 8	16-14
Tata Chemical	17- 8½	18- 1	17- 8½	17-15½
New India Assc.	52-12	52-12	49- 4	48-12

OILS AND OILSEEDS

	Oct. 12, 1955	Week's Range		Oct. 5, 1955
		High	Low	
Seeds :				
Castor May 1955 (per candy)	95-12	97-14	92-10	93- 4
Groundnut Dec-Jan. (per cwt.)	22- 9	22-12	22- 2	22- 2
Linseed Feb-Mar.	23- 2	23- 2	22-12	23- 1
Kardi Ready	13- 4	13-12	13- 4	13- 4
Nigerseed	22- 0	23- 0	22- 0	23- 4
Oils :				
Castor Oil Coml. (per quarter)	10- 8	10- 8	10- 6	10- 6
Groundnut Oil R.R.	11-11	10- 6	10- 4	11- 7
Linseed Oil	14- 4	14- 4	14- 3	14- 4

Cotton

Steadier Tone

THE cotton futures market which was listless on the opening day, saw some hectic rise in prices following continued reports of damage caused by heavy rains to cotton crops in the Punjab, Khandesh and Berar. Towards the close, however, on reports of fair weather in some of the cotton belts, prices reacted once again. Nevertheless closing quotations were higher than those for the previous week.

ICC February opened at Rs 622 and after rising to Rs 640-8, it closed at Rs 634-12 as against the previous week's close of Rs 622.

The Fourth Crop Report for the 1955-56 season, published by the US Department of Agriculture, has caused serious concern to all the cotton producing countries as it forecasts the perpetuation of the problem of cotton surplus. The US cotton crop for the month of October at 13,926,000 bales is a new record in cotton production. This has been possible mainly due to a significant improvement in the yield of cotton, at 405 pounds per acre, as against the ten-year average (1943-1952) of 272.1 pounds. Again, the long-term programme of expansion of cotton production in countries like India and Pakistan, has only served to aggravate the cotton surplus problem by ensuring in-

creased, production of cotton. Unless there is a phenomenal increase in the rate of cotton consumption, the problem of surplus will continue to dog cotton producers.

Oils and Oilseeds

Firm Trend

OILSEEDS as a whole displayed a firm trend during the week under review unlike as in the previous week when only castor and linseed ruled steady. Thanks to the release of millers' export quota and increased business with overseas markets at slightly higher rates, groundnuts were marked up. Sentiment in the castor section was favourably influenced by attractive deals with overseas buyers. America was reported to have bought BSS oil at 11.75 cents and Commercial oil at 10.75 cents. Continent was also believed to have done business at around £98 while enquires from the UK were not wanting, although business with the latter was negligible. Besides, crop reports from Brazil indicated a smaller output to the extent of 30 per cent. Output in Brazil averages about 200,000 tons annually. Brazil was reported to have offered oil at 22 cents but no business was possible in view of foreign exchange difficulties. And countries such as US which kept aloof from Brazil, naturally turned to India. Business to the tune of 1000 tons was re-

ported to have been done on export account. With the week's exports of oil, Bombay has accounted for nearly 30,000 tons of castor oil for the year up to September.

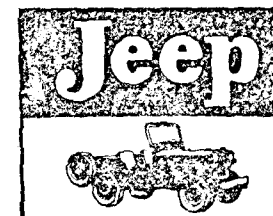
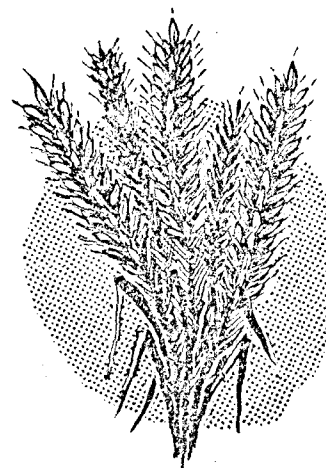
Castor May futures opened at Rs 92-12 and forged ahead on sustained buying and reached the highest level at Rs 97-14 to close a point lower on profit-realising at Rs. 96-12.

Following a downward revision of the crop estimate of groundnut at 24 lakh tons, groundnuts ruled fairly firm throughout the week. The Maharashtra crop is estimated to be about 1.25 lakh tons, while Karnataka's is placed at 1.25 lakh tons showing a decline of 25,000 tons over the previous estimate. Saurashtra's crop at 2 lakh tons also means a decline of about 30,000 tons, Khandesh is also estimated to bring a smaller outturn at 1.25 lakh tons. In the circumstances, groundnut Khandesh which opened at Rs 22-1 improved steadily to reach the highest for the week at Rs 23-4 and closed slightly less at Rs 22-12.

In sympathy with the firm trend in both castor and groundnut, linseed, niger and kardi seeds showed a perceptible change for the better with the closing quotations showing distinct improvement over the week. Thus, linseed improved from Rs 22-12 to Rs 23-4 for delivery, but niger came down from Rs 23 to Rs 22 for ready, while Kardi moved from Rs 13-12 to Rs 13-4.

in agriculture

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CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1301.45	1280.22	1301.65	1173.21
2. Rupee Coin	110.55	112.05	109.32	105.79
3. Deposits				
a) Central Government's	51.15	58.03	58.47	102.53
b) Banks'	67.25	62.77	48.39	59.92
c) Other Governments'	9.58	11.64	13.92	27.49
d) Others'	16.35	16.37	16.37	34.05
4. Foreign Securities	646.97	671.81	671.81	623.15
5. Balances held abroad	69.43	47.65	49.22	106.09
6. Rupee Securities	513.79	488.94	493.91	417.74
7. Investments	50.10	49.85	48.77	97.41
8. Loans and advances to Governments	2.67	2.02	0.37	1.61
Scheduled Banks				
1. Demand Liabilities (net)	598.27	596.65	593.69	543.94
2. Time Liabilities	417.58	415.23	409.78	353.07
3. Cash on hand	33.34	33.88	33.18	30.97
4. Borrowings from Reserve Bank of which against Usance Bills	9.18	12.47	20.62	6.32
5. Advances and Bills discounted of which State Bank's	547.73	554.34	572.71	500.19
6. Investments of which State Bank's	384.51	381.44	379.45	346.20
Cheque Clearance	148.57	141.24	127.70	63.75

†For Reserve Bank and Cheque Clearance week ended 7-10-55. Scheduled Banks week ended 30-9-55

Bombay Money Rates	7-10-55	30-9-55	9-9-55	8-10-54
Inter-Bank Call Rate	2½	2½	2½	2½
3 months deposits	2½	2½	2½	2½
6 months deposits	3	3	3	2½

Bombay Bullion	In Rupees and Annas			
	13-10-55	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	94-8	94-10	95-4	88-10
Forward	†	†	†	88-10
Silver (per 100 tolas)				
Spot	167-14	168-0	165-8	159-8
Forward	†	†	†	159-1
	† no trading			

JUTE STATISTICS

Production ('000 tons)				
	July 1955	June 1955	May 1955	July to June '54-55
Hessian	34.3	24.2	32.2	399.2
Sacking	45.0	47.9	46.2	556.8
Others	4.3	3.6	3.3	38.1
TOTAL	84.1	85.7	81.7	994.1
Total Production in the corresponding months of:				
1954-55	80.7	74.6	71.3	994.1
1953-54	78.8	72.8	72.5	865.7
Stocks* ('000 tons)				
Hessian	42.1	48.6	40.6	—
Sacking	36.3	36.0	52.9	—
Others	2.9	3.0	1.2	—
TOTAL	81.3	87.6	94.7	—
Stocks at the end of the corresponding months of:				
1954-55	80.8	86.9	86.5	—
1953-54	136.7	133.8	138.8	—
Despatches:† ('000 tons)				
Hessian	40.7	26.9	30.2	338.1
Sacking	45.8	54.6	56.6	573.2
Rope, twine, etc.	5.1	2.5	2.8	26.7
TOTAL	91.6	84.0	89.6	938.4
Total despatches in the corresponding months of:				
1954-55	87.4	73.0	76	994.1
Raw Jute Consumption: (lakh bales of 400 lbs each)				
1954-55	4.65	4.94	4.72	57.92
1953-54	4.55	4.08	4.10	50.24
1952-53	4.33	4.18	4.15	51.96
IJMA Mills' purchases of raw jute (lakh bales)				
Pakistani	1.9	1.26	0.95	10.8
In corresponding periods of:				
1953-54	0.6	0.9	0.80	9.35
1952-53	1.27	1.77	1.55	14.19
Indian	4.74	3.09	1.79	44.19
In corresponding periods of:				
1953-54	3.57	3.23	2.54	37.87
1952-53	3.06	3.08	4.81	42.50
* Stocks at the end of the month				
† Despatches include exports and sales for internal consumption				

Source : Monthly Summary of Jute and Gunny Statistics issued by the Indian Jute Mills Association

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-Group	Week ending 24-9-55	Week Ago	Month Ago	Year Ago
I Food Articles:	306.5	312.0	318.5	362.3
Cereals	375	378	386	401
Pulses	264	268	267	291
Others	222	230	236	319
II Industrial Raw Materials:	397.5	401.0	404.7	428.2
Fibres	406	411	414	432
Oilseeds	373	374	380	436
Minerals	413	419	422	395
Others	423	420	419	410
III Semi-Manufactures:	324.8	324.4	325.0	352.2
Leather	396	329	337	358
Mineral Oils	201	201	201	221
Vegetable Oils	362	362	371	451
Cotton Yarn	407	408	407	453
Metals	258	259	257	240
Oilcakes	344	344	332	414
Others	330	330	330	305
IV Manufactures:	368.6	369.3	370.6	378.6
Textiles	403	404	406	424
Jute	396	404	416	471
Cotton	402	402	402	415
Rayon & Silk	474	474	474	454
Woollen	278	278	278	310
Metal Products	352	352	352	340
Others	286	286	286	285
V Miscellaneous:	554.9	553.3	562.4	607.4
All Commodities:	351.0	353.7	357.3	384.3

INDEX NUMBERS OF SECURITY PRICES

(Base: 1949-50 = 100)

	1-10-55	Week Ago	Month Ago	Year Ago
Industrial Debentures	100.7	100.7	100.7	100.5
Electricity	102.2	102.1	102.0	101.2
Jute	98.0	98.2	98.9	98.8
Plantations	99.1	99.1	99.1	99.6
Sugar	99.0	99.0	99.0	100.3
Coal	90.7	90.6	90.6	90.6
General Engineering	100.9	100.9	100.9	101.0
Shipping	100.9	100.9	100.9	101.8
Others	101.0	101.0	100.9	100.8
Preference Shares	87.3	87.1	87.5	88.4
Electricity	96.3	96.1	95.9	97.0
Cotton	79.2	79.4	79.8	84.0
Jute	86.5	86.5	85.6	88.3
Coal	92.6	92.6	93.2	90.0
Iron and Steel	89.3	88.1	90.2	90.0
Sugar	84.9	84.9	84.9	79.6
Paper	86.7	85.9	86.7	85.2
Plantations	99.5	99.4	99.7	93.9
Miscellaneous	84.9	85.0	85.0	87.7
Govt. & Semi-Govt.				
Bombay	90.4	90.4	90.3	90.0
Calcutta	90.8	90.8	90.8	90.4
Madras	91.2	91.2	91.2	90.9

Source : Reserve Bank

ELECTRICITY GENERATION AND DISTRIBUTION

(Monthly Average or Calendar Month)

	Genera-tion	Distribution					(in million kwh)		
		Domestic con-sumption	Commercial light and small power	Industrial power	Public lighting	Traction	Irrigation & sewage pumping	Public works	Total
1948-49	390.1	34.8	20.3	206.0	4.2	23.8	11.0	14.7	427.9
1952-53	525.1	51.5	29.2	275.6	6.0	27.7	19.2	19.4	464.4
1953-54	573.1	68.3	31.7	298.1	6.5	29.7	19.1	20.6	474.0
1954-55	646.6	62.6	28.9	344.6	7.5	31.7	20.0	22.1	517.4
1954 May	639.9	61.1	40.5	325.6	6.9	33.8	23.6	23.8	515.5
June	629.4	61.6	37.7	325.9	6.9	32.6	22.2	23.2	510.3
July	633.4	62.3	37.5	338.6	7.1	31.9	15.6	22.9	515.8
August	635.0	64.9	37.2	338.8	7.3	27.3	11.7	23.2	510.5
September	647.6	65.0	37.4	344.6	7.4	27.6	18.4	23.1	523.3
October	626.5	63.7	35.3	336.6	7.7	30.8	14.9	22.6	511.6
November	656.5	63.4	35.2	351.2	7.7	31.9	22.5	22.6	534.6
December	683.5	63.2	36.2	370.9	8.1	33.2	23.0	23.5	558.0
1955 January	668.5	62.1	36.3	362.5	8.0	32.1	21.4	22.9	545.2
February	628.7	60.8	35.1	346.7	7.5	29.4	20.7	21.5	521.8
March	698.7	63.3	38.7	375.5	7.9	35.2	24.2	23.6	568.3
April	691.1	62.6	43.6	368.9	7.6	32.0	25.6	23.7	563.9
May	706.5	64.2	39.7	377.2	7.8	34.1	21.5	24.9	569.4
June	716.2	67.8	38.5	379.7	7.6	33.2	24.7	24.6	570.1

Source : Ministry of Irrigation & Power

The Planning Commission's task is exceedingly difficult even if new problems do not come in the wake of States' reorganisation. For, despite all the discussions both in government and outside, it seems as if the basic issues have not been, and cannot be, formulated in a manner acceptable all round. Shri Nanda, for instance, is not convinced that the outlays envisaged in the Draft Plan-Frame will be adequate to ensure the achievement of the employment targets. The Railways are convinced that with the investment allocated to them, the physical targets that have been set cannot be achieved; nor would these targets be, in terms of actual transport service rendered, consonant with the production targets in industry and agriculture. And the differences of opinion in regard to consumer goods industries, both large-scale and small-scale, the order of deficit-financing that would be 'safe' etc. continue undiminished.

The great importance given to large-scale capital goods industries in the Draft Plan-frame has had the effect of focussing attention on certain of the balances that need to be assured. Much has been said about the necessity of ensuring that all the outputs of capital goods industries will in fact be absorbed; and that all demands for consumer goods will in fact be satisfied by the small-scale and hand industries. On a more fundamental plane, it has been argued that by giving undue weight to the household and hand industries, technical progress would be impeded, and the problem of unemployment would, in the long run, not be solved. Not all of this is convincing, since small industries may well produce what is expected of them if they are properly organised and financed; and technical improvements do not all have to be associated with large-scale units of production. That apart, it is notable that compared to the controversy centring around the industries plan, the discussion of balances between the industries plan and the others, as well as between 'physical' and 'social' capital has been very little.

There are probably reasons for this. With agricultural products in such plentiful supply, and with the reduction in their prices, there is a general feeling that on the agricultural side we are very well off, and will continue to be well off. Indeed, it is this which has prompted so many to keep harping on our being in a position to think of a 'bold'

plan. There is, of course, little doubt that the improvement in food supply and cotton and sugar has in the past two years been very real and beyond expectations. And one does not these days like to be called a pessimist for suggesting that the next five years may not all be so good. But keeping that on the one side, and assuming agricultural output to be as good as one wants, one can still ask the question: what about policy regarding agricultural prices? Maybe it is good for us that the terms of trade have moved against agriculture. But it is not so good for agricultural incomes unless agricultural costs are reduced *pari passu*. Moreover, it is not so good from the point of view of reduction of income inequalities, which is a major component of the socialistic pattern of society which we want to establish. There is no easy way out of this, through simple price support policies; nor can one depend on deficit-financing and government outlay in the rural areas to even out the income differences. The Plan has of necessity to work out a set of policies that will ensure progressively larger incomes to agriculturists without turning the terms of trade against the rest of the economy in the process.

This part of the Plan needs very careful consideration because, in the interests of industrial development, we have to limit agricultural investment. And what is more, the agricultural plan is to be implemented

Ominous Shadows

AT Geneva, the four Heads of State agreed to settle disputes though negotiation. Rejection of the use of force as an instrument of policy was the essence of the Geneva agreement. It would have been a logical assumption that the Geneva talks would be followed by a series of negotiations among the parties or Powers concerned to settle disputes in all parts of the world. In accordance with the Geneva decision, Moscow entered into negotiation with Bonn; as a sequel, diplomatic relations were established between Communist Russia and Western Germany. Immediately after the conclusion of the talks between Russia and Western Germany, Russia started discussions with Eastern Germany. As a result of these talks, Eastern Germany was granted sovereignty; Russia, the occupying Power, made certain military con-

mainly by the State governments under the present arrangement. Considering the unsettled position in regard to States, there is room for apprehension that while the industrial side of the Plan, which is largely in the Central and private sector plans, might get a good start, the agricultural plan might not. Should that happen, we might in a couple of years be thinking of shortages again.

Like agriculture, social services like health and education as well as road transport are mainly State subjects. Plans for the development of these may also suffer from delays in implementation. This is a factor that has emerged now, and is in addition to the question whether the provision for these activities in the Draft Plan is in keeping with national needs and objectives. From the point of view of both the quantity and quality of employment, we should provide for a much larger outlay in respect of these.

One presumes that all these questions have occupied the mind of the Planning Commission in the past many months. Whether or not they have tentative answers to these by now is not clear. If they have, they should make them known early—not least because such a move on their part may help the public to turn from the States Reorganisation Commission's Report to the more basic problems of national development.

cessions. These negotiations with the two Germans were followed by talks between Russia and Finland. Russia made a significant gesture by evacuating the naval base of Porkkala.

These conciliatory gestures by Soviet Russia should have been welcomed by the Western Powers as evidences of Moscow's readiness to settle disputes through mediation. Russia's actions should have prompted reciprocal policies by the Western Powers. At the instance of India, Washington did start negotiations with Peking. It was widely hoped that the Geneva talks at the ambassadorial level would ease the tension between America and Communist China. But the slow progress of the Geneva talks has caused doubts about America's intentions in the Far East. More surprising has been the reaction of

the Western Powers to the series of negotiations between Russia and her European neighbours. Russia's diplomatic initiative is resented as a device to extend her spheres of influence in Europe. Recent developments at the United Nations indicate that America, if not her NATO allies, suspects the assertion of the Bandung feeling by Asian and African nations as an extension of Russia's diplomatic influence in the East.

Since the Geneva "summit" talks, there have been suspicions that there may be a shift in international diplomacy to the East. Recent events would seem to confirm these suspicions. Once the major Powers came to an understanding not to wage an atomic war, the disagreement between Russia and the Western Powers on Germany, the major issue in dispute in Europe, lost its former sinister significance. In Europe, a status quo could be maintained for a period of time to explore prospects of an agreement on Germany and on European security. But there were many issues in dispute in more than one part of Asia and Africa on each and all of which neither side could afford to lose the diplomatic initiative. This explains some of the recent developments in the three Indo-Chinese States and in the Middle East as also the unexpectedly hostile attitude of America to the stand taken by Bandung nations in the United Nations on Algeria.

New Delhi has always expressed apprehension that SEADO may impede implementation of the Geneva Agreement on Indo-China. Subsequent developments indicate that New Delhi's fears are not baseless. In Indo-China, M Diem refuses to hold the general election on the plea that South Viet Nam was not a party to the Geneva Agreement. In Cambodia, the Crown Prince has swept the elections under circumstances which are mysterious as well as complicated. In Laos, there is deadlock in the negotiations between the Royal Government and Pathet Lao on the conditions of a general election. Guarantees included in the Manila Treaty about protection of the geographical frontiers of Laos and Cambodia introduce additional complications in this region.

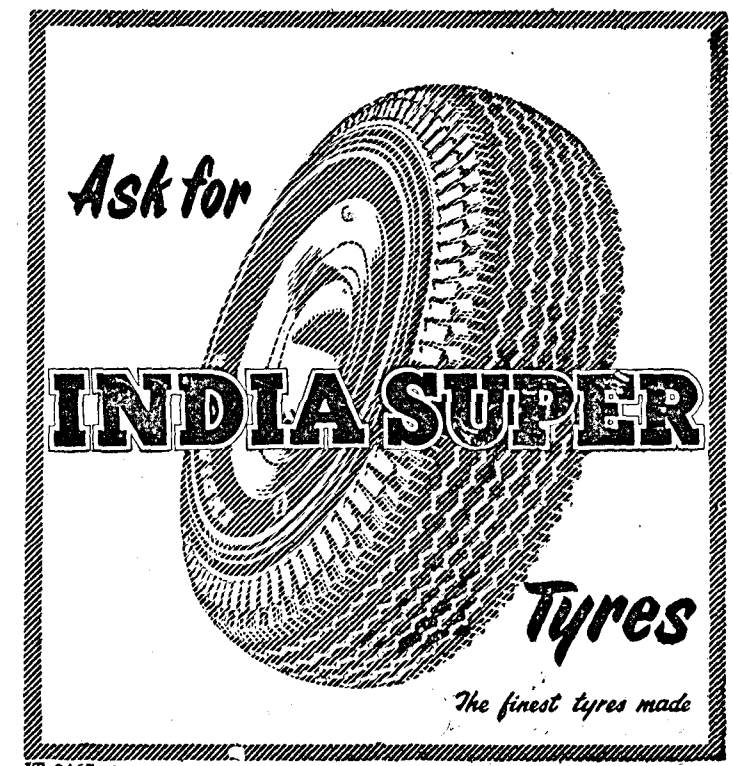
At the moment, attention is focussed on the Middle East. Iran's entry into the Baghdad military alliance fortifies a region which extends from Turkey to Pakistan,

Iran's participation in the Baghdad pact was not unexpected. Two events may have hastened Iran's decision. There are abundant indications that America resents the Bandung policy of enlarging the number of uncommitted nations in Asia and Africa. America's Secretary of State can take pride in scoring a diplomatic triumph immediately after the Asian-African nations' stand on Algeria before the United Nations. There is a more immediate reason behind the timing of Iran's decision. Iran's Shah was to have gone to Moscow for talks. Recent experience of Dr Adenauer's visit to Moscow must have prompted Mr Dulles to goad Iran into the Baghdad pact on the eve of the Shah's visit to Moscow.

Iran's entry into the Baghdad military alliance raises wider issues. Iran's strategic significance is beyond dispute. Fortification of Iran and Turkey will be a constant threat to Baku and Trans-Caspian Russia. By cajoling Iran into the Baghdad alliance, America and the Western Powers have gained a decisive strategic advantage. Time alone can reveal whether Iran has been wise in abandoning her traditional role of a neutral, strategic frontier area. Iran's participation in the Baghdad military pact means a dual diplomatic victory for Mr Dulles. With Iraq and Iran as members of the Baghdad pact, Arab States remain disunited in their stand against non-

involvement in military alliance of the rival power blocs. Mr Dulles is not unaware of the traditional hostility between Turkey and Egypt in their aspirations to be the undisputed leader of the Middle East. Through Iran's entry into the Baghdad military alliance, America has retaliated against Egypt for her decision to accept supplies of arms and ammunition from Communist Russia. Opinions will differ whether Mr Dulles has scored a victory over M Molotov, or whether M Molotov induced Egypt to purchase arms and ammunition from Russia in anticipation of Iran's entry into the Baghdad alliance.

But these developments will be deplored by those who have been welcoming the spread of the 'Geneva spirit'. There can be no lasting peace, nor can there be any agreed arrangement about disarmament, as long as one of the rival power blocs pursues a policy of extending military alliances. With NATO, SEADO and the Baghdad alliance, prospects for disarmament seem unencouraging. World peace cannot be attained or maintained merely by an understanding to refrain from an atomic war. History is conclusive that wars cannot be prevented by a policy of maintaining an even balance of world power. Recent international developments do not augur well for the forthcoming talks at Geneva among the four Foreign Ministers.



Weekly Notes

Colombo Plan Meeting

WHAT precisely happens at the annual meetings of the Colombo Plan Consultative Committee? Surely, Ministers of so many countries do not merely gather to approve the drafts of the reports published some time after the Committee's meeting. These reports are, as a rule, so jejune that hardly anybody outside a small circle of professional 'report consumers' will find them interesting. If that was all that was to be done, it seems unnecessary that Ministers should leave important work behind and journey forth to different countries in different years.

The fact that they have gone in all seriousness to Singapore this year means, however, that there is something more done in these sessions. In terms of intangibles, it probably helps countries in the 'Colombo Plan' region to know what others are doing by way of planning and development, and feel, as it were, that they are members of a team. The exchanges amongst those present would, of course, be in the nature of clarification of what has been already made known to the world in some form. But perhaps the more tangible part of the affair is the arrangement regarding aids to be given and aids to be received. Actually, financial and other aid received under the Colombo Plan is very little compared with the aid provided by America to several of these countries, or with the loans obtained from IBRD. But be it ever so little, it helps in the great task of accelerating development in this part of the world.

Much of the assistance under the Colombo Plan is in the form of technical personnel or equipment for particular projects, and by way of training facilities in the more advanced of the countries. India is in the special position of being a donor as well as a recipient country. And she has perhaps the most developed organisation of all countries in this region for formulating as well as executing development plans. Consequently, her spokesmen have a special responsibility for setting the problems that arise at such international meets in the proper perspective.

It was therefore proper that Shri Nanda should have made two things clear at Singapore. One is that the countries which want to give should think in terms of sizable measures rather

than in token quantities. And secondly, that linking aid with particular projects was not always a suitable thing to do. It took the IBRD many years to appreciate this; maybe the personal contacts at the Colombo Plan Conferences will make it easier for the various Governments to see more easily the point that Shri Nanda has made.

Technical Co-operation

AMONG the notable features of the Annual Report of the Council for Technical Co-operation of South-East Asian Countries for the year 1954-55, are the steady expansion of technical co-operation and the increase in the number of trained personnel. The quantum of technical assistance provided up to the end of June 1955, through the Council for Technical Co-operation, "amounted to 392 experts and training facilities to 2,676 students from South and South-East Asian countries". The number of experts supplied by the different countries was as follows, United Kingdom (157), Australia (115), Canada (59), New Zealand (44), India (14), and Japan (3). It is also stated that the heaviest demand for experts has been in medicine and health, followed by communications, engineering, food, agriculture, forestry, education and industry.

The total cost of equipment supplied or offered under the various schemes is placed at approximately £1,500,000 of which equipment for training purposes costs about £927,000. The value of equipment received by India amounted to £147,318, of which the largest shares were provided by the United Kingdom (£77,983) and Australia (£55,154).

In addition to the assistance given under the technical co-operation programme of the Colombo Plan, the specialised agencies of the United Nations as also the United States have contributed through provision of experts and training facilities.

Thus, the Report would appear to make impressive, but dull reading. The statistical quantum of technical assistance means little unless it makes an appreciable impact on the economies of the countries concerned. As is well known, the problems of 'technique' are distinct from those of 'economy'—a proposition which cannot be laboured often enough in these days of machine technology. One may refer in this connection to the shrewd observation of Arthur

Koestler about the Jews in Palestine, who, according to him, after living for nearly three or four decades in the country could not yet build houses as cool to live in as those of the Arabs nor turn out Kababs as succulent!

Technology is not nearly enough nor can it afford to be contemptuous of environment. All these are fascinating aspects of the problem of technical assistance, but the Colombo Plan reports tell us precious little about them. Perhaps, economists like Raul Prebisch, whose Economic Surveys of Latin America are among the more outstanding of their kind, could be commissioned to probe into these problems.

US and Far East

NO exception will be taken to Mr Cooper's enunciation of America's attitude to colonialism in his address before the Council of Public Affairs in Madras. America, the US Ambassador rightly emphasises, is one of the few major powers without any colonies. America's efforts to end colonialism in South-east Asia in the immediate postwar years are duly recognised. And yet, America to-day has few friends in Asia and the Far East. Uneasy relations between the United States and some newly-independent nations in Asia and the Far East stem from America's foreign policy.

Mr Cooper was diplomatic in his defence of America's policy to Asia and the Far East. To the criticism that American interference and intervention in Asian affairs reflect her ulterior designs, Mr Cooper replies that the United States would be glad to disengage herself from Asian problems provided she can do so "with honour and security". Mr Cooper defends SEADO on grounds of honour and security. Except Pakistan and Thailand, no Asian nation will accept this argument. They, on the contrary, are united in their opinion that SEADO is a menace to peace in Asia and the Far East.

Even as Asian Nations resent SEADO, they are opposed to America's policy to Formosa. It is widely believed that Far Eastern problems cannot be solved as long as America does not withdraw from the Formosa area. There is tension between the People's Republic of China and the United States. Mr Cooper argues that America's refusal to recognise Red China and her opposi-

tion to Communist China's admission to the United Nations stem from her belief that Communist China "has aggressed against the UN and has not yet abandoned the use of force with respect to Formosa". Any such argument ignores developments during and since the Geneva Agreement on Indo-China. Over and over again, Peking has expressed its willingness to reach a negotiated settlement of issues in dispute between America and Communist China. Peking's claim that Formosa is an internal affair of Communist China and that Formosa is not an issue in dispute between Red China and America is widely endorsed.

Language Problems

SHRI B G KHER may be said to have facilitated to some extent his ticklish new task as Chairman of the Official Language Commission by giving expression to views on the language problem that cannot but meet with wide approval. Though he would not be drawn directly into any discussion on the work before the Commission, he gave some indication of the Commission's approach to the problem. He said that the approach had to be pragmatic in assigning positions to the official and other languages, so that the country's business might be carried on with the greatest facility, so that there would be a suitable means of communication at all appropriate levels of inter-State contact and so that the standards of teaching in universities would not be impaired while India moved from the present unsatisfactory position to one in which the official and other languages had attained their appropriate status in their respective fields in the life of the country. And he added significantly that the language problem should be tackled from a secular, national and pragmatic angle as distinguished from a revivalist, provincial or ideological standpoint. The last statement was indeed the keynote of the thoughtful, balanced speech he made on the subject while inaugurating the Autumn School of Linguistics at the Deccan College, Poona, last week.

The language problem like so many other problems in the country is being bedevilled by extraneous considerations—considerations that have not much relevance to the basic function of language as a means of simple, clear communication, easily learnt, easily used and easily adapted to the changing needs of the times. Language can no doubt be something more than this. It can get sophisti-

cated to a degree. But just now, with literacy at a low ebb, it is the basic aspect of language rather than its finer points that should call for attention. To refine or purify a language and try to restore it to its pristine glory is not only to make it less easily communicable, but also to put it out of touch with the trends of the times. And to import religious or narrow traditional considerations into it is to render the issue more complicated. Not less unhelpful is the attitude of mind that would seek to associate regional or narrow historical or dynastic considerations with a language and strive for its supremacy at the cost of national cohesion, unity and cultural synthesis—an attitude of mind which may well receive further stimulus from the proposed reorganisation of States, creating further complications all round.

The imperative needs of the country at present are three: a language or set of languages in which the masses can express themselves freely and naturally for workaday purposes at the State level; a common national language for inter-State communication, cultural exchange and synthesis and promotion of oneness; and a medium of communication at the international level. Answering these needs respectively are regional languages, Hindi and English. Each of the three has a place of its own, obvious and almost inevitable, the only question remaining to be decided being in what form each must be developed or adapted to the needs of the present times and the degree of importance to be attached to each or the sphere of operation to be demarcated. Then there is the time factor: how soon the changes visualised should come into force. But should there be no undue haste, no attempt, open or insidious, at compulsion, no prejudiced or clouded assessment of the relative needs of region, country and the world at large and no play of extraneous considerations, then it is not too much to expect that the problem will solve itself in the fulness of time. A factor of considerable importance in this matter will be the attitude adopted by the Official Language Commission. In this respect, there is no little cause for satisfaction in the views expressed by Shri B G Kher in favour of a broad, detached and utilitarian approach.

Nation Above States

BY the fortuitous circumstance of the National Executive being in session at the right time, the Praja-

Socialist Party has had the privilege of being the first to express itself officially on the recommendations of the States Reorganisation Commission. While accepting the recommendations with 'reservations', the National Executive has rightly laid stress on the overriding consideration that weighed with the Commission in its approach to the problem: national unity and due concern for the future of linguistic minorities and backward areas. The Executive has directed its provincial branches to examine details of the recommendations in the light of Party policy and make specific suggestions for modifying them wherever needed. The Executive is not prepared to countenance any agitation on boundary issues, though it has left the door open for such action on the part of party branches on other issues, either on their own initiative or in association with other organisations, subject, however, to the condition that the agitation must proceed on peaceful and democratic lines, and that the approval of the Executive or Chairman of the Party should be sought in advance.

Whether the Executive has acted wisely in leaving the initiative for agitation to party branches remains to be seen. Perhaps the Executive had no alternative but to yield to the pressure of the branches in this matter which, however, does not reflect much credit on the influence and power of the top leadership or its capacity for decision. Though border issues, over which party branches of rival States might well come to clash, have been ruled out of the sphere of agitation, there might still be questions over which such clashes become unavoidable. And then in giving the necessary permission for agitation, the Party Executive might conceivably find itself in an embarrassing position. By deferring a clear-cut comprehensive decision on the recommendations, the Executive has only gained time; but the time so gained may complicate the issues rather than simplify them.

Judging at least from the utterances of Shri J B Kripalani, it would seem that the top leadership is on the whole in agreement with the recommendations of the Commission, though branch leaders, in certain States would appear to be disinclined to fall in line. It would have been creditable on the part of the National Executive if it had boldly tackled these differences and given an agreed lead to the branches and through them to the country too.

Such a lead from the Praja-Socialist Party, standing between the ruling power and extremists, would have been invaluable.

Nationalisation of Insurance

THE Union Minister for Revenue and Civil Expenditure, Shri M C Shah, is reported as having stated at Ahmedabad recently that the nationalisation of Insurance is under the active consideration of Government. It is difficult to say what weight should be attached to this latest statement on the subject as indicating Government policy in the near future. But there is no denying the fact that the question of nationalisation of insurance is a live issue and not a few Chairmen's speeches this year have been devoted to presenting the case against such nationalisation.

Unfortunately, the case for nationalisation of this important industry has hardly been considered, if at all, on economic grounds. Intelligent policy-making, particularly in the economic sphere, cannot be based merely on obiter dicta which broadly flow from the acceptance of "the socialistic pattern of society". The public is entitled to know on what lines Government is thinking on vital issues of policy such as the proposed nationalisation of insurance, and its suspicions are hardly likely to be allayed by the numerous inconsistencies of Government policy vis-a-vis insurance companies. To give only one instance, one may refer to the Government ban on 'Staff Insurance Schemes' which were sponsored by some leading Indian Insurance Companies with the avowed purpose of cheapening life and endowment insurance and making it available to a larger number of people. Whatever the ethics of the companies' method of cheapening insurance by by-passing the agents, it cannot be denied that these schemes had cheapened insurance for the small man. It is difficult to appreciate the logic of Government's stand, particularly when it was presumably not unaware of the proposal to initiate these schemes. Surely, Government would not like to be accused of allowing the vested interests of the smaller insurance companies and of insurance middlemen to come in the way of so laudable an objective as reducing insurance premia and extending insurance facilities. Yet this is precisely the effect of the Government ban on staff insurance schemes. Is the common man to be deprived of cheaper insurance while he is asked to wait for the millennium of nationalised insurance? Would not one of the ma-

for objectives of nationalised insurance be the cheapening and popularising of insurance?

To date, Government's excursions into the field of insurance, e.g. Postal insurance, have not been an unqualified success. This is of course no argument against nationalisation of insurance as such for which there might be substantial economic reasons. But is Government aware of these? Or is it oblivious to all other economic aspects of the problem except the possibilities of exploiting state insurance profits to supplement the resources of the public sector during the Plan period? One wonders.

Industries in Refugee Townships

THAT the problem of unemployment in the refugee townships should continue to exist even today is certainly a grave reflection on those responsible for their establishment. After the initial enthusiasm had waned and the marketing and other difficulties of those industries that were established there proved insuperable, a number of units had to close down and employment actually fell considerably. In his studies of these refugee townships, Dr V K R V Rao called for vigorous action by Government to solve this problem. He pointed out also that "if private enterprise is to provide an important source for new employment and if it involves import of capital from outside the township significant concessions, possibly limited to a period but conspicuous in nature, should be given in the form of land, water, power and taxes".

This recommendation seems to have found acceptance in Government circles and the Central Minis-

try of Rehabilitation has announced this week its decision to give a number of facilities to industrialists for setting up industries in such townships. It is proposed to sell factory sites on easy instalments or to allot them on rental basis for a period of seven to ten years. In the latter case, Government will also be prepared to construct factory buildings according to the specifications of the industrialist and allot them on rent for the same period. An option will be given to the industrialist to buy the land and building at any time—land at its market value and building at its depreciated cost.

Other facilities include the supply of water and electricity at rates comparable to those prevailing in neighbouring industrial areas and the provision of loans up to 50 per cent of the value of the machinery installed by the industrialist and if he purchases the land and puts up his own buildings further loans up to 50 per cent of the value of land and buildings.

These facilities are to be granted on condition that the unskilled workers and as many skilled and semi-skilled workers as possible should be employed from among the displaced persons of the colony. These facilities have been extended at present to fourteen townships in various parts of the country, but it is proposed to bring other townships within the scheme after further examination. It is now up to the progressive industrialists in the country to respond to this gesture and establish industries in these townships so that they may develop as flourishing centres providing adequate employment to their residents.

Burn and Company Ltd.

NOTICE is hereby given that the Sixty-first Ordinary General Meeting of the Shareholders of Burn & Company Ltd. will be held on Friday, the 11th November, 1955, at 11 a.m. at the Registered Office, 12, Mission Row, Calcutta, to transact the following business:

- (1) To receive and adopt the Directors' Report and Audited Accounts for the year ended 30th April, 1955.
- (2) To declare a dividend.
- (3) To elect Directors.
- (4) To appoint Auditors for the current year and to fix their remuneration.

The Ordinary Share Register of the Company will be closed from the 4th November, 1955 to the 11th November, 1955, both days inclusive.

Calcutta, 22nd October, 1955.

By Order of the Board,
Martin Burn Ltd.,
Managing Agents.

NOTE: If the dividend as recommended by the Directors is passed at the Meeting, it will be paid on or after 16th November, 1955, to those Shareholders whose names are on the Company's Register on the 11th November, 1955.

Off the Record

The Ten-Year Old

FOR all its usefulness, the Food and Agriculture Organisation of the United Nations lacks the glamour so necessary these days to hit the headlines. It does not enjoy the privilege of Mr Molotov's or Mr Dulles's attention. Even Shri Krishna Menon does not pack his brief case and set out to straighten a hitch in the FAO parlours. Politicians give the organisation a wide berth and so do, for that matter, the men of finance. The IMF is often in the news because balance of payments difficulties make good 'copy'—since there are always crises and international confabulations about them. The IBRD figures prominently now and again because it gives a loan to a country, as also because it does not. UNESCO is saved from oblivion because it offers such interesting problems for nations to fight about, on ideological grounds. But the FAO just goes along, finding more about the state of the world's food supply, suggesting means of improving yields or arresting soil deterioration etc. These activities may mean more to mankind in a few decades than adjustments in the rates of exchange; but then they are not exciting news.

Hence the general lack of notice in the press of the coming of age this October of the FAO. The sixteenth of October this year marked the tenth anniversary of the birth of that organisation; and in these ten years, the FAO has, without much fanfare, made solid contributions in the special fields that occupy its attention. It has helped greatly the collection and exchange of useful information on all aspects of agriculture. Special committees to deal with problems of individual crops like rice have been formed, and facilities for training agriculturists have been provided. The FAO has also taken on hand the question of agricultural surpluses and their disposal. One can add many more such items on the credit side of that institution. But in the very nature of things, its activities do not produce spectacular results in the short-run. Consequently, few 'big' men pay attention to it.

This is perhaps not entirely a pity. For in the cold war atmosphere that still persists, Geneva notwithstanding, much harm could have been done had the FAO received the close

attention of politicians and statesmen. It is and has been the meeting ground of technicians who, so to say, speak the same language and whose fight is largely against natural impediments to larger production. Very aptly, the FAO has as its motto fiat panis; and man everywhere needs bread and more bread, whatever the colour of his skin or of his State. And with a growing population, the task of keeping the people properly fed becomes an ever-present problem.

It is a task the performance of which demands international understanding and co-operation on a continuing basis. In agriculture, as in many other fields, nations have progressed at different rates; and we have now a situation in which there is too much food in some and too little in other regions of the world. And what is worse, this may, with the progressive application of atomic knowledge to the problems of agriculture, become more pronounced. For, the richer nations of the world have the benefit of the technical knowledge as well as the material resources to go ahead in this direction, while the hungry nations plod along very much in the rear.

In living up to its motto, the FAO has to strive for joint international action in two related directions. In the first and obvious place is the arrangement of a rational distribution of the existing supplies amongst the surplus and deficit nations. This could well be a lever for the second, viz. an augmentation of the world's agricultural supply. By facilitating a smooth disposal of surpluses, the agriculturally advanced countries will be saved from following a paradoxical policy of cutting down their output when people elsewhere starve or go without enough clothes. By diverting the surpluses to the underdeveloped and needy countries, they will be enabled to concentrate their efforts more on accelerating development than on keeping the mass of people barely alive. And in the changed conjuncture, both of them would be willing and able to produce more.

That the FAO has not achieved such a happy solution in the past ten years is not its fault. For it was not expected to function as a clearing house for surpluses. And what is more, in this strange world

of ours, nations have difficulties in both giving away what they do not need, and receiving what they do need. Political and financial complexities bedevil the transfer of excess supplies across national frontiers. And any arrangement will need to be approved by the powers that be in the political and economic spheres of each country. All that the FAO can do, and has in part done, is to work slowly for the triumph of common sense and goodwill over vested interests and international suspicions, by working out the several ways in which the available supply could be distributed in a more equitable manner, without endangering the economy or independence of the different nations. Whether or not the suggestions put forward by the FAO for intelligent use of surpluses find favour with the governments concerned, the FAO has made a signal contribution by making these suggestions. Further progress rests with the men who formulate and execute the foreign economic policy of each country; and, possibly, with the special organs of the United Nations entrusted with international harmony and development on a broader basis.

From the viewpoint of the underdeveloped countries, it would be a great mistake to lose interest in the other activities of the FAO, should nothing come out of its efforts to ease the distributive situation. It would, indeed, be less than fair because not all the underdeveloped countries are, as mentioned above, willing to depend on other countries for a length of time for their supplies of food and agricultural raw materials. Almost without exception, they want for one reason or another to develop their own sources of supply, and thus make their political independence more real. Whether or not this is a rational attitude is beside the point. It is a fact that is with us now, and will be with us for as long as one likes to peer into the future. In that context, the activities undertaken by the FAO to disseminate information about the methods that could be adopted for exploiting the natural resources of each country to better advantage are of supreme importance. These activities cover not only agricultural production but also dairy farming, livestock, poultry and such related primary industries.

The crux of the problem in respect of these activities in underdeveloped countries is the increasing of productivity per man-hour or per acre of land utilised; and this involves adoption of better methods of production, with all its corollaries of better financing, marketing etc. There are probably directions in which progress merely depends on men in one country coming to know how men in other countries organise these things. Or, maybe, the mass of statistics collected and published by the FAO regularly has information that may be of use in formulating policies for increasing land yields. One might indeed go further without being facetious or condescending. The statistical material collected by the FAO could have a direct bearing on similar work in the underdeveloped countries, which woefully lack such essential data. What data are to be collected and how, are points of great importance to these countries, especially when they are engaged in planned development. In deciding these, the help that would be derived from the FAO is of no little significance.

It might be worthwhile adding a little body to these observations, by reflecting on some of the items published in the production volumes of the FAO Year Book of Food and Agricultural Statistics. The latest of these, for the year 1954, contains information from land use through crops, livestock, production and consumption of fertilizers, tractors and pesticides to prices and index numbers of prices received and prices paid by farmers. With this mass of information for almost all the countries in the world, one can work out all sorts of correlations, and at the worst, derive some amusement. But even a casual juxtaposition of some of these data may set one thinking about the real problems that arise in the agricultural sector.

Here is an example. Both Belgium and the United States grow wheat and oats. They are important crops in these countries, and in both countries fertilizers and tractors are used on a large scale. But the average yield in Belgium in 1953 was 3,260 kilogrammes per hectare in respect of wheat, and 2,870 kilogrammes per hectare in respect of oats. The yields in other years were also around this level. Compared with this, the yields in the USA in 1953 were as follows: Wheat, 1,160 kilogrammes per hectare and oats, 1,110 kilogrammes per hectare. Yields in other years were of a similar magni-

tude. Why are yields so much higher in Belgium than in the USA? Arable land and land under tree crops amounted to about 1.05 million hectares in Belgium and about 193.37 million hectares in USA during that year. Corresponding to this, Belgium had 17,345 tractors in operation and consumed about 317,500 metric tons of fertilizers (nitrogenous, phosphoric acid and potash varieties). On an area 193 times larger, USA employed 4,200,000 tractors and consumed 5,480,000 metric tons of similar fertilizers. That is to say, USA used relatively more tractors than Belgium, while Belgium consumed relatively more fertilizers per hectare.

Now, one can straightaway infer from this that yields are a function more of fertilizers than of tractor cultivation. This is probably nothing new to those in the field; also, an inference of this sort may be objected to on technical grounds.

But the point is this: the result obtained above could provoke thought in several directions. Apart from these two, was there anything else that contributed to higher yields in Belgium than in USA? If fertilizers and not tractors determine yields, why should one bother about the size of farms? One can spin out many such questions, and in an honest effort to find answers to them, pitch upon points of great importance.

All this is by the way. It only emphasizes the usefulness of the statistical work being done by the FAO. But this is not the only function that it performs; the organisation's scientific divisions are very much in the van of the fight against pests and natural damages to soil. It is a fight undertaken by the FAO on behalf of humanity, not this country or that alone. And for that reason, the FAO deserves a big hand, on this, its tenth birthday.

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From the London End

The Small External Surplus

IN his Mansion House speech earlier this month, the Chancellor of the Exchequer claimed that in spite of the sharp falls in the gold and dollar reserves over the past year, a "small surplus" in the balance of payments for the first half of 1955 was in fact achieved. This claim was then generally received with some surprise. Some explained the "small surplus" in terms of a sharp rise in invisible earnings while others found it "just too difficult to believe". This latter view was based on the course of imports and exports over the past year and of the rising trade gap. Now the "surplus" is explained. The Balance of payments White Paper issued this week shows that on current account, excluding extraneous items, a deficit of £16 million occurred in the first half of this year compared to the surplus of £141 million and the deficit of £5 million in the first and second halves of 1954 respectively. It was the extraneous item "Defence Aid" that has covered the deficits since July 1954.

The White Paper, though purely statistical, gives the clearest possible picture of the course of the domestic inflation since May 1954. In Table I the swing into deficit over the past 18 months is seen with remarkable clarity. The distortions resulting from the dock workers' strike of November last have, of course, inflated the level of exports in the first half of 1955. It has been estimated that these strikes resulted in a £150 million carryover of export shipments into the new year. Taking this into account, exports over the past 18 months have remained relatively unchanged at an average six-monthly level of about £1,450 million. Imports, however, do not appear to have been distorted so much by the dockers' strike. There was a steady increase over the period.

The fundamental importance of the overseas sterling area and in particular, of the colonial area in maintaining the traditional triangular balance in Britain's external economic relations is equally shown by the White Paper statistics. Even after taking into account the "Defence Aid" item, Britain ran a large deficit (£102 million) in its account with the non-sterling world. The deficit with the dollar area was alone in the region of £56 million in the

first half of 1955. And yet, the gold and dollar reserves declined by only £29 million, while Britain's sterling liabilities to the non-sterling world fell by only £51 million.

The explanation for this difference between the financing of the non-sterling deficit of Britain and the deficit itself is, of course, found in the earnings of the colonial territories. The dollar surplus of the colonies in the first half of 1955 amounted to £60 million. Apart from this, the colonies sold about £5 million worth of gold to the Bank of England. The Commonwealth countries, on the other hand, just about struck even in the payments with the dollar area: their trade deficit was covered by gold sales to Britain.

As a result of this situation, there has been some redistribution in Britain's short-term liabilities to all countries. The sterling assets of the

dollar and the transferable account countries fell by £25 million in the six months January to June 1955. There was also some drawing on the sterling balances of the non-colonial countries of the sterling area (by about £88 million). These drawings possibly covered the trade deficit with the rest of the sterling area since their dollar accounts were, in the main, financed by gold sales to the United Kingdom. For the Colonies, however, their relatively immobile sterling balances rose to the peak level of £1294 million—an increase of £71 million in six months. The Economist describes this remarkable position with irritating self-satisfaction:

"The good work done by the colonies mitigated the external strain on Britain".

Nothing is said of the forgone purchasing power of imports which this piling up of sterling balances repre-

Table I—U K Balance of Payments
(£ million)

	1954		1955
	1st Half	2nd Half	1st Half
All Countries:			
Exports	1424	1392	1531
Imports	1471	1536	1667
Balance on Trade	— 47	— 144	— 136
Net Invisible	+ 188	+ 139	+ 120
Current Payments Balance	+ 141	— 5	— 16
Defence Aid	+ 24	+ 26	+ 33
Balance	+ 165	+ 21	+ 17

Table II—Gold and Dollar Accounts
(£ million)

	1953	1954	1955
	Year	Jan-June	July-Dec. Jan-June
Transactions with Dollar Area			
United Kingdom:			
Imports (fob)	519	240	325
Exports (fob)	443	205	213
Invisibles (net)	— 39	+ 32	— 28
Current balance	—115	— 3	—140
Defence aid	+102	+ 24	+ 26
Repayment of Govt. loans	— 43	— 6	— 31
Other capital transactions	+ 66	+ 34	+ 68
UK NET BALANCE	+ 10	+ 49	— 77
Rest of Sterling Area:			
Dollar Balance:			
UK Colonies	+101	+ 54	+ 47
Other sterling countries	— 15	— 29	— 46
Gold sales in UK			
UK Colonies	—	+ 3	+ 6
Other Sterling Countries	+ 79	+ 64	+ 66
TOTAL RSA NET CREDIT	+165	+ 92	+ 73
Transactions with Non-Dollar areas	+ 65	+ 38	— 88
Net Change in Gold Reserves	+240	+179	— 92

sents, nor of the reduction of the claims on the British economy which results from the British control over the disposal of these balances.

The statistics in the White Paper do not give any precise indication of the inflow and outflow of short-term capital over the past six months. There is a "balancing item" amounting to £22 million, this being described as "net borrowings". On the other hand, there has been a fall in the

sterling balances (the liquid sterling assets) of the non-sterling world to the extent of £25 million. If it can be assumed that the current account of the U K Balance of Payments was financed by gold and the foreign exchange earnings of the colonies, it would then appear that in six months £3 million flowed out in spite of the favourable rates of interest in London. While this figure is by no means accurate, it has all the ap-

pearance of being true, if account is taken of the various pressures on sterling arising out of rumours of a change in the gold parity. These rumours had gained most widespread currency in June and it is possible that in that month alone such a large outflow of short-terms took place as to wipe out any inflows that may have occurred after February 23rd when the Bank rate was raised to 4½ per cent.

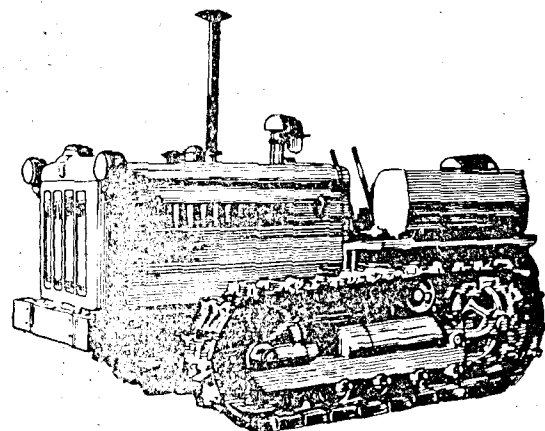
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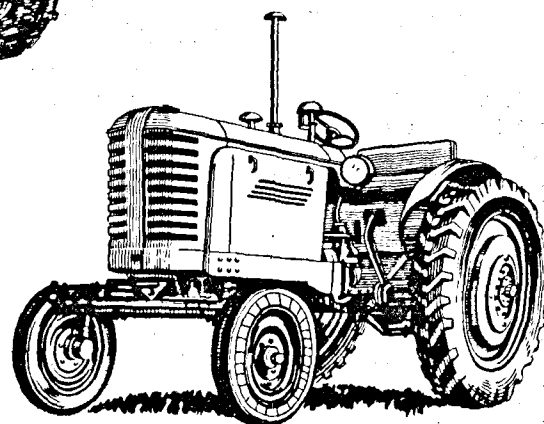
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inches to 70.9 inches

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NEW DELHI

October 29—December 15, 1955.

From the Calcutta End

Displaced Persons

THERE are many angles to a problem. Consider, for instance, the problem of displaced persons from East Bengal. This influx of refugees started many years ago. It still continues. Some days ago, Shri Meher Chand Khanna, Union Rehabilitation Minister, appealed to Pakistan to stop this exodus. His Secretary has echoed his appeal. East Bengal's Chief Minister has issued an appeal to his countrymen to solve the minority problem. Eight years after partition, both New Delhi and Karachi prefer to pretend that the problem can be solved this way.

Realism is a political virtue. Experience is conclusive that the problem cannot be solved this way. Refugees continue to pour in. In the first eight months of this year, the influx has continued to increase. It was, and is, due to a combination of political and economic factors. Both these influences persist. Economic conditions in Eastern Pakistan remain unstable. This breeds political and economic discrimination against East Bengal Hindus. This state of affairs will continue even if Mr. Fazlul Huq's dream of full regional autonomy for Eastern Pakistan comes true.

State Boundaries

Once it is assumed that the refugee influx will continue, the problem of rehabilitation becomes urgent. Realism again dictates that a pronounced characteristic of Bengalis be appreciated. Experience shows that attempts at settling the refugees outside West Bengal have not been very successful. East Bengal Hindus can be blamed for their incapacity to adapt themselves to new environments. But their problems cannot be solved by blaming them. Here, the problem of reorganisation of State boundaries becomes relevant.

West Bengal's case seems to have gone by default. To put it in another way, West Bengal's claims have suffered through wrong emphasis. West Bengal's Government, the Pradesh Congress Committee and all other political parties supported the claims to some areas of adjoining States on grounds of language and culture. Some of these claims were well documented. SRC implies that the census figures of

the claimed areas in Bihar are intriguing. Its recommendations about domicile rules confirm some of West Bengal's allegations against discrimination of Bengalis in Assam.

Linguistic and cultural affinity of the areas claimed was stressed in all the representations made to SRC. But the close relation between refugee rehabilitation and West Bengal's claims to some parts of adjoining States was not duly emphasised. Nor did SRC consider this co-relation in all its aspects. A comparative examination of population and area of West Bengal, Bihar and Assam justifies West Bengal's claims to some parts of Bihar and Assam. Some such rearrangement of boundaries of these three States could have partially eased the problem or rehabilitation of refugees.

Plan Outlines

Rehabilitation Secretaries of Eastern States have now assembled at Darjeeling to discuss plans for refugee rehabilitation. Some days ago, Shri Khanna had talks on this problem with some MPs of the States concerned. Plans for refugee rehabilitation have yet to be finalised. But the outlines have been framed. Hindu refugees from East Bengal are to be settled in the various parts of the country. Congenial sites and surroundings are being selected. Among the Eastern States, Bihar and Assam will have refugee pockets where townships will be established to rehabilitate the refugees. It is strange that this aspect of the problem was not adequately examined by SRC in recommending readjustment of State boundaries.

Certain facts emerge out of the tentative plans for rehabilitating East Bengal refugees. New Delhi accepts responsibility for settling these refugees. It admits that West Bengal alone cannot solve this problem. There is recognition that refugee rehabilitation must be a major aspect of the second Five-Year plan. This problem is now being jointly considered by the Union Rehabilitation Ministry and the Planning Commission. These are welcome developments. These arrangements have been under discussion for about a year. SRC, therefore, could not be unaware of these plans. Yet, nowhere in its report is there any indication that it has considered

West Bengal's claims to territories from the adjoining States from this angle.

Shri Mehr Chand Khanna's approach to the problem of refugee rehabilitation is honest and humane. Plans for establishing industrial townships in and around refugee colonies in the various States are sound. Every year, New Delhi will loan out Rs 3 crores to industrialists to help them start small and medium-sized industries in these townships. Industrialists will have to provide Rs 3 crores more each year. In the next five years, Rs 30 crores will, thus, be available to develop industrial townships to absorb refugees. This is a good start. But these plans will have to be expanded further.

Income Issues

Dr John Matthai was in Calcutta a few weeks ago. He delivered an address before the Indian Council for Economic Affairs. It was an illuminating address in which he discussed topical issues like deficit financing, nationalisation and ceiling on incomes. His remarks on the problem of a ceiling on incomes have evoked considerable criticism. Dr Matthai did justify the Taxation Enquiry Commission's recommendation on this issue. But the critics do not seem to realise that neither Dr Matthai nor TEC is in favour of a ceiling on incomes immediately. It has to be enforced over a period of years.

Dr Matthai emphasised the political and ethical aspects of the problem of a ceiling on incomes. In his presidential address before the half-yearly meeting of the Bharat Chamber of Commerce, Shri Ranganath Bangur discusses the issue from the economic angle. Balancing of incomes poses a problem. Shri Bangur's contention is that the problem should be solved by levelling up, and not by levelling down, incomes. He suggests that the Government is already trying to divert incomes by its tax and wage policies. But TEC's proposal that the after-tax higher income over Rs 25,000 should be immobilised by certain devices is opposed by him.

Shri Bangur furnishes interesting statistics. Assessors with incomes of Rs 25,000 and over now contribute 62.9 per cent. of income-tax re-

ceipts. Thus the tax policy leads to diversion of incomes. Even with a 87.4 per cent tax, there is some incentive left to private enterprise. Dr Matthai's proposal, Shri Bangur warns, will eliminate even this small incentive. If incomes are frozen at Rs 25,000, there will be no incentive left for private enterprise to assume

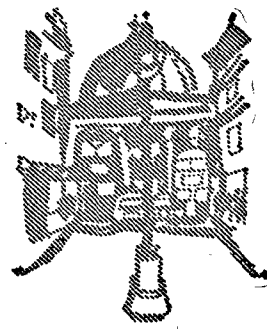
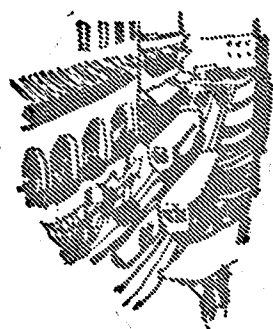
risks. Unemployment will grow.

Shri Bangur complains that the Government's tax and wage policy is creating unemployment. There is nothing new in this argument. But Shri Bangur is amusing in his criticism that any policy for fixing a ceiling on incomes is undemocratic. In a free democracy, disproportion-

ate disparities in incomes are frowned upon. But Shri Bangur concludes that any policy of immobilising income beyond a ceiling "is an attempt at applying an economic tool which is alien to the assumption of basic freedom in a democratic society". So, now one knows how definitions can differ.

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Official Papers

Monetisation and Development

Scope and Structure of Money Economies in Tropical Africa; United Nations, Department of Economic and Social Affairs, New York 1955.

Reviewed by **Hannan Ezekiel**

THE need for information about the nature and volume of subsistence production in underdeveloped countries has been repeatedly stressed in recent years. Recent national income studies of such territories have in fact provided considerable information on this sector and it is now possible in most cases to obtain a balanced picture of their economies. Since, however, these economies are being subjected to substantial changes and in fact the information now available is intended to be utilised for formulating policy for facilitating such changes, a more dynamic picture is essential—a picture of the changing relations between the subsistence and exchange sectors of the economy. A study of the process of monetisation and of the factors determining it was published recently by the United Nations under the title 'Enlargement of the Exchange Economy in Tropical Africa.' The information available about the monetised sector, however, itself needs to be subjected to careful analysis. This has been done by the United Nations Department of Economic Affairs for the same region in the present report. The geographical rather than the national product is taken for the purpose of analysis.

The report distinguishes three major sectors, which directly or indirectly account for the total product of the money economies of tropical Africa. These are the export sector, the public sector and the autonomous exchange sector arising independently of the other two. The first two are held to be strategic "in the sense that they largely account for both the short-run fluctuations in the level of activities and the growth of the money economy in the long run".

Three features of these economies are highlighted for the purpose of short-run analysis. (1) The money economies in tropical Africa are open economies, that is to say, the impetus to the rise of activities derives largely from external sources, (2) the secondary effects of this impetus in creating further activities within the economies are limited in scope; and (3) the supply of domestically produced goods is relatively

inelastic, not only in the short-run but possibly in some other territories also over a considerable period. The study concludes that this combination of factors sets limits to the effective rate of development expenditure, though these vary from territory to territory and within each territory from time to time.

The activities of the public sector are considered important because they enlarge the scope of the monetary economy and powerfully influence its structure. The fact that Governments are likely to spend proportionally larger amounts on domestic goods and services than the private sector, from which they obtain their funds through taxation, means that the generation of secondary income within the economy is encouraged through the enlargement of the public sector.

Presumably, the report would like a large development programme to be undertaken on the basis of this analysis. But the limitations to such a programme have been already indicated. These limitations, according to the report, may become more severe in the event of a large rise in export income in the private sector, "which would then come into sharper competition with the public sector for goods and services, the supply of which is, in the short-run, inelastic". In these circumstances, the report concludes, "if development is not to be jeopardised by inflation, Governments may face the necessity of neutralizing the immediate effects of such an increase". The type of situation that has developed in some British colonies, where marketing boards have built up large reserves, thus in fact neutralising the rise in export incomes, is evidently welcome to the authors of the report on these grounds.

This is the basic analysis of the short-run problems of the economies of tropical Africa and the remaining chapters are devoted to detailed analyses of different aspects of the monetary economies of these countries, which are intended to support the conclusions contained in the basic analysis outlined above. The report does admit that this analysis

is fundamentally short-run and applicable only to the situation as it prevails at present. It emphasises that the problems of long-term growth are considerably more complex.

The complexity of the long-run factors arises from three factors. In the first place, economic development implies monetisation and therefore a shift of resources from subsistence production to specialised production for markets. Scope for this is considerable. Secondly, the increase in money incomes that will result from monetisation will induce changes in habits of spending and saving and in elasticities of supply. Thirdly, changes in techniques of production, especially in agriculture, are a necessary condition for economic development, and such changes cannot be expected to come about automatically. All this has to be appreciated in the context of ignorance about the significance of money incentives in a backward social system. Changing population provides another semi-independent factor to be taken into consideration.

It will be noticed that the short-run analysis differs considerably from the long-run and one could perhaps argue that the former fails to take note of the significance of the latter. Involved in the long-run analysis is the influence of sociological factors, which seem to have been entirely disregarded in the former. The tendency, at any rate in the short run, to regard the social factors as obstacles to be overcome and in fact to be blasted out of the path marked out by apparently desirable economic objectives through the instrumentality of economic change, is quite apparent in this analysis—which is not surprising as most economists appear to think along these lines on problems facing the underdeveloped countries.

The report argues that in "inducing and assisting economic and technical changes, social resistances will have to be overcome. At the same time, part of the resources of Government will, of necessity, have to be devoted to mitigating some of the social consequences of economic de-

velopment". Not a thought appears to have been given to the need for inducing autonomous social changes and integrating the process of social change with that of economic change. The latter is conceived of as the instrument for blasting the foundations of those social forces that may appear to be antagonistic to economic development.

The significant place given to the public sector in bringing about economic development, which is identified in this study for all practical purposes with monetisation, is itself an evidence of this approach. At the same time, the present insignificant place of the autonomous exchange sector, is taken as conclusive proof of its unimportance in the process of development. A more careful analysis, not carried away by existing economic situations nor forgetful of the importance of social factors, might well have led the authors of this report to place a greater emphasis on this sector. The widening of the area of choice offered by the use of money and the greater scope for improving methods of satisfying one's wants offered by rising money in-

come might well be considered the instruments for bringing about the change in social attitudes necessary for the growth of the autonomous sector—which, in turn, by its impact on secondary income-formation on the one hand, and on elasticities of supply on the other, would open up the path towards rapid economic development.

The study of the relations of indigenous and non-indigenous peoples to the monetised sector provides further material for expanding the type of analysis indicated above. The need to change a situation in which "indigenous inhabitants become involved in the money economy largely as wage-earners" would also stimulate further thought in this direction. It is because of the importance of non-indigenous enterprise that the indigenous people get related to the money economy only in this way. Extension of public enterprise would not directly remedy the situation, but would worsen it. Only a study of social factors can indicate why indigenous enterprise is engaged primarily in agriculture and apart from that only in distribution. Yet as the

report points out, in "the Gold Coast a relatively important diamond mining industry has been developed in recent years by indigenous small-scale producers". In what circumstances could this happen? If it is the small-scale character of the enterprise which made this possible in the Gold Coast, would that not suggest that it would be desirable to change traditional economic ideas and thus facilitate the growth of indigenous enterprise instead of trying to fill in the existing lacunae through the entry of the State?

The conclusions of the report, as I have indicated above, raise a whole set of questions. It is to the credit of the rest of the report that it provides the material on the basis of which an independent analysis can be made. The differences between the territories show that in each case some differences in approach and technique may be permissible and even desirable. Provided the conclusions of the report are subjected to critical examination, the report should prove very useful in studying the problems of economic development in underdeveloped areas.

Views on States Reorganisation - I

Karnataka and Mysore

K N Subrahmanya

THE recommendation of the States Reorganisation Commission to form a Karnataka State bringing together predominantly Kannada-speaking areas presently scattered over five States has been generally welcomed by a large section of Kannadigas who had a genuine, long-standing complaint that their economic and cultural progress was hampered owing to their numerical inferiority in the States dominated by other linguistic groups. There is a feeling of satisfaction among the Kannadigas over the Commission's approach to the question of the formation of a Karnataka State, although there is room for differences of opinion on questions of minor detail. Barring these minor differences, it must be said to the credit of the Commission that it was moved by a genuine desire to help the creation of a homogeneous, viable State having vast potentialities for expansion.

Nevertheless, to an outsider unfamiliar with the currents and cross-currents of opinion inside the Kannada-speaking areas, the discordant voices now being heard in responsible quarters give the impression that there is no unanimity of opinion among Kannadigas even on the major issue of a United Karnataka. Puerile and inconsequential as these hallucinations are, an appreciation of the motives behind these vain outbursts is worthwhile. In the course of this article, an attempt is made to interpret the under-currents of opinion in Karnataka against the background of the Commission's recommendations.

The Commission has recommended the formation of a Karnataka State consisting of the following areas:

1 The present Mysore State excluding the following portions of Bellary district as now constituted, namely, the Siraguppa taluk, the Bellary taluk, the Hospet taluk and a small area of the Mallapuram sub-taluk in which the dam and headworks of the Tungabhadra Project are situated.

2 the four Kannada-speaking districts of the southern division of Bombay, namely, Belgaum except Chandgad taluk, Bijapur, Dharwar and North Kanara;

3 the districts of Raichur and Gulbarga;

4 the South Kanara district except Kasaragod taluk;

5 the Kollegal taluk of the Coimbatore district of Madras;

6 Coorg.

The State thus formed will have a population of 19 million and an area of 72,730 square miles.

Criticism of the recommendations of the Commission, so far as it relates to Karnataka State, falls into two categories. Firstly, there are those who welcome the suggestion to form a Karnataka State but complain that the Commission has excluded certain areas, which on a purely linguistic basis, should be included in the proposed Karnataka State. And secondly there are those who, for some inexplicable reason, oppose the formation of a single State comprising all the major Kannada-speaking areas. They put forth the plea that the merger of a progressive area like Mysore with the rest of the Kannada-speaking areas, which, they argue, is backward, would place an unnecessary strain on the resources of Mysore. Loyalty to their Rajpramukh is also put forward as an argument against effacing Mysore State from the future map of India. For sentimental reasons, some of them, at any rate, do not view with favour the suggestion to abolish the institution of Rajpramukh.

The Commission's recommendation on the Bellary district and Kasaragod taluk has caused disappointment among Kannadigas. So far as Bellary is concerned, it was already a closed issue, having been joined to Mysore State on the basis of Shri Justice Misra's award. Indeed, the process of integration with the neighbouring Kannada-speaking area of Mysore was so smooth that the recommendation of the States Reorganisation Commission to transfer the entire area back again to Andhra came as a rude shock to Kannadigas there. The interests of Kannadigas in Bellary would be gravely affected if it was appended to Andhra State and it would be a prolific source of perpetual conflict between Karnataka and Andhra. That the Commission is keenly aware of it will be evident from its advice to the Andhras: "We trust that the Andhra Government and the leaders of the Andhra State

will show vision and broadmindedness in dealing with the Kannada population of the area in question and will provide for adequate educational facilities for them and also ensure that they are not discriminated against in the matter of recruitment to services." How far this paternal advice will be heeded remains to be seen. In this connection, one fails to appreciate the attempt of the Commission to link up the Kolar question with that of Bellary. In treating Kolar as a bargaining counter, the Commission has thrown to winds the principles that they had set before them. The Commission easily dismisses the question by saying: "The retention of Kolar district in the Karnataka State and the addition of the major part of Belgaum district to it will, in our opinion, be more advantageous to the new State than the continuance in it of the eastern portion of the Bellary district." There is a growing feeling among Kannadigas in Bellary that the Commission has succumbed to the pressure tactics of a handful of business tycoons of Andhra who have stakes in the town. In view of the fact that even some of the outstanding recommendations of the Commission are going to be changed, in all likelihood, to satisfy the interests affected, one hopes even now that suitable readjustments along the Andhra-Karnataka border will be made before the reorganisation of the States finally takes place.

Another recommendation which has aroused Kannadigas' protest is the inclusion of Kasaragod taluk in the proposed Kerala State. Kannadigas concede the claim of Kerala up to the Chandragiri river, but oppose the proposal to exclude the entire taluk from the proposed Karnataka State.

Two Karnatakas

Since the publication of the report of the Commission, a section of the people in Mysore State have voiced their opinion against the formation of a single State of Karnataka. Fissiparous tendencies have become apparent even inside the Mysore Cabinet, which so far, had maintained a sphinx-like silence behind a facade of unity. The facade has now been pulled down and three ministers have come out with a categorical state-

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ment opposing the formation of a single State of Karnataka by joining the Mysore State with the other areas. Curiously enough, the Chief Minister, who had consistently taken a favourable stand on the formation of a United Karnataka, now seems to be vacillating on the brink of a cabinet crisis. The dissident ministers, in their statement, said:

"The States Reorganisation Commission's proposals for Mysore deny to Mysore what has been conceded by them to Hyderabad and Vidarbha. These two new States with lesser population than Mysore have emerged and taken shape in the picture of future India. But Mysore, which has been assiduously built by its great rulers for decades, has been effaced from the all-India map... The people of Mysore are demanding that the Kannada area should be divided into two States: 1. Mysore with Kannada areas lying in the east and west of it; and 2. the Kannada areas lying to the north of Mysore."

It is difficult to establish a direct casual connection between this new movement in favour of two Karnatakas and the fear of some of the major communities in Mysore State that in the future set-up, they would be reduced to pitiful minorities. Nevertheless, the motive force behind this reactionary movement seems to be the communal groups who have now a major voice in the political affairs of the Mysore State but are likely to lose their importance in the future Karnataka State. The Commission has referred to this problem in its report. It states that "there has grown up in the last two or three years opposition to the unification of Mysore with other Karnataka areas." Quite apart from the fear that the inclusion of relatively under-developed areas in the financially stable Mysore would lead to huge budget deficits, there is the fear among the Vokkaliga community that they would lose their importance in the Karnataka State. Considering that the movement is of very recent origin, it does not seem to have any sizable following in the countryside. It is argued, however, on their behalf, that the Vokkaligas who now constitute about 29 per cent in Mysore State, would be reduced to about 14 per cent in the proposed Karnataka State. On the other hand, the Lingayats, who form a predominant section of the Bombay Karnataka, will, in the future set-up, constitute about 20 per cent of the total population, thus tilting the

scales against the Vokkaligas. Over and above this is the fear of the political leaders of Mysore that they would suffer a political eclipse in the new State. The Commission has dismissed these arguments by stating that in the perspective of the political and economic development of the Karnataka State, the importance of narrow communal jealousies should not be exaggerated.

As public opinion in favour of a United Karnataka is overwhelmingly strong and persistent, it seems likely that the reactionary pseudo-royalist movement will fizzle out in course of time. As for the economic prospects of the Karnataka State, the Commission has estimated that in the initial stages, it will have to run a deficit of over one and a half crores of rupees. This is accounted for by the heavy burden of servicing the public debt the new Government has to bear on account of the Tungabhadra and other projects. When the projects are completed and when the initial period of transition is gone through, this deficit is expected to decrease to manageable proportions. The Commission has rightly dismiss-

ed this as an argument against the formation of a Karnataka State. Further, the creation of a Karnataka State will enable the speedy development of the Malnad area now distributed over many States. When the entire Malnad area, so rich in natural resources, comes under one administration, it is reasonable to expect that there would be greater scope for development through proper, comprehensive planning. Far from being a drag on the resources of the area now comprising Mysore State northern Karnataka will contribute in a large measure, to the balanced growth of the Karnataka State. With the completion of the Tungabhadra, Upper Krishna, Bhima, Ghataprabha and Malaprabha projects, the Karnataka State will have increased irrigational facilities and the recurrent food deficits in the area now constituting Mysore State will be eliminated.

Of course, the new State will have to bear the additional burden of levelling up the pay scales but this will indirectly foster contentment and a better standard of administration in the long run.

Views on States Reorganisation - II

A Karnataka Viewpoint

KARNATAKA has no special reason to exult over the recommendations of the States Reorganisation Commission—particularly in relation to itself. The 30-year old demand for a separate Karnataka State, arising out of a desire much older in origin, was too well-grounded to be brushed aside. Scattered over five States with no particular reason or motivating factor, the territory of Karnataka has been suffering from neglect and near-oblivion with the exception of Mysore and, to some extent, Coorg. When the new State of Andhra was carved out, it was inevitable that the establishment of Karnataka should follow; and if there has been delay, it must be put down to the indecision of Authority rather than to any want of earnestness and effort on the part of the people concerned. Minor differences there were, and there are bound to be in any move for territorial redistribution. But such differences in the case of Andhra were not allowed to hold up the formation of a new State. Even if language were not to be the supreme consideration, Karnataka had a case all its own. There has been and is a certain natural unity, geographical, economic and cultural, about the territory which none but the purblind could ignore. And that unity could survive the strains inevitable in a scattered existence for decades, as the States Reorganisation Commission has had to admit.

That this fact has been recognised at last may be a source of gratification to some; but even in their case the feeling cannot be one of unmixed joy. Karnataka's temperament is not aggressive; and its struggle throughout has been to protect itself against aggressive designs all round. Encroachment, infiltration and insidious replacement of Kannada by other languages have been the methods employed through the years by enterprising neighbours to secure more elbow-room; and backward as Karnataka was, it was only lately that anything like a defensive movement started. But by then much mischief had been done; and thanks to it, what Karnataka has got today from the Commission is a nibbled territory. A number of Kannada-speaking areas that had come under the domination of others in the north, south and east have been withheld without so much as an explanation; and even some that were a

part of Karnataka or had been granted to it like the Kannada-speaking localities in the Kasargod taluk of South Kanara and significant portions of the Bellary district, have been taken away. While Kasargod's fate would seem to have been taken for granted, an elaborate explanation has been attempted in the case of Bellary, which to cynics might sound like an argument for Andhra rather than a plain assessment of the issues involved. In any case, Karnataka's close cultural links with Bellary areas and the fact of their containing several places of more than ordinary historical and sentimental significance would seem to have received no attention at all. What is more, Bellary has been made an issue of barter with the Kolar district in Mysore, which, though never a source of much controversy, has come to assume sudden significance. Much has been made of the allocation of Belgaum to Karnataka; but one wishes there were some mention of the gifts made of several Karnataka areas to the Bombay State, Hyderabad, Andhra and Tamilnad.

Karnataka has no designs on neighbouring States; and if any Kannadigas have, they are then clearly false to the spirit of harmony, amity and tolerance that has characterised the growth of Karnataka. But in a comprehensive reorganisation of the pattern of States, a reorganisation that is meant to be final and lasting, Kannadigas are perfectly justified in saying that areas which rightly belong to them should not be allocated to others. It would be unwise to leave pockets of frustration and discontent all round the border. The argument that they will after all be within India, no matter to which State they are handed over, knocks the very bottom out of the scheme of reorganisation. If so, what is the need for reorganisation at all? But if there is to be reorganisation, why should it not be made on a sound and comprehensive basis?

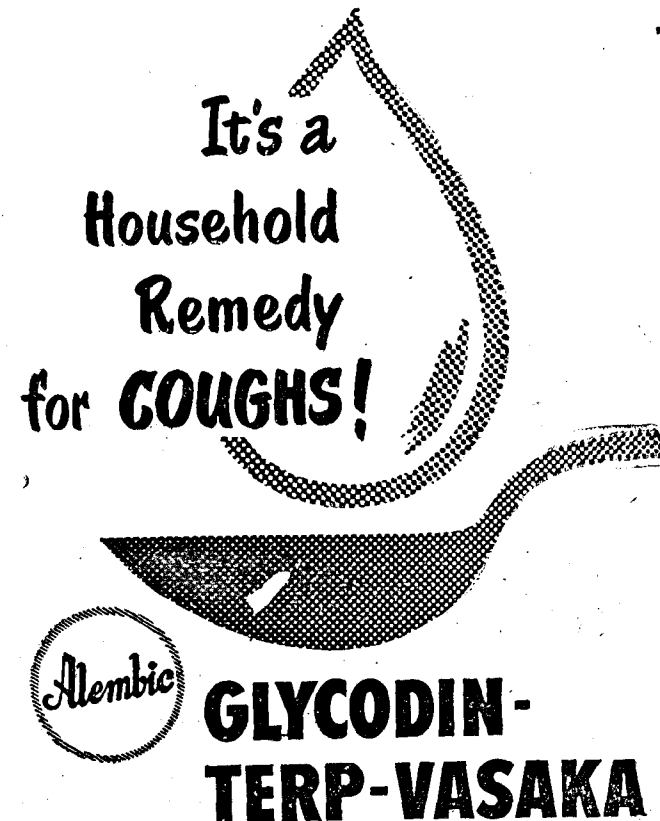
But to say so is not to condemn the Commission. They were surely faced with a ticklish and thankless task; and having to deal with conflicting claims, they evolved certain general principles to proceed upon. But general principles, while convenient in such a situation, may not always lead to satisfactory results, particularly in respect of details, which though seemingly small, may

have a significance not comprehended in the general principles. Making allowance for this, it must be said that the Commission has made a good job of its assignment. In the broader aspects of the issue, Kannadigas have little to cavil at that august body. Particularly creditable has been its decision to commend a single, united Karnataka State instead of two, as had been proposed in certain quarters. And the Commission's robust view of the future of the proposed new State is bound to come true. It may start with a deficit; but the potentialities of the State in agriculture, industry and trade, with vast undeveloped resources in soil, forest, water and manpower, are such that it may well prove to be one of the more prosperous States in free India in course of time. And that is not to speak of the special role that this State may come to play as a bridge between the north and the south—a harmonising factor, a medium for linguistic and cultural synthesis.

Meanwhile, what about the immediate present? What about the little border issues that demand attention? The Commission has done its task, and quite ably too; and now it is for the people concerned to tackle the rest of the problem. They will have enough opportunity to do so through the various State legislatures and Parliament—more perhaps through Parliament than the State legislatures where the position of Kannadigas is anything but strong. There is no point in getting excited over imagined wrongs and having recourse to measures which may further complicate matters. If the new State of Karnataka is to play the role which it is best fitted to play in India of the future, then it must make a start right from now on.

Respect for justice and fair play, understanding, tolerance and sportsmanship, and not envy, anger and pettiness should mark its efforts to settle the few issues that demand attention. Indeed, Karnataka leaders would set a welcome example and deserve well of the country if they made a direct approach to the neighbouring States concerned and took up the task of mutual adjustment in a spirit of goodwill and friendship in advance of Authority. India badly needs such an example at this troubled moment.

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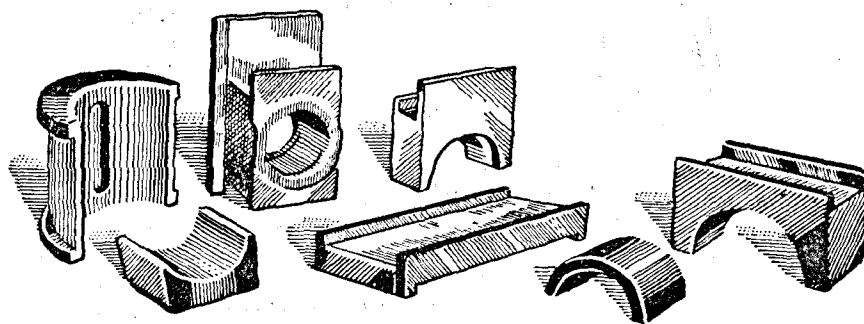
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Bombay's Transport Problem

(Contributed)

ONE of the most important effects of the rapid growth of population in Bombay City in recent years has been the emergence of an acute transport problem. This problem presents some of the most characteristic features of the problem of urban transport, made even more difficult of solution by certain peculiar geographical and historical factors.

Bombay City is situated on an island which runs from north to south in an elongated oval and is connected with the mainland at the north end by two causeways at Mahim and Sion. Greater Bombay includes what were previously described as the suburbs, situated on the main land along two railway lines. These suburbs are connected with the City by the causeways on each of which there is a road and railway line.

Commercial Centre

The commercial centre of the City is what is described as the Fort area situated in the southern part of the island. Only Colaba, a shopping-cum-residential area, is to the south of the Fort area, while the rest of the City and the whole of Greater Bombay is to the north of this commercial centre in which are situated the offices of the Government of India, the Bombay Government and the Municipality, together with the offices of the principal commercial and industrial firms which give Bombay its predominant position. Somewhat to the north of the Fort area is another large shopping and commercial area known as the Crawford Market and Kalbadevi. In this region, however, residential housing is intimately mixed with business sectors.

The industrial areas of the City are Lalbaug and Parel in the centre of the island and the Sewri and Worli areas situated respectively to the east and west of the Lalbaug-Parel area. This industrial region is no doubt somewhat to the north of the commercial centre, but a considerable portion of the residential areas of the City constituted by the Dadar-Matunga-Mahim areas and the entire suburban territory also lie to the north of this industrial area. Between these commercial and industrial centres of the City is situated another large residential area stret-

ching from Dongri in the east to Girgaum in the west.

It is this basic factor, the geographical distribution of the commercial and industrial areas of the City vis-a-vis the residential areas, which gives rise to the transport problem of urbs Prima in India. The movement of the population to and from work or to and from the shopping and entertainment centres is respectively southwards and northwards. As a result, during the earlier part of the day there is a steady and heavy movement of people in the southward direction; and during the latter part of the day the movement is sharply in the opposite direction.

The problem arises from the need to transport this tremendous stream of humanity moving continuously in one direction during a given period of time and a similar stream which is homeward and northward bound for a roughly similar period of time later in the day.

To perform this function is the task of the two suburban railway services running more or less parallel to each other in the north-south direction, and also of the cars, buses and trams which run on the few main roads in the north-south direction.

Western Railway

Of the two suburban services, one run by the Western Railway, serves the western part of the City and the western suburbs which are relatively modern, having been encouraged to develop particularly in the post-1918 period. This terminates at Churchgate somewhat more to the north than Victoria Terminus, which is the terminating point of the Central Railway serving the eastern part of the City and the eastern suburbs. This latter has also a harbour branch which for a portion of its run goes even more to the east, hugging the docks which line the eastern part of the island overlooking the fine land-locked harbour between the island and the mainland. This harbour branch as it moves north turns to the west and crosses over the main Western Railway line to link with the Western Railway at Mahim, while the two main lines themselves touch (i.e. have stations side by side) a little more to the south at Dadar before diverging from one another once again. This connecting link at

two points facilitates any movement from the Western to the Eastern part of the City or vice-versa that may be found necessary.

The main problem before the railways is the tremendous volume of traffic that has to be moved in one direction during the peak hours. The fact that both the Western and Central Railways are electrified and that both utilise multiple-unit rolling stock operated by electric motors incorporated within each complete train has, of course, enabled the railways to carry a considerable number of passengers; but overcrowding is still the fundamental feature of the situation.

Packed to Capacity

Throughout the busy hours, trains run packed to capacity with passengers standing in gangways and doorways with hangers-on precariously perched. The problem here arises from the fact that at most points there are only two lines making overtaking impossible. Trains stopping at particular stations must wait for the minimum period necessary for passengers to alight and entrain, and the only possibility of speeding up the schedule is to have faster units that accelerate and slow down rapidly to reduce the intervals between the movement of trains.

New units have been introduced on both the railways do satisfy the first condition, but unless all the units possess this capacity, it is not possible to arrange time-tables in such a manner as to take advantage of their capacity. Considerable progress has already been made in reducing the intervals at which trains follow each other and further progress in this direction can be very limited unless shorter signal sections are introduced and other changes involving substantial capital works are carried out.

If increasing the number of lines can be carried out at particular points or additional platforms introduced, e.g., at Churchgate, some improvement in this direction may be possible. Already, fast trains of different speed limits, and the varying of the destination or starting point, e.g., Bandra, Andheri, Borivli or Virar on the Western Railways, help to carry the maximum number of passengers in the minimum time,

Mysore

DURING the festival of Dusserah, the enchanting 'Garden City' of Mysore becomes the centre of celebrations. In the flower-strewn streets, richly caparisoned elephants, silver and gilt coaches and colourful standard-bearers enact a pageant of unforgettable splendour.

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and it may be possible to improve this arrangement if the additional facilities noted above are made available.

The railways, it is apparent, cannot do much more than they are doing at present unless drastic changes are introduced; and in many cases, these are made impossible because of the built-up nature of the area through which they pass. The building of an underground may be a solution, but it is ruled out by its prohibitive cost. Even the technical difficulties would by no means be easy to overcome.

Road Transport

The problems faced by road transport are similar. The existing links in the north-south direction are too few to permit a smooth flow of the large volume of traffic that is necessary. Many of these roads are too narrow for heavy traffic and pass through dense residential-cum-shopping areas, Girgaum and Kalbadevi. On top of all these, Bombay's north-south tramway system passes through these very roads.

The total effect is to clog the traffic passing through these roads and thus reduce the pace at which each vehicle can move. This in turn holds up traffic, which actually reduces the volume of traffic that can pass through these channels during peak hours. The bad habits of motorists and pedestrians contribute in a vicious circle to the worsening of each other's habits and of the problem.

Remedial measures are undoubtedly being taken. Parking at certain points during certain hours is prohibited. Animal-drawn vehicles are not permitted on certain roads. One-way roads to smoothen the flow of traffic have been introduced. Turns in particular directions are prohibited at certain points and also U-turns on the main roads at peak-hours. Traffic control points have been strengthened and mechanical traffic control at an important crossing has been introduced as an experimental measure.

The system of pedestrian crossings has been enforced in important areas and an underground crossing constructed at the Churchgate end of Queen's Road, where the heavy flow of pedestrians crossing to the railway station has been hampering the flow of vehicular traffic. This is the first of its kind, and others at important centres are being planned. Widening of traffic channels at particular points and enforcing of the

traffic lane system on main roads have resulted in some improvement. But in spite of all these, the problem remains.

Abolition of Trams

A step that would give considerable relief is the abolition of tramways. The disadvantages of the slow-moving, unwieldy trams, held to fixed tracks, need hardly be stated in considering problems of urban transport. If, as often happens, a tram falls or does not move for whatever reason, an immediate hold-up of the entire traffic takes place which may mean valuable minutes lost for each vehicle on that road. But even otherwise the hold-up of traffic is considerable.

It has often been argued that this cheap means of transport to the poor man should not be taken away. This point needs to be examined. First, the tramways in Bombay are running at a loss today, and are able to carry on only because the bus services are making a profit. But that is relatively a minor point. More important is the immense social cost of running these services, the cost to motorists and bus services in the shape of extra petrol and oil, and additional wear and tear of brakes and tyres of thousands of cars, apart from the waste of time and the heart-breaking and nerve-wracking experience which drivers have to undergo. For the bus service, and taxis, the abolition of trams would mean a substantial increase in the number of passenger-miles carried during peak hours and thus a gain in revenue which might permit a reduction in fares or result in an increase in profits.

Other Possibilities

Buses running on petrol or diesel oil are not the only alternatives to trams. Trolley buses may provide a solution. In so far as they use electric power produced internally rather than imported petrol or diesel oil it may be considered an advantage that justifies their introduction. The economics of trolley bus operation would, of course, have to be calculated carefully; but the heavy initial capital expenditure in overhead wiring system would be the greatest disadvantage in view of the current scarcity of capital.

The best alternative would, of course, be the new type of electrically operated buses that require no continuous overhead system but would have to be charged at intervals at charging stations which

could be easily set up at various points. From the point of view of solving the Bombayman's transport problem, all these—ordinary trolley and electrically charged buses—would offer the same advantage of eliminating an important clog in the stream of traffic.

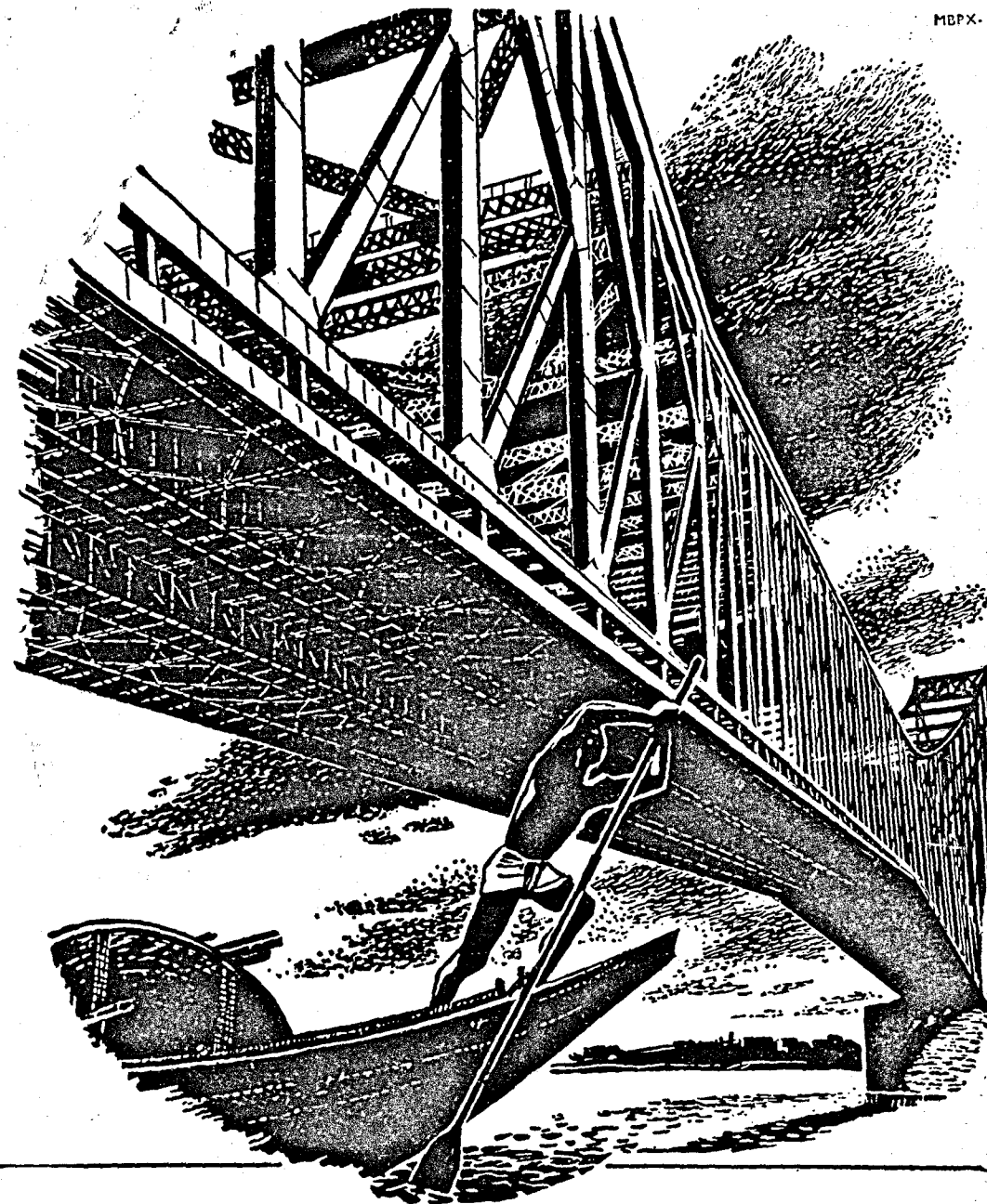
It should be apparent that the solution does not lie merely in introducing a larger number of vehicles on the road, but of speeding up the flow of traffic along the main arteries. The elimination of the tramway system will contribute considerably to that end. All the other measures that are being taken do help to a considerable extent, and require to be extended. The difficulty lies partly in the expenditure involved, and also partly in organisation.

Redistribution of Industries

The various measures that I have examined above for the solution of the transport problem in the city do not really attack the rest of the problem. It is the peculiar distribution of the residential and business-cum-industrial centres that is the source of the problem; and the narrow width of the island has worsened the situation. The solution lies obviously in bringing about a redistribution of these industries so that the flow of traffic is two-way at every stage.

Apart from the fact that it will be easier to transport the large mass of humanity to and from work this way, it will also improve the financial position of the transport operators since a larger number of passengers could be carried per vehicle per day with vehicles running full in both directions. This is easier said than done; at any rate, steps must be taken to ensure that both offices and industrial units are established to a larger degree in the 'Greater Bombay' area, than in the City itself. Even the existing establishments in the City could transfer their less essential sections to the suburbs, as has been done by an insurance company recently.

At the same time, an expansion of residential housing in the Colaba area will also help. Something has already been done in this direction, and that is why the problem is not much worse than it is. But with population and the city's importance growing as rapidly as they are, much more thought must be devoted to the achievement of such a redistribution than has been done till now.



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Around Bombay Markets

Firm Sentiment

Thursday, Morning

THERE was an extension of the boom conditions noticed last week with prospects of a further rise in prices all round in the stock exchange. In general, the budla rates on October 14 were normal and underlined the healthy technical position of the market. While the budla rates for Bombay Dyeing and National Rayon remained almost unchanged, those for Tata Steel declined from 11 to 9 annas on reports that a prominent bull operator was taking delivery from an old bull who was an active participant in the recent selling spree. The budla rate for Indian Iron was higher by half to one anna and for Bombay Burma it was higher still at Rs 1-8-0. Due to closure of books, the budla rates for cements were higher at Rs 3-4 against the normal rate of 8 annas.

A notable feature of this week's trading has been the phenomenal increase in the price of Premier Construction which recorded a new high level of Rs 190 on Wednesday. This scrip has not seen such a remarkable appreciation in value for the last seven years. The main factor responsible for the boosting of these shares was the reported move of the company's management to abolish the promoters' scheme which would prove advantageous to holders of ordinary shares. The abolition of this system means brighter prospects of the management simultaneously increasing the capital of the company. Reports that the Company's order books have already been well filled following, no doubt, the development schemes envisaged by the Second Five-Year Plan, also served to stimulate these shares.

While the volume of business was restricted due to anxiety regarding the future of Bombay State, sentiment in the market continued to remain firm. Tata Steel opened at Rs 253-12 and were taken up to Rs 257-8 on Monday to close at Rs 256-12. Indian Iron, the dividend prospects of which were a subject of speculation in the market, remained subdued as compared to the firm undertone in steel shares. After opening at Rs 39-1, these shares suffered a reaction revealing an overbought position and were down to

Rs 38-8 but again looked up and closed at Rs 38-13-6. On the last day of the week, the Company announced the dividend of Re 1, per share—the same as last year.

Thanks to encouraging reports from the cloth market, the textile section continued to lead with Bombay Dyeing moving up on rumours of a change in agency, from Rs 555 to Rs 575 though later they declined to close at Rs 560. There was active buying in Kohinoor, while Standard were well supported in view of the firmness of New Shorrock in Ahmedabad. Simplex which recorded a new peak at Rs 210 reacted a little to close at Rs 206-4. Gokak, Finlay and Swan were also sympathetically firm at Rs 304 and Rs 400, respectively.

Cotton

Weather Influences Futures Market

AN important factor, which influenced the cotton futures market both ways during this week

was the weather. In view of the reported damage to the standing crop in the cotton growing districts of Punjab, Khandesh and Berar, there was considerable speculation in the market as a result of which the new crop February contract which opened the week at Rs 640-8 improved to as high as Rs 644-8, a new peak level. On days when there were reports of favourable weather, however, there was an easy trend in the market, the lowest level for the whole week being Rs 633-8. It is now estimated that about two to three lakh bales have been affected by the recent untimely rains.

The Sewri spot market continued to be featureless for the greater part of the week. Several mills have already bought their requirements upto December and in a market subject to considerable fluctuation owing to conflicting reports of the extent of damage to cotton, it was natural for the mills to fight shy of entering into fresh com-

MARKET LEADERS DURING THE WEEK

	Oct 19 1955	Week's High	Range Low	Oct 12 1955
Steel Shares :				
Tata Ord.	256-12	257- 8	251- 8	253- 4
Indian Iron	38-13½	39- 3½	28- 8	39- 0½
Textile Shares				
Bombay Dyeing	560- 0	571- 4	555- 0	557- 8
Century	449- 8	454- 0	443- 8	445- 8
Kohinoor	349- 8	354- 0	341- 0	344- 0
Simplex	206- 4	210- 0	200- 0	202- 8
Swadeshi	234-12	236- 8	227-12	229-12
Miscellaneous Shares				
Associated Cement	211- 4	212- 8	205- 0	206- 0
Belapur	353- 8	358- 0	351- 0	352- 8
Burma Old	654- 4	660- 0	640- 0	640- 0
National Rayon	241- 8	245- 0	239- 0	236-12
Premier Const.	186- 4	190- 0	174- 8	176- 8
Scindia	18- 6	18- 8	17- 0	17- 2
Tata Chemical	19- 1	19- 2	17- 8	17- 8½
New India Assc.	49- 8	52-12	49- 4	52-12

OILS AND OILSEEDS

	Oct 19 1955	Week's High	Range Low	Oct 12 1955
Seeds				
Castor May 1955 (per candy)	95- 2	96-14	95- 2	95-12
Groundnut Dec-Jan (per cwt.)	22-13	22-15	22- 6	22- 9
Linseed Feb-Mar. (")	23- 4	23- 4	23- 0	23- 2
Kardi Ready (")	13- 8	13-12	13- 8	13- 4
Nigerseed Ready (")	22-12	22-12	22- 8	22- 0
Oils				
Castor Oil Com. (per quarter)	10- 5	10- 8	10- 4	10- 8
Groundnut Oil R.R. " "	11-14	11-14	11-12	11-11
Linseed Oil " "	14- 5	14- 6	14- 4	14- 4

mitments. As a result, the market was lethargic but for stray lots being bought by some mills for their immediate requirements.

As no fresh export quotas were announced prices of old crop Vijay have, as anticipated, moved down to Rs 233 On. However, new crop Vijay continues to rule firm at Rs 162 On. Any possibility of a new crop export quota being announced immediately must be ruled out since the export quota of 2,50,000 bales released last month has not resulted in any sizeable export of cotton from this country.

Oils and Oilseeds

Quietly Steady

FOR the greater part of the week the oilseeds market ruled steady with groundnut and castor ruling fairly firm and kardi and nigerseeds quietly steady. As in the case of cotton, apprehensions about the damage to groundnut crop due to the recent excessive rains coupled with small arrivals from the interior and dwindling stocks of old crop locally had the cumulative effect of keeping prices firm. An additional contributory factor was the encouraging export enquiries for groundnut oil. Business for about 2,000 tons in groundnut oil is reported to have been done with the UK and the Continent at between £103 and £105 per ton. Burma was also reported to be in the market and is believed to have bought a small quantity of groundnut oil at around Rs 1,470 per ton.

Groundnut delivery moved up on buying support from Punjab traders as well as from shippers and speculators. Groundnut quality ready improved to a high level of Rs 23-4. It closed the week at Rs 22-5. December-January delivery opened at Rs 22-12 and closed at Rs 22-13.

In the case of castor seeds and oil, there was consistent support at the hands of US purchasers of oil at higher levels. Moreover, the firmness in groundnut and other forward markets as also the grip of speculators on castor futures made for a generally encouraging trend in prices in this section. For the first time in several weeks castor May futures touched a new high level of Rs 96-14. America was reported to have bought about 400 tons of Indian oil during the week at higher rates at 12.00 cents per lb. of BSS quality and at 11.00 cents per lb. commercial oil.

Thanks to favourable overseas advices linseed Feb.-March and Kardi and Niger seeds improved and ruled firm at the close of the week at Rs 23-4, Rs 13-8 and Rs 22-12, respectively.

Bullion

NOW that the Government of Bombay have sanctioned the amendments to the by-laws of the Bombay Bullion Board, subject to certain conditions, forward trading in bullion will be resumed from next Monday. It is well-known that following the cornering of silver on a

large scale by a leading bull operator, the Bombay Bullion Board declared an emergency as early as on July 11. Since then the market has been in a state of suspended animation. Now that the prolonged inactivity of the futures market is to come to an end, traders have become enthusiastic and there has been a sharp improvement in the spot quotations of silver and gold, particularly in the former. It may be added here that this sharp improvement in prices of these metals has also been assisted by the generally rising trend in prices of world silver and gold noticed for some time now.

Around Calcutta Markets

Indian Iron Dividend Maintained

Wednesday, Evening

ON Wednesday, all speculation about the Indian Iron dividend ended as it became known that the directors had decided to maintain the dividend for the year to March last at rupee one per share. That the dividend was merely maintained was not as surprising as the fluctuations in Indian Iron on that day. Immediately after the declaration of the dividend, Indian Iron fell by eight annas only to move up by more than a rupee later in the day.

Essential data, released along with the dividend announcement, are highly encouraging. For the year to March last, production and sales improved considerably. Provisions for depreciation and reserves were larger. Allocations to depreciation were Rs 40 lakhs higher at Rs 120 lakhs; those to reserves were Rs 86 lakhs higher at Rs 203 lakhs. Net profits were Rs 2.88 lakhs higher at Rs 66.99 lakhs.

These figures are highly encouraging. Even a cursory glance at these figures discloses the formidable financial strength of the Company. This was probably the reason why Indian Iron, after an immediate fall to Rs 38, spurted to Rs. 39-4 on Wednesday, although the expectation of a higher dividend did not materialise. Even so, there are certain factors which must be taken into consideration in assessing the outlook for Indian Iron.

From the financial data available, it is clear that the dividend could be raised. But those who claim familiarity with the basic issue in question have always been aware that the dividend would not be stepped up. From the market reaction to the

dividend announcement, it is clear that there are not a few who expect an issue of right or bonus shares by the Company. For an appreciation of the outlook for Indian Iron, this question needs to be considered.

It will be conceded that there is a case for issuing bonus shares by the Company so as to establish a more reasonable relation between working funds and the capital structure. This was one of the arguments advanced by Shri J R D Tata for issuing bonus shares by Tata Steel. This is a possibility which cannot be ignored altogether.

Sometime ago, the managing agents of Indian Iron let it be known that the question of capital reorganisation could not be decided before the Government announced steel retention prices. There is some causal relation between these two factors. But it should not be ignored that there are other considerations also.

New Delhi's decision on steel retention prices will be announced soon. It is widely expected that steel retention prices will be raised. But it is equally widely assumed that the Government will issue a firm directive that higher earnings and profits arising out of higher steel retention prices must be ploughed back to finance expansion projects. This is one of the most relevant aspects of the problem under reference.

Two other aspects may now be considered. On the assumption that Indian Iron decide to issue bonus shares, the question arises whether the Company will be able to maintain the dividend on the enlarged capital. This year's production is running at a lower level. Output by

Company Notes

Oriental's Valuation Report

Fifty Per Cent Increase in Bonus Rates

PROFITS, sumptuous enough to enable the Actuary to recommend a fifty per cent increase in bonuses highlight the triennial valuation of the Company as at 31st December 1954. The report discloses a profit of Rs. 7.10 Crores, as against Rs. 4.65 Crores for the previous triennium. The Actuary has recommended bonus to with profit policyholders at the rates of

(1) Rs. 22½ per thousand per annum on Whole Life Assurances, and

(2) Rs. 18 per thousand per annum on Endowment Assurances.

These represent an increase of 50 per cent over the rates for the previous triennium. The bonus rates now declared are believed to be the highest declared by an Indian Company in the current year.

Record New Business

New business for the Triennial Valuation period at Rs. 92 Crores broke all previous records, and shows an increase of 59,470 in the number of policies and over Rs. 30 crores in the sum assured as compared with the preceding triennium. There was a progressive increase both in premiums and interest in each year of the triennium. Premiums increased by 12.82 per cent, interest less income-tax by 29.92 per cent, and the total income from both by 15.58 per cent.

both the iron and steel companies will be lower this year because of technical hitches arising out of implementation of expansion projects.

More relevant is the need for adequate provisions to depreciation and reserves. Indian Iron have commitments which are prior charges on the Company's assets. This Company will have to provide Rs. 7½ crores out of its own resources to repay loans. Recent statistics indicate that the Company has already accumulated about Rs 4 crores. Thus, Rs 3½ crores have yet to be provided before dividend payments can be raised.

An interesting feature of recent price movements in equities on the Calcutta Stock Exchange is the strength in Engineering Shares. Burn and Company moved up on higher dividend payment. National Rolling looked up on reports of capital reorganisation.

Expenses

The expense ratio for the triennium was 24.0 per cent., as against 22.2 per cent., for the preceding triennium. The increase, it is stated in the Actuary's report, is mainly due to the increased outlay on first year's agency commission and other initial expenses on the large volume of new business completed during the triennium.

Lower Mortality

A progressive improvement in the mortality experience is another feather in the cap of the Company. The percentage of actual deaths among the lives assured with the Company to those expected according to the Mortality Table adopted in the Valuation, viz., the Company's own ultimate mortality experience during the period 1925-35, was 42.9, 41.7 and 37.0 for the years 1952, 1953 and 1954 respectively, giving an average of 40.4 for the Triennium, as against 50.6 for the preceding Triennium.

Growth of Funds

The average net rate of interest earned for the triennium as a whole at 3.92 per cent., shows a substantial increase of over one per cent., over the corresponding rate for the preceding triennium which was 2.85 per cent. The Company's Funds have risen during the triennium from Rs. 63 crores to Rs. 78 crores. The increase of Rs. 15 crores, the Actuary observes, is largest in the history of the Company.

Valuation Bases

The valuation was made on the basis of interest at 2 11/16 per cent., as against 2 5/8 per cent., on the previous occasion. The mortality basis is the Oriental 1925-35 Ultimate Table and the provision for future expenses of management and future profits is equivalent to 21.9 per cent of the premiums. Regarding the increase in the rate of interest for the valuation and the prospects of future profits, the Actuary reports—"Notwithstanding the increase in the Valuation rate, the excess of the net rate earned over the Valuation rate is much larger on this occasion and, in consequence, leaves an increased margin for future profits from the source of interest. The continued improvement in the mortality experience of the Company during the Trien-

nium and the further improvement that can reasonably be expected to occur hereafter again provides an increased margin for future profits."

Results of the Valuation

The profit of Rs. 7.10 crores disclosed by the Valuation has, the Actuary further observes, made it possible to recommend 50% increase of bonus to policyholders. It also enables allocation to shareholders of a sum of Rs. 3,37,600 together with dividend at the higher rate of Rs. 200 per share per annum.

The satisfactory results of the Valuation are attributed by the Actuary to several favourable factors: "The comparatively lower level of premium in force subsequent to the premium revision in 1954, the obligation for payment of Estate Duty created by the Estate Duty Act, 1953, etc., served as a substantial impetus to the flow of new business and enabled the Company to write a large volume of business. The increase in the portion of the surplus exempted from tax from 50 per cent., of the bonus distributed to policyholders to 80 per cent., as a result of the passing of the Income-tax Amendment Act, 1953 has gone to reduce the income-tax liability of the Company and thereby has made a sizable contribution to the surplus".

Future Prospects

On the question of future prospects of the business, the Actuary says "Recently, the Finance Act, 1955, has increased the maximum amount of life insurance premia plus contributions to provident funds in respect of which abatement of tax is admissible from 1/6th of an individual assessee's total income or Rs. 6,000 whichever is lower, to 1/5th of the total income or Rs. 8,000 whichever is lower. This should serve as a stimulus for individuals to augment their life insurance cover. With the accelerated tempo of development envisaged by the Second Five-Year Plan, both the national income and the per capita income can be confidently expected to increase rapidly, and a part at any rate of the enhanced margin for saving which would be available would find its way into life insurance."

CURRENT STATISTICS

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-Group	Week ending 1-10-55	Week Ago	Month Ago	Year Ago
I Food Articles:	308.3	306.5	318.2	354.7
Cereals	377	375	385	387
Pulses	265	264	273	289
Others	223	222	235	319
II Industrial Raw Materials:	396.2	397.5	393.1	422.2
Fibres	404	406	397	434
Oilseeds	367	373	375	414
Minerals	432	413	415	394
Others	422	423	418	409
III Semi-Manufactures:	324.9	324.8	325.3	352.1
Leather	342	338	338	358
Mineral Oils	201	201	201	221
Vegetable Oils	364	362	371	445
Cotton Yarn	406	407	406	457
Metals	258	258	258	240
Oilcakes	342	344	335	402
Others	330	330	330	305
IV Manufactures:	369.9	368.6	368.6	377.9
Textiles	405	403	403	423
Jute	400	396	397	471
Cotton	404	402	402	415
Rayon & Silk	474	474	474	454
Woollen	278	278	278	310
Metal Products	352	352	352	340
Others	286	286	286	285
V Miscellaneous:	560.2	554.9	561.8	607.3
All Commodities	352.1	351.0	354.7	380.6

ALL-INDIA FIRST CROP ESTIMATES FOR 1955-56

1955-56

1955-56 1954-55 Percent-
(First estimate) (Adjusted first change
Estimate)

Cotton

Area (000 acres) 13,173 12,918 + 2.0

Jute

1,343 1,334 + 0.7

Mesta

125 145 -13.8

Groundnut

7,625 7,911 - 3.6

Sesamum

3,588 3,714 - 3.4

Sugarcane

3,970 3,647 + 8.9

SUMMARY OF THE LATEST ALL-INDIA CROP ESTIMATES
(In thousands)

Crop	Area (acres)			Production (tons)		
	1954-55	1953-54	Percentage Change	1954-55	1953-54	Percentage Change
Cereals—						
Rice	77,424	77,032†	+ 3.4	24,209	27,561†	-12.2
Jowar	43,456	43,657†	- 0.5	9,092	7,913†	+14.9
Bajra	27,350	30,094†	- 9.9	3,555	4,459†	-20.3
Maize	9,325	9,360†	- 0.4	2,944	2,964†	- 0.7
Ragi	5,747	5,714†	+ 0.6	1,778	1,819†	- 2.3
Small Millets	13,680	13,979†	- 2.1	2,424	2,427†	- 0.1
Wheat	26,842	23,310†	+ 2.0	8,539	7,873†	+ 8.5
Barley	7,999	8,721†	- 8.3	2,786	2,904†	- 4.1
TOTAL CEREALS	208,823	214,867†	- 2.8	55,327	57,920†	- 4.5
Pulses—						
Gram	20,991	19,754†	+ 6.3	5,125	4,775	+ 7.3
Tur	5,944	5,931†	+ 0.2	1,661	1,827†	- 9.1
Other Kharif Pulses	14,935	15,192†	- 1.7	1,497	1,543†	- 3.0
Other Rabi Pulses	10,498	11,214†	- 6.4	1,997	2,089†	- 5.4
Potato	544	538	+ 1.1	—	—	—
Sugarcane*	3,932	3,498†	+12.4	54,648	43,873†	+24.6
Ginger (Dry)	44.4	44.8†	- 0.9	13.4	13.8†	- 2.9
Pepper (Black)	208.2	207.7†	+ 0.2	25.8	23.8†	+ 8.4
Chillies (Dry)	1,472	1,326†	+11.0	356	297†	+19.9
Tobacco	837	871	- 3.9	238	243	- 2.9
Oilseeds—						
Groundnut	12,647	10,869†	+16.4	3,823†	3,573†	+ 7.0
Castorseed	1,273	1,373†	- 7.3	112	108†	+ 3.7
Sesamum	6,460	6,346†	+ 1.8	592	552†	+ 7.2
Rape & Mustard	5,665	5,534†	+ 2.4	962	855†	+12.5
Linseed	3,290	3,360†	- 2.1	388	374†	+ 3.7
TOTAL OILSEEDS	29,335	27,482†	+ 6.7	5,877	5,462†	+ 7.6
Fibres—						
Cotton	18,346	17,182†	+ 6.8	4,298§	3,965§	+ 8.4
Jute	1,273	1,196†	+ 6.4	3,129	3,129	+ 0.8
Mesta	571	468†	+22.0	1,106	656	+68.6

* Production figures are in terms of cane and the corresponding figures in terms of raw sugar or gur are 5,546 and 4,464 thousand tons for 1954-55 and 1953-54 respectively.

† In terms of nuts in shell.

‡ Partially revised.

§ In thousand bales of 392 lbs. each of cotton lint.

|| In thousand bales of 400 lbs. each.

BANKING RETURNS

Reserve Bank	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1302.41	1301.45	1293.35	1162.04
2. Rupee Coin	110.88	110.55	110.29	106.07
3. Deposits				
a) Central Government's	51.75	51.15	61.96	98.26
b) Banks'	61.93	67.25	52.88	68.73
c) Other Governments'	29.07	9.58	13.42	30.17
d) Others'	15.85	16.35	16.57	33.99
4. Foreign Securities	627.09	646.97	671.81	623.15
5. Balances held abroad	91.60	69.43	48.23	105.50
6. Rupee Securities	533.66	513.79	493.91	417.74
7. Investments	50.22	50.10	49.24	97.60
8. Loans and advances to Governments	0.35	2.67	0.65	0.54
Scheduled Banks				
1. Demand liabilities (net)	599.19	598.27	590.75	545.05
2. Time Liabilities	421.42	417.58	413.25	350.13
3. Cash on hand	32.92	33.34	33.67	37.11
4. Borrowings from Reserve Bank of which against Usance Bills	8.06	9.18	16.33	7.91
5. Advances and Bills discounted of which State Bank's	91.81	96.29	105.27	106.09
6. Investments of which State Bank's	385.93	384.51	380.97	346.52
Cheque Clearance	137.61	148.57	159.70	131.08

† For Reserve Bank and Cheque Clearance week ended 14-10-55. Scheduled Banks week ended 7-10-55.

Bombay Money Rates	14-10-55	7-10-55	16-9-55	15-10-54
Inter-Bank Call Rate	2½	2½	2½	2½
3 months deposits	2½	2½	2½	2½
6 months deposits	3	3	3½	3½

Bombay Bullion	In Rupees and Annas			
	20-10-55	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	94-14	94-8	95-6	87-13
Forward	†	†	†	87-5
Silver (per 100 tolas)				
Spot	169-12	167-14	166-12	159-10
Forward	†	†	†	160-3
	† no trading			

COTTON STATISTICS

MILL CONSUMPTION

(in '000 bales of 400 lbs each)

Description:	July '55	June '55	May '55	Apr '55	Mar '55	Sept '54 to July '55
Indian	376.10	345.1	335.8	345.9	350.1	3775.9
Foreign	49.50	47.7	43.1	47.2	51.1	588.4
of which American*	7.45	8.39	9.6	12.6	13.2	151.1
Egyptian	15.04	14.75	15.0	14.7	15.6	183.0
E. African	18.82	18.19	18.4	15.3	16.7	202.1
Sudan†	8.16	5.87	4.7	4.03	3.9	42.3
Pakistan	xx	xx	xx	0.12	0.99	4.9

TOTAL 425.60 392.8 383.9 393.1 401.2 4364.3

Consumption in corresponding

periods a year ago:

Indian	338.1	312.94	321.01	322.6	314.9	3559.3
Foreign	66.1	65.10	64.80	61.7	58.3	657.1

TOTAL 404.2 378.04 385.81 384.3 373.2 4216.4

* Includes both United States and Peruvian cotton.

† Includes both Sudan Egyptian and Sudan American

xx Negligible

MILL STOCKS OF COTTON

(in '000 bales of 400 lbs each)

	July '55	June '55	May '55	Apr '55	Mar '55
Indian:					
1954-55	1551.9	1637.4	1587.4	1478.4	1346.4
1953-54	1117.7	1242.9	1280.2	1252.0	1168.5
Foreign:					
1954-55	180.7	161.1	145.9	138.9	145.8
1953-54	212.8	213.0	209.0	201.8	163.9

Source: East India Cotton Association

COTTON IMPORTS

(in '000 bales of 392 lbs each)

Source	June '55	May '55	Apr '55	Mar '55	Sept '54 to June '55
USA	1	2	5	19	92
East Africa*	53	30	35	16	218
Egypt & Sudan	21	20	15	8	161
Other countries	3	1	2	1	12

TOTAL 78 53 57 44 483

Total imports in cor-

responding months

of the previous

year 69 114 96 92 577

*Includes Kenya, Tanganyika and Uganda.

Source: Indian Trade Journal

COTTON EXPORTS

(In bales)

Exports from 1st Sept. to 6th Oct.

Destination	1955	1954	1953
United Kingdom	7,634	1000	100
Continent	26,093	2173	1380
China	34,451	—	—
Hongkong	12,934	110	132
Japan	43,191	2,969	5,421
USA	856	—	—
Other foreign countries	1,395	50	84
Total all foreign countries	126,554	6,302	7,117
Coast Ports	13,522	10,346	7,794

TOTAL 140,076 17,148 14,911

Source: East India Cotton Association

to say. But the sort of things he has done is very similar to what the late Sir Stafford Cripps did in the late forties.

To strengthen these measures, the Chancellor has made telephones more costly, raised postal rates and stepped up the purchase tax from 25, 50 and 75 per cent on the three main categories of goods to 30, 60 and 90 per cent. The combination of these measures—viz cuts in Government spending and tax changes—should give Mr Butler a larger surplus 'above the line' than he had anticipated in April. But the Chancellor has to keep his fingers crossed in regard to the effect on prices and wages. If measures of indirect taxation, leading to a mark-up of prices, prompt another round of wage claims, he—rather, the economy—will have lost in the swings more than is gained in the roundabout. None will gainsay the fact that wage increases reflecting increases in labour productivity need not be viewed with any alarm. But repercussions on wages of the tax increases would not fall in that category.

Mr. Butler has in the ultimate

analysis to depend on the good sense of the trade unions and investors to get what he wants—which is a reduction in spending, with a consequential reduction in imports. It is a temptation to compare this with the policy of the Labour Governments. They also relied heavily on trade unions exercising restraint in their demand; and they hoped that despite a low Bank Rate, investors would also watch their outlays. But they had no inhibitions about imposing direct checks on spending or on the use of resources. Mr Butler on the other hand has his monetary weapons in operation. The difference therefore boils down only to the attitude adopted in regard to private investment expenditure. On the wages side, Mr. Butler's line is little different from Mr. Gaitskell's.

It would be hard at the moment to say whether in six months' time Mr Butler will go further in the direction that he has now taken, or be able to retreat to the position he took six months back. Much will depend on the trend in U K's balance of payments. The facts that Germany and Japan are emerging as major competitors in Britain's export mar-

kets, and that the U S A has thought it fit to move towards dearer money might make U K's position increasingly difficult. In that event, the induced effects of the present policy on British imports will be of supreme importance.

Should they turn out to be large enough to avoid adverse effects on sterling, especially transferable sterling, Mr. Butler may yet be able to stop where he is now, or even retrace some steps. Or again, he may find his stand vindicated if innovations forced by overfull employment cause U K's output to take a spurt. But it is all a matter of surmise and hope, depending as much—if not more—on international developments as on trends in the domestic economy. Behind it all, however, one stark fact remains: Transport House is no less important today than it was five years back. It alone can give body to Mr Butler's hope that there will not be a cumulative wage-rise. And Transport House in its turn will have its task cut out, viz, convincing the British worker that the time is not yet for consuming as much of the national cake as he wants.

The Acid Test

FOUR Foreign Ministers are now assembled at Geneva to explore prospects for an agreed arrangement to settle issues which are the source of international tension. Because the four Heads of State succeeded in reaching an agreement to resolve issues in dispute through negotiation, it would be idle to pretend that it should not be difficult for the four Foreign Ministers to come to an understanding on the implications of the decision reached at the 'Summit' conference earlier this year. Developments after the Geneva conference of the four Heads of State have falsified hopes entertained immediately after the conclusion of the 'summit' talks that the 'cold war' is going to be replaced by a prolonged period of peaceful co-existence. Hope still lingers that both sides will reaffirm their faith in reconciling disputes through mediation. But there are growing doubts whether Russia and the Western Powers can come to an understanding on the specific issues in dispute.

Disarmament, German unity and

European security are the three major issues under discussion by the four Foreign Ministers. On each and all of these issues, there is scope for bargaining by either side. All these three issues are co-related. But there is a danger that the Foreign Ministers may reach deadlock through any undue insistence on this co-relation. There are indications that both Washington and Bonn are inclined to lay emphasis on the co-relation of the issues involved. Certainly, both America and Western Germany would like to insist that German unification must be the pre-condition of any security pact for Europe. A simultaneous or parallel solution of these two problems is to be desired. But neither Russia nor, it seems, Britain or France insists that these two are so inter-dependent that none of the issues can be reconciled without a solution of both.

On disarmament, too, there are substantial differences between the two sides. It is true that Russia, Britain and America have recently reduced their ground forces. But

it is equally evident that these measures have been undertaken on wider strategic reasons. On the basic problem of controlled disarmament, hardly any progress has been made. President Eisenhower's plan for aerial inspection of national armies and armaments is not accepted without reservations either by Pentagon or by America's NATO partners. Plans for ground patrol are widely suspect as encroachments on national sovereignty. Since the 'summit' conference, there have been encouraging developments relating to peaceful uses of nuclear energy. But the race for nuclear armament continues. There are disturbing indications that Pentagon is inclined to the view that world peace can be better ensured by both the rival power blocs continuing to pile up nuclear armaments as deterrents to aggression. This is a dangerous delusion.

As on disarmament, so on German re-unification and on European Security there are differences between Russia and the Western Powers. In

Paris recently, the three Western Foreign Ministers and their experts met to put finishing touches to plans formulated earlier in Washington. Russia is likely to prepare a security pact open to all European States, and to which the two Germanies will each adhere at least provisionally. There are indications that Britain has partially succeeded in convincing America of the unwisdom of any rigid approach to the two problems of Germany and of European security. It is possible that the Western Powers may no longer insist that no security pact can be concluded without prior unification of Germany. They may not also insist that a future united Germany must be allowed to rearm and must have freedom to join NATO. But there are indications that the Western Powers may insist that both these problems must be solved in simultaneous stages. This means that, on Russia's acceptance of the principle of "security through unification", they may formulate their instalment plans for the solution of both these problems. This is one of the tactical issues on which there is likely to be prolonged bargaining and counter-bargaining at the Foreign Ministers' conference. Meanwhile, an intriguing develop-

ment relating to Germany may be noted. Here, Russia has shown diplomatic initiative since the 'summit' conference at Geneva. Russia's overtures to Western Germany have not been entirely unsuccessful. Russia has given abundant indications that she would prefer a solution of German problem through negotiations between the two Germanies. An influential group in Western Germany has recently initiated a move to open negotiations with Eastern Germany on all-German elections. An electoral law is being framed by the KOENIGSTEIN CIRCLE, an organisation of eminent lawyers in Western Germany. A tentative arrangement is reported to be well under way for formulating an electoral law which could be applied to all Germany. Sponsors of this move favour the plan that the German problem should be solved through negotiations between the two Germanies. They hope that the Foreign Ministers will issue a joint statement that East and West Germany should start talks on holding all-German elections. So far, the Western Powers have insisted that all-German elections are their concern. Though Dr Adenauer is committed to this claim by the Western Powers, there are indications that Russia has

partially succeeded in encouraging the principle that the elections are a purely German affair.

There are, admittedly, substantial differences between Russia and the Western Powers on each and all of the issues which will come up for discussion during the conference of the four Foreign Ministers. To stress the existing differences is not to suggest that these cannot be eliminated or minimised. Peaceful co-existence does not mean that no dispute will occur, though the acceptance of this principle involves readiness by both sides to resolve disputed issues through negotiation. At Geneva now, the four Foreign Ministers are making sincere efforts to work out the implications of the accord reached by the Heads of State. This will not be an easy task. There are many who doubt whether Russia and the Western Powers can come to any agreed arrangement on the specific issues now under consideration by the four Foreign Ministers. But there can be no harm in making an honest effort to reach an agreement on the issues in dispute. Throughout the world, there will be hope that the four Foreign Ministers will succeed in minimising, if not eliminating, the sources and causes of world tension.

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Weekly Notes

Once for All...

THE Conference of Chief Ministers of States called at Delhi to consider the report of the States Reorganisation Commission has generally approved the broad basis of the Commission's recommendations. Elimination of the present distinctions between States, abolition of the institution of Rajpramukh and some of the proposals made by the Commission to promote inter-State harmony and national oneness have received the support of the Chief Ministers, though one might wish that in respect of the last item they had gone a little further than they were inclined to go. Divergence of opinion at the conference mainly related to border adjustments, and that is an issue on which there can perhaps be as many opinions as there are States abutting on one another. But the significance of the Conference does not lie so much in the broad approval it has given to the SRC recommendations as in the earnestness shown by it to stick to the time-table for reorganisation tentatively drawn up by the Union Government. According to this time-table, the Bill on the subject is to be passed by Parliament before the conclusion of its budget session in May next and the provisions are to be given effect to 'not later than October 2, 1956,' so that the general elections take place as scheduled in the early part of 1957. To prevent any delay on the part of States, Article 3 of the Constitution is to be amended shortly so as to fix a time-limit for them to communicate their views to the President on reorganisation.

This sense of urgency is fully called for. The longer the issue of reorganisation is kept open, the more will be the complications besetting it, not to speak of the resentments that will pile up in the process and the incalculable damage that will be done to constructive endeavour through continual distraction. The main issue and the many side issues involved must be settled one way or other without delay, and a touch of finality given to the solution of a problem that has been causing frequent irritation for the last two or three decades. It is impossible to expect all-round agreement or satisfaction on an issue affecting different States in different ways,

and it would be imprudent to put off a final decision in the hope that Time may provide a solution. For various reasons, the next elections can only follow and not precede the reorganisation of States; and it would be a confession of political weakness to have to postpone the former because the latter does not lend itself to an early settlement. And it would be a bad precedent too, open to misuse by parties out to capitalise internal dissensions. From whatever angle one may approach the question, it seems imperative that a time-table should not only be drawn up, but also rigorously adhered to in the matter of reorganising the States, however forbidding the attendant difficulties may appear to be.

It is also necessary that the decision on reorganisation must have finality. The proposal made by the Commission itself on one disputed point and those being canvassed in other quarters on other contested points for leaving certain controversial issues open for a period of five years or so and providing for a reversal of any decision that may be taken now is, to say the least, unfortunate. We have had so much of linguistic uproar in this country in recent years that it is time we called a halt to it in the larger interests of national cohesion and united endeavour for reconstruction; and the present juncture is perhaps the best for the purpose. What is decided on and implemented by October next must stand unalterably for the succeeding two or three decades at least, and by then, one hopes, some of our basic problems will have been solved and a more realistic attitude fostered in respect of diversions such as of language and linguistic divisions which we have been pursuing in crass indifference to the common people's cry for work, food and shelter. As for boundary disputes which are involved in the proposed scheme of reorganisation, they may be left to the good sense of the States immediately concerned to settle among themselves, or there may be a boundary commission or commissions to go into the matter and give a final verdict.

'Symbol of an Age'

EITHER the Portuguese rulers are prone to speak with their tongues in their cheeks, or they have reach-

ed a stage of inebriation where their pathetic delusions seem real. The Foreign Minister of that benighted country, Dr Paulo Cunha, repeating parrot-like the cry that Portugal had no intention of quitting her territories in India, is reported to have tried to explain why. It seems it is not the 'material value' of these possessions that make them dear to Portugal, but their value as the 'symbol of an age'—presumably the age of Portuguese rapacity, loot and bigotry when tyranny was the rule and persecution the order of the day. Any other nation would fain have striven to forget that age and rehabilitate itself in the eyes of the modern world by forswearing the methods and policies that made that period one of the darkest in human history. But no, Portugal, with its political and social evolution proceeding in reverse gear, wants to hug that age, and, what is more, preserve relics of it, no matter how repugnant it may all be to those who are condemned to be living exhibits in the museum of Portuguese colonialism. In any case, if it is the museum idea that actuates Portugal, she had better try to give effect to it within her own land inasmuch as the process would be not only less inconvenient, but also less disastrous.

Continuing in the same state of near-hallucination, the Portuguese Foreign Minister said that the task accomplished by his countrymen in the past 'gives them the right to continue their Christian and civilising mission' in India. Only recently was the world given a further sample of this 'civilising mission' when unarmed men and women volunteers were shot down or brutally treated by the 'civilising' hordes of Portugal. Indeed, if the head-hunters of Borneo or others equally free from the inhibitions of culture were to confess to a civilising intention with regard to their immediate neighbours or the rest of humanity, the proposition would not raise a bigger laugh in this part of the world. Nor would it seem unreasonable to sane minds if the people threatened with such civilising intentions were to deny themselves the amenity in exercise of the basic right of sticking to their own modest ways. That is just what freedom-loving Goans have been trying to put across to the Portuguese all these years.

meanwhile, it is noteworthy that attempt made by the Portuguese to commemorate the initiation of their tyranny in that other museum, Portuguese imperialism, Macao, joining the Chinese mainland, has been checked by Peking, which has made it clear that 'Macao is Chinese territory and the Chinese people

have a right to demand the return of their territory from the hands of the Portuguese colonialists.' Nor has there been much comfort for Portugal from the NATO quarter lately. Anyway, Lord Home, the British Secretary of State for Commonwealth Relations, was reported saying while in Delhi last week, "It

will be stretching the North Atlantic Treaty Organisation too far to apply it to Goa", and adding that NATO only provided for consultations. Nevertheless, in their present self-deluded state, the Portuguese can be expected to continue flying merrily in the face of stark facts.

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OCTOBER 29 - DECEMBER 15, 1955.

The Milk of Co-operation

THE Prime Minister of India is to perform this week the official opening ceremony of the dairy buildings of the Kaira District Co-operative Milk Producers' Union Limited at Anand in Gujarat. Last year, the President had laid the foundation-stone of these buildings. The decision to organise the dairy industry in the district along co-operative lines was taken on the advice of the late Sardar Patel at a meeting presided over by Bombay's Chief Minister, Shri Morarji Desai, who was then President of the Gujarat Provincial Congress Committee. This high-level association with the Co-operative Milk Producers' Union and its new dairy at Anand is symbolic of its importance for the country.

The origin of the Co-operative Milk Producers' Union is to be traced to the inauguration in 1945 of the Bombay Government's scheme for the supply of milk to Bombay City, of which the Aarey Colony near Bombay is one expression. Purchase of surplus milk from the Kaira district, which is famous for its production of good milk, was started by Government under this scheme. During the initial stages, the collection and pasteurisation of the milk was left to private milk contractors and dairies. As a result the benefit of the higher price offered by Government, as compared with the existing local price, did not percolate down to the milk producers, who felt aggrieved and decided to boycott the scheme. When they approached Sardar Patel in this connection, he advised them to organise the dairy industry of this area along co-operative lines, and that is how co-operation came to be established in this district. At a meeting of milk producers presided over by Shri Morarji Desai, it was decided to organise in every village a Milk Producers' Co-operative Society, and to form a Union of these Societies with the object of establishing a pasteurising plant at Anand and carrying out other activities for the benefit of the member Societies.

The Union started processing milk in June 1948 in the buildings of the Government of India Research Creamery, which were then lying unused and which were leased to them through the good offices of Dr Rajendra Prasad, who was then the Minister for Food and Agriculture. The quantity of milk handled by the Union has increased since then from 500 lbs per day to 1,00,000 lbs; the

number of farmer members has increased from 900 to over 18,000 and the assets of the Union have risen from Rs 40,000 to nearly Rs 22 lakhs.

The new dairy being set up at Anand has a pasteurising capacity of 3,00,000 lbs per day. In addition, it can make 10,000 lbs of butter and ghee per day, 12,500 lbs of milk powder and 1,200 lbs of casein. One of the objects of the new dairy is to utilise the surplus quantities of milk available to the Union during the flush season for the manufacture of subsidiary products, since a fixed quantity has to be supplied throughout the year under the Bombay Government's milk scheme. Condensed milk, milk powder and baby foods will be manufactured in India for the first time.

The capital requirements of the new project have naturally been heavy—estimated at Rs 40 lakhs. Of this huge amount only Rs 19.4

lakhs have been provided by the Union out of its own funds. Of the remainder, Rs 10 lakhs have been provided by the Government of Bombay as a loan, Rs 8 lakhs by way of dairy equipment from UNICEF in return for which the Union has undertaken to distribute milk worth Rs 12 lakhs free to children and expectant mothers in the district, and Rs 2.6 lakhs by way of dairy equipment from the Government of New Zealand under the Colombo Plan, half as a gift and the rest as a loan, interest free.

Anand—The New Perspective

THE importance of the Anand dairy lies, of course, primarily in the stimulus it provides to the production of milk and milk products, the need for which has by now been generally recognised. The development of dairying on a large scale will also tend to raise incomes, while at the same time the establishment of plant for the production of subsidiary products will help to stabilise milk prices and thus raise the incomes of farmers even more. Most important, however, from the point of view of the future of the industry is the form of organisation which has succeeded in establishing itself in the Kaira district.

The Aarey Colony near Bombay is an example of State initiative and enterprise. Though private producers do maintain cattle on the colony, the area itself is owned by the State and so is the dairy. That the Anand dairy should have been set up under the ownership of a Co-operative Union is a tribute to the leadership of the locality and at the same time an example to milk producers of other localities. It opens a new perspective for the solution of problems of rural areas in so far as they can be linked to the production of milk or eggs or other subsidiary foods. Not merely the marketing of these products, but also their processing can be carried out along co-operative lines as has been done so successfully in Denmark.

If the example of Kaira and the Anand dairy is followed in other areas and in other spheres, we ought to see the rapid development of a co-operative sector in the country, a force which would act as a balance to the expanding power of the State in the economic sphere and which at the same time would not be the private sector in the strict sense.

Non-Justiciable Directive

THE Prohibition Inquiry Committee, appointed by the Planning Commission, has recommended nationwide prohibition by April 1, 1958. Judging by the press summaries of the Report, it would appear as though the approach of the Commission has largely been moralistic, and proper consideration has not been given to the financial, administrative and even social aspects of the problem. Shri P Kodanda Rao, in his ably argued minute of dissent, has rightly questioned this rather priggish approach of the Commission to a problem which cannot be neatly pigeon-holed 'as moral turpitude, or a vice, or a sin'. He has also raised the important point, all too often overlooked, that prohibition is a non-justiciable Directive principle. Furthermore, one may pose the question whether it is proper to assign a target date for the achievement of so fundamental a transformation in society as Prohibition implies. What would be the consequences of failure to achieve the target?

It is not merely the financial costs of implementing Prohibition that have to be taken into account in any objective evaluation of the programme but also the social and administrative costs. The administrative machinery today is inadequate even for the implementation of more urgent tasks such as economic development, and it should not be subjected to unnecessary strains. Whatever the absolute ethical merit of total abstention—there is none in enforced virtue, as philosophers like T H Green have long ago pointed out—the fact remains that countries such as England, Norway and Sweden, without enforcing prohibition, have higher standards of health and law and order than India. Admittedly, there is a case for regulating the production and sale of alcoholic liquors in the country, but then this could more conveniently take the form of stringent conditions of sale as in the Scandinavian countries rather than of absolute legal prohibition.

As even the Commission has admitted, the magnitude of the drink problem in the country is relatively small. It is only in a few countries such as France that chronic alcoholism has reached the proportion of a public health problem. In the ultimate analysis, the only real corrective to the problem of drink is a rise in the standard of living. Whether one regards prohibition or temperance as the final solution, both alike

should be regarded as a by-product of more fundamental improvements in society.

Freight Element in Cost

THE decision of the Indian Coastal Conference, representing all the shipping companies engaged in the Indian coastal trade, to raise freight rates by five per cent with immediate effect, is reported to have been actuated by the increasing costs of operation since the last general rise in shipping freights in 1950. In the absence of complete data, it is difficult to fathom the exact reasons for this so-called rise in operational costs—whether it be due to a rise in port dues or in costs of fuel, labour etc. By itself the cryptic statement about rising costs hardly conveys anything, and the rise in freights could always be attributed to this factor, falling any special reasons.

The structure of freight rates in coastal shipping depends upon slightly more complex factors than those which govern trans-oceanic shipping freights, as for instance, competition from country craft, inland transport etc. The inter-relations of shipping freights are largely a terra incognita even to the professional economist, and there has been no systematic study of the problem since Professor Lewis's pioneering work, based on the data for the inter-War period. In coastal shipping, where the average length of the voyage is shorter and the average proportion of time spent in port proportionately greater, port charges also play an important part in determining freights, though here again it is a question of the relative proportions of the different items such as wage-costs, fuel, port dues etc., which enter into freight rates. It would also be interesting to know how far the suspension in varying degrees of coastal shipping traffic during the monsoon months affects the earnings of the companies concerned and whether this has also been a contributing factor in the rise of freights. Of course, this factor has always been operative in the case of coastal traffic, and its impact cannot be regarded as being particularly severe in any one year. To the extent that the freight rates are governed by periodic decisions of the Indian Coastal Conference, the coastal shipping freight market cannot be regarded as being competitive in any accepted sense of the term. This is a world-wide tendency, and it may not be long before the humble tramp

steamer, the only really competitive element in the shipping freight market, is finally squeezed out.

The Government of India, which has approved the increase in coastal freights, should enlighten the public about the factors that have contributed to the rise in costs of operation. In the context of a developing economy, any increase in costs cannot be conceived in terms of unilateral decisions. When the determination of wage-costs in most industries is a matter of public knowledge, there is no reason why the Government should be so secretive in the case of the freight-element in costs of production.

Planning for Poultry

THE FAO Regional Technical Meeting on Poultry Production at Poona last week has focussed attention on India's poultry plans. With the achievement of targets of food-grain production during the first Five Year Plan, we can now pay some attention to increasing the supply of food of a higher nutritive and protective value such as fruits and vegetables, milk and milk products, eggs, fish, meat etc. Development of poultry and egg production must naturally occupy an important place in such concerted efforts if only because their capital requirements are relatively limited and the markets are ready at hand. The disclosure made by Dr Harekrushna Mahatab, Governor of Bombay that a countrywide programme for the development of poultry is to be launched soon will, therefore, be very welcome.

The success of the community development projects has apparently weighed in favour of concentration of development effort on limited areas. The scheme proposes, therefore, to establish a net-work of about 300 development blocks for extension of poultry farming on an organised basis. In these blocks, baby chicks imported from abroad or produced from accredited breeds in India will be housed and maintained in Government farms for periods of four to five months before they are distributed to individuals proposing to take up organised poultry farming. Each development block is to have a small government demonstration farm with about a hundred birds. These farms will not only demonstrate to villagers the technical aspects of breeding and maintenance of poultry but assist in marketing the products. Some 60 such farms already exist in the country, housing a total of twenty thousand birds and these will pre-

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PST 149

Off the Record

Prohibition

the model train of the Lionel Corporation, will all provide objects for loose-lipped wonder for the ordinary Indian visitor; the voting machine, which has simplified recording of ballots, may perhaps be regarded as more practical. The US Trade Mission led by a senior expert, Mr Emil E Schnellbacher, and the most comprehensive trade library will help the business aspect of the Fair.

The object of the British display is not to demonstrate a way of life so much as a way of doing business. Engineering goods of proved worth, construction and building equipment, dyés and chemicals and other articles of utilitarian value will be placed on view. Much the same may be said of the West German show. The Soviet display seeks to prove that her technology is not less superior and that the USSR too has great export possibilities. The Roumanian oil techniques and the products of Czechoslovakian heavy industry will supplement the Soviet bid to impress by Communist achievements.

It is less easy to describe the effect produced by the stalls laid out by Indian industrialists without appearing to be invidious or partial. Tata and Birla industries have exhibited a wider range of products than most other single exhibitors but the total picture—after taking a good look at the stalls of Bird & Co., Killicks, the Jute Mills Association and Bombay Mill-owners' Association, the various motor companies and other leading Indian manufacturers—will certainly be such as to show Indian achievements in a bright light. The Indian private sector, if judged by the parallel display of the Indian public sector managed by the several Ministries, can take much credit. It remains to be seen whether India will succeed in selling something even to those who have come here to sell, at least some of our cottage industry products which have been now effectively presented.

There is matter for pride in this show in whatever way we view it. The Fair may have to be held in future at least once in two years if not annually and in a more businesslike manner, if we wish our exhibitors to come again and again without feeling the cost. Whether the venue should always be in New Delhi may be debated; the coastal cities seem to have many more advantages in their favour.

Roumanian Agricultural Machines

AMONG the exhibits at the Indian Industries Fair at New Delhi are a number of tractors and agricultural machines produced by Roumanian industry. In agricultural work, tractors have to work in soft soil with many irregularities of all kinds. In such circumstances, the possession of caterpillar tractors is a great advantage as the caterpillars penetrate very little and the tractors are thus liable to be bogged down. At the same time, the weight of the tractor has to be low and so distributed that the specific pressure on the ground is very small.

Two of the three Roumanian tractors on show at the exhibition possess these essential characteristics. Having diesel engines with low fuel consumption due to certain special features, these tractors ensure the avoidance of breakdowns through careful filtering of air and fuel. The low speed of the motor ensures durability of the engine.

For achievement of economies in agricultural operations, it is essential that the tractors should be in a position to supply power for other work also. A power take-off shaft with a speed of 540 revolutions per minute does this job in the Roumanian tractors. This can be used

directly for certain machinery, while in other cases a belt pulley is necessary to bring about the transfer of power to stable agricultural machines.

The Roumanians know the advantages of having agricultural machinery specially designed for operation with the tractors in use. A special plough with three furrows, which are removable, is being manufactured. A frame of five furrows is also available for grubbing. A disc harrow for harrowing purposes is also being manufactured.

Another Roumanian product is the universal cultivator, which makes the soil loose up to a depth of 16 cm and which is fitted with various active parts which make it suitable for tending crops sown in rows and requiring weeding.

Among other agricultural machines and tools being manufactured in Roumania are: tedders, plain mowers, mowers and binders, threshing machines, selectors, grain cleaning machines, hammer mills, animal-drawn reversible ploughs, beet mincing machines, etc. Many of these are on show at the exhibition. They are all exported by the State Enterprise for export of industrial products.

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THAT the Prohibition Enquiry Committee appointed by the Planning Commission in December 1954 would recommend nation-wide prohibition was a foregone conclusion. For, Article 47 of the Constitution had laid down that "the State shall endeavour to bring about prohibition of the consumption, except for medicinal purposes, of intoxicating drinks and of drugs which are injurious to health". And the Committee's terms of reference were to make recommendations for a programme for prohibition on a national basis. The principle was therefore not open to question. Accepting it, it was left to the Committee to recommend how soon the programme should be implemented and what incidental adjustments were necessary.

Against this background, the Committee had an easy task. It could adopt from the very start the air of moral superiority that goes with the advocacy of prohibition. Drunkenness is stigmatised by all societies, and even 'moderate drinking' is reprehensible since, as the Committee picturesquely puts it 'the moderate drinker is a greater danger to others because he is a very uncertain person.' It is therefore always possible to pose the question of prohibition as a conflict between the moral and the material considerations. There is of course the bothersome question of personal liberty to consume what one likes in a free society. But that is easily answered by the argument that even a free society has to have certain moral standards, and freedom of the individual cannot in any case be absolute if society is to survive.

There is the further argument that in India the drinking habit spread most during the British days, and it is about time that we, as an independent people, regained our freedom from drink also. The Congress, under the leadership of Mahatma Gandhi, made prohibition a prime object of policy for the upliftment of the masses. With the low standards of income prevailing in the country, few could gainsay that the more you drink as a nation, the less you have to eat and wear. From this, it follows that it is immoral for the State to profit from the trade in intoxicants and drugs. To bring up the question of finances when prohibition is being discussed

is, indeed, to mark oneself out as a philistine of a particularly low order.

All this is familiar, and hence the lack of surprise at the Committee's recommendations. Some perhaps believed the Committee would suggest the adoption of nation-wide prohibition forthwith. The Committee has, however, set April 1, 1958 as the target date for attaining this moral standard. The not-too-large interval is to be devoted to making the educative and administrative arrangements necessary for ensuring success of the policy.

The Committee's main recommendations run in two directions. Firstly, it makes no bones about the fact that prohibition will succeed only if everybody in society desires it and is prepared to work for it. Consequently, opinion has to be created through education and propaganda, and through preventive measures such as a progressive reduction in the supply of alcoholic drinks, avoidance of conspicuous consumption of intoxicants in public places, banning of advertisement of such articles etc. In the second place, the legal and administrative measures to deal with the law-breakers should be strengthened. For this purpose, the Committee has made various recommendations.

But the real implementation of the programme lies with the police and the judiciary. The Committee has noted that in recent years, there has been a large increase in the number of major and minor prohibition offences brought before courts in Bombay, Madras and elsewhere, and that very severe penalties should be imposed on illicit manufacture and trade in spirits and liquors if prohibition is to succeed. It may, incidentally, be pointed out that the Committee takes comfort in the thought that such offences did not originate with the adoption of prohibition policies, and that the increase in the number of cases booked is, in part, an evidence of greater efficiency in detection and prosecution. That apart, the Committee has come down in favour of entrusting the work of enforcement to the police and strengthening that force. It has also recommended amendment of Section 110 of the Criminal Procedure Code, with a view to including the illicit traffickers in drinks and drugs in the category of persons engaged in anti-social activities. All offences

connected with illicit distillation and sale of liquor etc. are to be made non-bailable and the punishments imposed should be of a really deterrent nature. The Committee has also made out a case for summary trial of such offences and for provision of adequate protection to witnesses.

Besides the punitive aspect, the Committee has dealt at length with the financial and employment angles to the policy. In regard to the former, the Committee is to some extent strengthened by the Taxation Enquiry Committee's recommendation regarding prohibition. That Commission did not suggest any modification in the general policy of attrition of excise from intoxicants and drugs. The Prohibition Committee goes a step further and suggests that the gross outlay connected with prohibition be treated as an item of expenditure under social capital like education and public health. It is against imposition of specific measures to cover the loss of excise revenue, and in favour of treating this as a charge on the entire revenues of the State. As regards employment, the Committee has little doubt that the toddy-tappers, who would be most seriously affected, could be absorbed in palm-gur manufacture and similar small-scale industries.

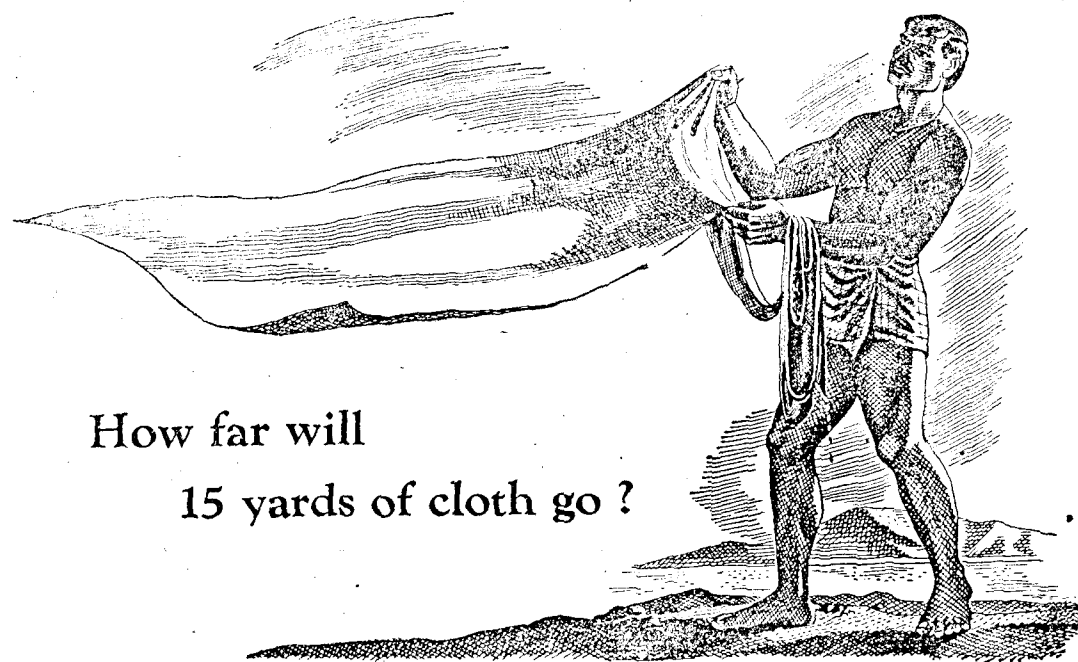
Reading the Committee's report, one has the feeling that except the dissenting member, Shri P Kodanda Rao, the others are convinced that the programme they have suggested is eminently practicable and eminently right. Those who have been trying to work out the finances and employment targets of the Second Five-Year Plan will perhaps feel not so sanguine, especially after reading the Minute of Dissent to the Report. But the odds are they will not say so openly. We may therefore look forward to a drink-free state of existence a couple of years from now. What a potential De Quincey will do then, or whether to quote Omar Khayyam and Keats on the pleasures of wine will be deemed an offence, nobody can say. But the future De Quincey could, according to an eminent judge, seek protection under the clause, 'except for medicinal purposes' included in the Constitutional directive.

Legalities apart, Shri Kodanda Rao's Minute of Dissent is in many respects a most damaging one to the Committee. He says that not all the

memoranda received from the public were circulated to the members; a good many of the witnesses who gave oral evidence had not seen the questionnaire or had not adequate time for considered replies. Very little time was given for the members to study the written statements submitted by these witnesses. These are very serious charges, and Shri Kodanda Rao seems perfectly justified in concluding that the Committee's attitude was less objective than selective and propagandist.

This accusation gains further strength from Shri Kodanda Rao's disclosure that neither Bombay nor Madras, which can speak with authority on prohibition experience, favoured a time-schedule such as the Committee has recommended. Bombay suggested, says Shri Kodanda Rao, annual reduction by 25 per cent of the supply of liquor, gradual reduction in number of liquor shops, etc. What he has to say about the Madras view is startling. That State recommended, not orthodox prohibition, but indi-

vidual rationing for life, through permits to addicts. A similar policy was apparently suggested by Madhya Pradesh, though unlike Madras, that State contemplated no time-limit to the issue of permits. Whether or not, this sort of prohibition with permits is easier to administer is a separate question. The point is that Shri Kodanda Rao's minute makes it all too clear that the evidence placed before the Committee had not much to do with the conclusions it has reached.



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Season of Festivities

AUTUMN is the brief interlude between the monsoon and the winter. Bengal is at its best in autumn. It is a season of festivities. It starts with Mahalaya. Navaratri (the Festival of Nine Nights) is the centre-piece. This is what Bengalis celebrate as Durga Puja. On the tenth day of the moon, Dashmi, the immersion ceremony takes place. In Bengal, this is known as Vijaya Dashami. In other parts of India, this is celebrated as Dussera. On the full moon day, Bengalis celebrate Lakshmi Puja.

A fortnight later, on the Amavasya night, Bengalis celebrate Kali Puja. Throughout India, Diwali (the Festival of Lights) is observed on this day. On the following day, Bhadratri Dwitya is celebrated in Bengal—the sister wishes long life and prosperity to the brother. And so the season of festivities ends.

Autumn is a brief but enviable season. The dull monsoon is over. And so is the toil. The harvest has been gathered. The barns are full. The climate is agreeable. For, the long wintry night has yet to come. Autumn is the season of home-coming and reunion. This is what the Bengalis celebrate as Durga Puja—the Home-coming of the Mother who is also the daughter. Vijaya Dashmi represents the victory of Rama over Ravana, the Good over Evil. As Dussera, this is the Day of remembrance and reunion. By the time Kali Puja, or Divali, is celebrated, the winter is fast approaching. In every house, in every hamlet, the lamps are lit. Darkness is dispelled. And the journey through the dark winter starts.

To-day, in India, and particularly in Bengal, employment is not brimful. The bazars are not full, so the festival season is not as festive as it used to be. Even so, a visitor to Calcutta now must be agreeably surprised at the mirth and gaiety of this city's inhabitants. Modern conventions help Bengalis to forget their worries for the moment. Mercantile houses pay Puja bonus. Government offices give loans or advances. So everybody buys a present for his near relations and friends. This helps Puja shopping. This year it has been brisker. Friends and relatives are happy. So are all the traders and shop-keepers. But there are some who have their grouses. They are many

who are allergic to noise. There are others who dislike community gatherings. Calcutta is now both noisy and crowded. So, those who can afford go out of Calcutta now. They are the people who are within the upper middle-income brackets. But there are many more who now come to Calcutta. They come to Calcutta to meet their relatives and friends. Bengalis are home-loving people. And this is the season when Bengalis outside Bengal take casual or privilege leave to come home.

Before partition, the movement of population used to be the other way about. Then, Calcutta used to thin out during the Puja season. Eastern Bengalis used to visit their houses in East Bengal. Even among western Bengalis few could, or can, claim Calcutta to be their home town. They also left Calcutta during Puja season. Now, after partition, eastern Bengalis do not go to their villages in eastern Bengal. And, even among western Bengalis, the home-going habit is now less common. That is why Calcutta is impossibly congested just at the moment.

Time changes. With the change of time, conventions and habits change. Durga Puja is a costly affair. Only a few can afford to celebrate it in their individual houses now. So

Durga Puja is now celebrated on a Sarvajanan (community worship centre) basis. Almost every second street in Calcutta has such a Sarvajanan Puja pandal where Durga Puja is celebrated. Everybody contributes what he can. These donations are pooled to finance Durga Puja celebrations. This is the economics of Sarvajanan Durga Puja.

Bengalis are poor people. Partition has aggravated their troubles. Acute unemployment is pauperising them. There are some who frown upon the Bengali Hindus' extravagance during the Puja season. These disciplinarian puritans are not rare. But they are easy targets for fun and ridicule. It is a dismal commentary that some of them are students of the Dismal Science. One would have liked them to be more united in their endorsement of TEC's strictures against conspicuous consumption. To mention this is not to imply that there is any sense or logic in admonishing Bengali Hindus for their spending spree during Durga Puja celebrations. It is refreshing to watch Bengalis celebrate Durga Puja with such spontaneous joy and goodwill. As one watches them enjoying life with such abandon, one hopes they will have the strength to overcome their difficulties.

Balanced vs Unbalanced Growth

(Contributed)

IN current discussions regarding development, it is common practice to discuss the process in terms of the Harrod-Domer formula. For the plan-period as a whole, the average savings, income ratio and the capital output ratio are derived and from those ratios, the average annual rate of increase of income is calculated.

The use of this technique is legitimate only in the case of a process of balanced development. In that case, consumption, investment and income grow at the same rates. The use of the formula then gives the correct year-to-year picture of the whole economy during the Plan period and it is not misleading to speak in terms of the average rates of increase of income, consumption and investment.

However, the use of this formula

becomes very misleading when it is applied to a case of unbalanced development. In this particular case, investment grows at a higher rate than income, and income, at a higher rate than consumption. To put the same things in another way, the savings income ratio and the capital output ratio do not remain constant during the Plan-period but change. Therefore, the average of the savings-income ratio and the capital output ratio fails to give correctly the year-to-year picture of the developing economy. These ratios and the rate of growth of income in this case should be worked out separately for each year in order to get the correct idea about the magnitude of effort necessary during each year.

Russian planned development was

of the unbalanced type. Investment grew at a faster pace than consumption. The outputs of the various capital goods industries were used for increasing their productive capacities further rather than for increasing the productive capacity of the consumption goods industries. Steel output increases are a good index of this pattern of development. The annual rate of increase of the productive capacity of steel was more than 10 per cent during the first two Five-Year Plans of Russia, while the productive capacity of the consumption goods sector increased very slowly.

The limiting case of this unbalanced pattern of development would be when the increase in the productive capacity of the consumption goods sector is zero and all savings are used for the purpose of investment in the capital goods sector. In all cases of unbalanced development, however, ultimately the rate of growth of the consumption goods sector would asymptotically reach the rate of growth of the capital

goods sector and thereafter there would be balanced growth.

Whether to have balanced or unbalanced growth, would depend upon how much a community prefers present income to future income. In the case of unbalanced growth, the rate of growth of income would be slower in the initial stages and then much faster in the later stages than in the case of a balanced growth. This choice involves a political decision and this decision would depend upon the minimum rate of growth of the consumption goods sector with which the community could be satisfied. The lower the rate, the greater could be the unbalanced character of development.

During our Second Five-Year Plan, we intend to have an unbalanced process of development. We propose to increase the rate of growth of the investment goods sector much more than the rate of growth of the consumption goods sector. The success of this plan would depend upon how much we could restrict any increases

in consumption. In the factory goods sector probably it would be easier to restrict increases in consumption if their profits could be tapped for development purposes. The crucial sectors, where it might be difficult to do this, would be agriculture and the small scale industries. If the farmers and the handicrafts men both increase their consumption with increases in their incomes, we might be faced with inflation. Ways and means therefore should be devised for increasing the marketable surpluses of these sectors. State trading probably is one way out. Land tax and higher charges for the services supplied by Government to the farmers as well as the handicrafts men could also be used for this purpose.

It would be realised in this context that greater employment, greater rate of increase of income (ultimately) and reduction in the inequalities of income are conflicting objectives and if a compromise is to be arrived at, it should be one which is more biased in favour of growth.

Views on States Reorganisation—III

Thoughts on the Attenuation of Hyderabad

By A 'MULKI'

The majority is difficult to idealise because it is difficult to imagine G K Chesterton

It will be seen . . . that the Erewhonians are a meek and long suffering people, easily led by the nose
Samuel Butler

THE States Reorganisation Commission seems to have acted religiously upon Emerson's dictum that consistency is the hobgoblin of small minds. A fair example of this is its treatment of Hyderabad. The real issue is not whether there should be a residuary State of Hyderabad comprising Telengana—the inclusion of Bidar is a different kettle of fish—and functioning as a distinct entity from the present State of Andhra, but whether the Commission has made out an effective case for the disintegration of the present composite state of Hyderabad. The cavalier fashion in which the Commission has recommended the carving out of Hyderabad may be contrasted with the almost pathological circumspection with which it has dealt with Bombay and the Punjab. This in itself is indicative of the fact that considerations other than the welfare of the people of Hyderabad have weighed with the Commission.

We are told by the Commission that "public sentiment, both within and without the state is overwhelming and insistent on the need for the disintegration of the State. The Congress Party, though divided on the question whether Telengana should be a separate state or be united with Andhra, is unanimous regarding the issue of disintegration. The continuance of the existing unit for any considerable length of time would, in the opinion of this body, retard the growth of the people of Hyderabad. Every other organised political party that has appeared before us, however disunited on other points, has shown striking unanimity on this question". This is typical of the Commission's approach to the entire problem, which believes that pontification is an adequate substitute for the effort of exact thought. No evidence is given for assuming that Hyderabadis favour disintegration of their state. The opinions of fickle-minded leaders cannot be taken as representing those of the people. If the Commission and the Government of India, who have also made up their mind to divide the State are so very tender to public opinion

why has the deposition of the Nizam—on which public opinion was long agreed—been deferred so long?

If anything will retard the growth of the people of Hyderabad it is the disintegration of the State. The case for retaining the present composite state is the very simple one that each one of the linguistic areas in the state is backward relatively to the respective contiguous areas in Bombay, Karnatak and Andhra; and the merger of these areas at this stage when the people have just emerged from age-old feudalism is hardly calculated to further the interests of the people of the State. These areas will soon become the colonies—an oyster to be pearled at will—of the absorbing states, and have the privilege of being exploited by people speaking their own language, albeit with a different intonation and diction. Hyderabadis are under no illusions about the fate in store for them in whatever state they are merged, certainly not after their experiences since the police action at the hands of imported officials from the neighbouring states. Superannuated and condemned officials from elsewhere descended like a Biblical plague of locusts on Hyderabad and made fortunes while the going was good. This conduct is a fair sample of the beneficent tutelage awaiting Hyderabadis under the new dispensation.

If the remaining part of this article is mostly devoted to the plight of Telengana it is because of the special nature of the problem and the indecent anxiety of some of the Andhra leaders for the merger of Telengana. Some of them had stooped to the extent of saying that they would even have the Nizam as the head of Vishal Andhra rather than forgo the twin cities! Let us look closely into the slightly Kiplingesque pose of "its-to-your advantage—little brother" adopted by the Andhra leadership towards the people of Telengana, and try to find out whether there is an iota of justification for this claim in the light of past experience and current happenings in Hyderabad.

During the heroic satyagraha launched by the Arya Samaj and the Hindu Sabha in Hyderabad in the late thirties, perhaps Hyderabad's finest hour, the champions of Vishal Andhra stood studiously aloof when the people of Hyderabad—Telugus, Marathas and Kannadigas—were facing the bayonets of a regime of Yahoos; the only outside support which Hyderabadis received then was from Maharashtra and Punjab. Then perhaps, the Andhra leaders had no interest in Hyderabad as the twin cities could not in any case function as the capital of 'Spacious Andhra', and it did not matter to these worthies whether the people of Hyderabad—including their Telugu brethren—had elementary human rights so long as they themselves were safe in Bezawada and Vizagapatam. Now that Hyderabad has been liberated—certainly not through the efforts of Andhra leaders—the leaders of Andhra are clamouring like magpies for the twin cities of Hyderabad and Secunderabad as the capital of Vishal Andhra, for the simple reason that there is no other city in the present Andhra which can even be compared, in point of amenities, to these. If the Andhra leaders covet the twin cities so much one may at least expect them to make no bones about it, and not be mealy-mouthed and sanctimonious about being the purveyors of welfare to the people of Telengana. They have given precious little proof of their good will and solicitude in the past and present as will be shown presently.

One might also refer to the cynical indifference of the Andhra leaders and people when practically all the Hindu students of Osmania University were rusticated during 1937-38 for the heinous crime of singing 'Vande Mataram'. No other Indian University—with the glorious exception of the Nagpur University—was even prepared to admit these stranded students. The Nagpur University, under its courageous Vice-Chancellor, the late Shri T J Kedar, braved the displeasure of the Inter-University Board, then dominated by Sir Akbar Hydari's

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coterie, by admitting all these students to its colleges. Shri Kedar also went out of his way to help these students through liberal grants of freeships and bursaries. The Andhra University did not move its little finger to help these distraught students, many of whom were fellow Telegus. The reason was simple. This University had been very shrewdly offered by the Hyderabad Government a timely and princely offer of a donation which was subsequently accepted. Before and after this there was an exchange of courtesies between the Andhra and Osmania Universities in the form of their respective Vice-Chancellors delivering convocation addresses at Hyderabad and Waltair. It was cruel irony to hear the Vice-Chancellor of the Andhra University mouthing Barrie-like phrases on eternal verities and human values in Hyderabad when Telugus, among other Hindus, were being hacked to pieces for daring to ask for elementary rights and when students were being rusticated for singing a patriotic song!

These are only two of the many significant incidents in the history of Hyderabad which should expose the hollowness of the protestations of fellowship and sympathy of the Andhra leaders for Telengana. So much for the past. Now for the present and the future.

Among the officials who were imported after the Police Action a fair number was from Andhra, and the attitude and behaviour of these towards the local Telegus is an index of the shape of things to come in Vishal Andhra. The first reaction, and the last, of these officials, in common with imported officials from other provinces, was how best to oust the sons of the soil.

The Osmania University—which today is ruled by an 'entente cordiale' of Razakars and Circars Brahmins—has under an Andhra executive gradually driven out qualified 'mulkis', many of them with high academic qualifications, to make room for raw graduates from Cocanada, Vizag and Masulipatam. The story is much the same in other departments. Any protests are promptly smothered by retorts that the Circars Andhras have superior 'brains' and hence are entitled to rule over the banausic locals, a line of thought which the Andhras themselves would not relish overmuch if advanced by the Tamils. It

is not uncommon to see the coastal Andhras poking fun at the rather racy Telugu dialect of Hyderabad. They are, of course, unaware that Hyderabadis like the late Shri Pratap Reddy kept the spirit of the Telugu language and literature alive in Hyderabad at a time when their brethren in the Circars and Rayalaseema were listening to the Convocation rodomontade of Nabobs.

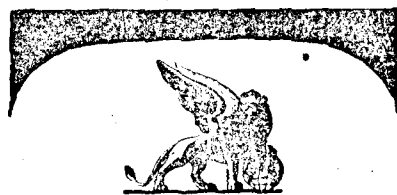
Opinion today in Telengana is by no means in favour of a Vishal Andhra, the telegrams of weathercock legislators notwithstanding. It should not be overlooked that the most active protagonists in the anti-non-mulki agitation in October 1952 were the local Telugus and the movement itself was largely directed against Andhras from outside the State. Of course, some elements, who were busy chalking up 'go back to Bezvada' on city walls in 1952 have since, for reasons of their own, taken up the cry of Vishal Andhra. For them this is only a period of transition, to adapt Isaiah Berlin's phraseology, from the 'hedgehog' to the 'fox' phase of power politics. The States Reorganisation Commission has done the right thing by the people of Telengana by giving them a separate state. But in the process it has thrown the people of Marathawada, Gulbarga and Raichur to the wolves.

But then to ask for an undivided Hyderabad in these days of linguistic chauvinism is a forlorn hope. At the moment of writing this article even the fate of residuary Hyderabad is in the balance. Leaders of Vishal Andhra from the Circars and Rayalaseema are busy confabulating with interested groups in Hyderabad for precipitating by hook or crook the merger of Telengana and Andhra. A large tented army of bureaucrats is poised in drainless and waterless Kurnool waiting for the signal to entrain for the twin cities. When that day dawns, the people of Hyderabad will realise that the paper safeguards so liberally recommended by the States Reorganisation Commission for the protection of backward areas will be as effective as those provided for Harijans by our sublime Constitution; or at best about as effective as the pie-crust promises of the present Andhra Government when inviting the people of Telengana into their parlour.

Sooner or later, perhaps sooner, historic Hyderabad of Ajanta and

Ellora, the scene of the devoted labours of Meadows Taylor and Chundoo Lal, the researches of Ronald Ross and Aghorenath Chattopadhyaya, the romances of Captain Kirkpatrick, the poetry of Nizam Jung and Sarojini Naidu, of art patrons like Salar Jung, of the sweet-meats, the kebabs and nahri of Char Kaman, the hearth and home of a large-hearted and gentle people with their traditional faith in 'izzat' and 'telzib', will soon be a dim and distant memory which will be cherished for many a long day by former Hyderabadis living under austere regimes.

But then all this is nostalgia, one of the seven deadly sins in the calendar of the SRC except when it takes the form of Aikya Kerala or keeping Uttar Pradesh intact! It is then presumably that the Fabianism of the London School of Economics, the liberalism of the Servants of India Society and the historical humanism of Christ Church can be conveniently forgotten under the aegis of an unusually self-effacing Chairman.



*He who is firmly seated
in authority soon learns
to think security."*

J. R. Lowell.

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Views on States Reorganisation - IV

Andhra and Telengana States

(Contributed)

WHILE reactions to the States Reorganisation Commission's report from West, North-Western, Northern and to some extent from South-Eastern India, have received and are receiving considerable publicity, those from South India have gone more or less unnoticed. Maybe this is due to the consideration that the picture drawn by the Commission of the reorganisation of State boundaries in southern India has a wide measure of approval from the people concerned. Maybe also that the pattern of reorganisation proposed for that area represents a closer approximation to linguistic divisions and, therefore, is more acceptable to them. Though the Commission does not recognise language as the sole or even the main consideration in the creation of new States or in the readjustment of existing State boundaries, it is evident that, in fact, it accorded to that factor primacy of place in some of its major recommendations. Those pertaining to Southern India fall essentially in this category.

It is on the whole appropriate that this should be so. Whatever be the other considerations and arguments advanced by the Commission in support of its proposals for redrawing the map of India, it is indisputable that the linguistic factor looms large behind them. At the same time, Southern India is so constituted that it conveniently lends itself to a surgical operation in which more or less clean cuts can be made on its territorial map on the basis of language. To the Commission, this must have been on the whole a source of relief, because without much prejudice to other principles evolved by it in connection with reorganisation, it could accord to the linguistic demi-god the homage due so far as Southern India was concerned.

Linguistic homogeneity could be harmonised in this area with factors of financial viability and administrative convenience and prospects of budgetary equilibrium and economic progress. This attitude, whether expressed or implied, of the Commission is perfectly justified also by the relevant consideration that apprehension of linguistic separatism posing a threat to national unity and security, which was canvassed by some parties at the time of the

Andhra separation, has been found by experience to be wholly unwarranted and baseless.

There are two or three points touching the States Commission's recommendations respecting Southern India, and in particular Andhra and Hyderabad, which deserve careful consideration. Initially, reference may be made to the issue of Madras City, which not long ago was a serious bone of contention between the Andhras and Tamils, but about which hardly any controversy exists at present. The Andhras have now reconciled themselves, it may be hoped finally, to the fact that they cannot sustain any valid claim to the city of Madras or a part of it, though even before the States Commission, they did put up a claim to it. It is good that this is so, and that the Commission has put its seal of approval on the fait accompli of Madras being not only a Tamil city, but also the city from which the new Tamil State will derive its name.

The second issue relates to the allocation of three taluks of the Bellary district, including Bellary town, to the Andhra state. This amounts to the righting of a wrong hastily done to Andhra and to the people of the three taluks, when at the time of Andhra separation, the area was assigned to Mysore State under the terms of the Misra Award. Administrative convenience, particularly in relation to the efficient supervision of the further stages of the Tungabhadra project, long-established trade connections between Rayalaseema and the Bellary district and finally the linguistic composition of these taluks—have induced the Commission to suggest a re-transfer of the area, which is also in conformity with the desires of the people themselves. It would be appropriate and dignified for the Mysore State and the Kannadigas generally to accept this transfer in good grace.

The Andhra-Madras border issue, which has been pending, is a comparatively minor issue, susceptible of adjustment through mutual consultations and agreement. Such adjustment seems possible if aggressive agitation by extremist elements on either side is avoided.

One major issue with regard to Southern India, which has not attracted much attention, but about which considerable discussion and debate is on, relates to the creation of a second Telugu-speaking State out of the eight Telugu-speaking districts of the Hyderabad State, with Hyderabad as the capital. Ever since dismemberment of Hyderabad State came to be regarded as an inevitable preliminary to the creation of a united Karnataka State, the issue of the Telugu-speaking districts has assumed significance. The creation of a Vishal Andhra State with Hyderabad as capital has come to be considered as a solution to a number of problems that have been troubling the Andhra State, particularly the problem of its permanent capital.

The Commission has marshalled an impressive array of arguments in support of the formation of a Vishal Andhra State. At the same time, it has tried to marshal an equally impressive set of arguments in favour of the creation of a separate Telangana State, little realising that in the face of the former, the latter sounds unconvincing. It appears, in short, like some kind of special pleading for those interests in Telangana which have been opposing a composite Andhra State.

If the Commission's view is sound, it would amount to branding the coastal Andhras as being prone to 'exploit' and 'submerge' the Andhras in Telangana for their own benefit. Fortunately, a similar argument, which was widely canvassed before the establishment of the present Andhra State that the coastal Andhras would dominate and exploit the backward Rayalaseema area for their own benefit, has turned out to be unfounded by the actual course of events in the last two years. On the other hand, it is indisputable that the establishment of the Andhra State has strengthened unity between Rayalaseema and the coastal districts and has promoted a closer identity of interests and feelings between the two areas. If the Telangana districts form a part of Andhra, there is little doubt that a similar identity of interests between them and the Andhra State would emerge.

The Commission's own view of the advantages of a Vishal Andhra State convincingly proves the case for such unification right from the very beginning. It will automatically resolve a number of administrative and economic problems that confront the present Andhra State and that are likely to confront the separate Telangana or Hyderabad State. Administrative efficiency, economic progress and budgetary stability, apart from linguistic affinity, will all be ensured in the two areas if such unification takes place. Apprehensions of the exploitation and submersion of Telangana interests in a composite Andhra State have no validity, because when a somewhat backward area is joined to a comparatively advanced one with which it has affinity in other respects, it will naturally lead to the advancement of both, particularly in view of the possibility of the advanced area being anxious to carry the less advanced one along with it.

The States Commission has either missed the real point behind the apprehensions of the more vocal sections among the Telangana Andhras or it has not been able to appreciate it in the correct perspective. Opposition to the creation of a single Andhra State from these sections proceeds mainly from caste and sectional motivations, from the fear that in a composite Andhra State, one particular caste in the coastal districts would attempt to dominate the rest of the territory. It is also true that this particular caste in the coastal districts itself fears the domination of another caste if Telangana is part of a single Andhra State.

These fears and suspicions are mutual and actually cancel themselves out. On the periphery is another apprehension that if Vishal Andhra is not established now, that fact would be exploited by the Communists for their political advantage. It is not also unlikely that while the Communists vociferate in support of a Vishal Andhra State, they actually would prefer a separate Telangana, which can still offer them a happy ideological hunting ground. It is a clinching argument in support of Vishal Andhra, which the Commission did not or could not take cognisance of, that such a State with its larger resources and more efficient administrative set-up would be able to deal with prospective Communist revivalism in that area more effectively than if

Telangana had to deal with it by itself.

In any event, the Congress as a party cannot remain a complacent witness to the predominance of casteism and its manifestations, not only because it is committed to the eradication of caste influences, but also because casteism is not conducive to the development of the spirit of national unity or a national outlook. In a large state wherein there are greater opportunities for the inter-play of a diversity of interests and viewpoints, the narrow outlook that casteism and sectionalism are prone to foster will have less chance to grow. In the ultimate analysis, it is the will of the common people that should prevail in a democratic set-up, and there is more than a possibility—indeed a strong probability—that the common people of the Telangana area will plump for a merger with the present Andhra State.

The Commission has provided for the unification of the residuary state of Hyderabad or Telangana with Andhra after the general elections to be held in 1961, "if by a two-thirds majority the legislature of the Hyderabad State expresses itself in favour of such unification". This, however, is a suggestion without much practical relevance or validity, for the simple reason that the forces which at present are opposed to a single Andhra State, because it would affect their caste or personal interests, will have acquired greater strength in the intervening period and stabilised their position in the new State. Almost insuperable obstacles can be envisaged in the realisation of a Vishal Andhra State five years hence. If the State does not materialise now it has little chance of materialising in 1961.

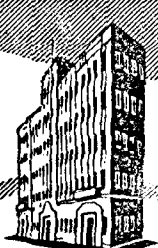
It is gratifying that the agitation in favour of Vishal Andhra is pitched in a subdued and dignified key. There is expression of disappointment that the Commission did not favour a Vishal Andhra State after acknowledging its advantages but there is simultaneously an expression of hope that the position will be righted by the Government of India and the Congress High Command.

If the long-term and larger interests of the two areas, Andhra and Telangana, are to be served, as it is agreed, they will be by their being constituted into a single State, it is preferable, in fact imperative, that this consummation should be brought about in the immediate

future. It is generally agreed that the initiative for the modification of the Commission's recommendation regarding Telangana should come from that area itself. That is necessary. But the leaders of Andhra can set the ball rolling by consulting the Telangana leaders on this issue, particularly as the latter may like to be 'wooed' a little before accepting the advances.

There may be nothing inherently wrong in two States existing side by side in which the same language is spoken. But where it is desirable and possible to have a single State of manageable proportions, which also answers the criterion of linguistic homogeneity and other considerations, that need not be ruled out.

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Demographic Trends in South-East Asia

THE importance of the population problem in the countries of south-east Asia hardly needs to be emphasised. No discussion of the problems of these countries is in fact complete without a reference to population pressures and rates of growth of population. While the high population pressure has kept income levels and standards of living very low and has also hampered efforts to bring about rapid economic development, one of the most acute problems in these countries has always arisen out of the need to provide increasing employment opportunities to new entrants into the field, a problem made more acute by the high rate of growth of population.

The rates of natural increase in population have not really been very high in any absolute sense; they have been high relatively to the ability of these countries to provide employment opportunities and maintain income levels. The rate of investment necessary to balance the demographic rate has consequently been higher than these countries have been able to achieve easily. It has been quite clear that only organised effort on a large scale would lift these countries out of the morass into which they have fallen.

In this context, demographic trends in the countries of this region since the end of the war are of the utmost significance and must provoke considerable thought amongst economists and policy-makers in these countries. A study of these trends published in a recent issue of *ECAFE's Bulletin** emphasises that the "rate of population growth has recently been accelerating in parts of the ECAFE region" and points out that this acceleration can be traced to "progressive reductions in death rates, not matched in most cases by corresponding changes in the birth rate." The only country in the region where this common tendency is definitely absent is Japan, where conditions in many respects differ markedly from those prevailing in other countries of the region.

there is a definite upward trend. Since this upward trend arises principally out of downward trends in mortality, a careful study of these is necessary. Mortality trends exhibit two definite periods, the first prior to the Second World War, and the second, the current post-war period.

Mortality Trends

Information about long-term demographic trends is available for a few countries only. The authors of the study feel, however, that the similarity of conditions in the countries of the region and the characteristics of these trends themselves suggest that the pattern in all countries is likely to be similar to that found in the few countries for which information is available. The experience of Ceylon and Taiwan is considered particularly significant from this point of view (Table 1). In both, the death rate before 1920 was at a level of about 35 per thousand persons. The corresponding expectation of life at birth was about 28 years. Between the first and second world wars, the crude death rate declined gradually from this level of 35 per thousand, and seemed to be tending towards a limit of about 18 per thousand, which corresponds to an expectation of life of about 43 to 45 years. While the more favourably situated countries could be expected to attain this low death rate without any great change in levels of living, it is clear that a decline of mortality toward such a level had begun prior to the Second World War in all the countries of the region, though some had proceeded much farther than others.

India was one of the countries which had proceeded least in this very desirable direction. The mortality rates which had been abnormally high prior to 1921, being well over 40 per thousand, probably owing to the frequency of famines and pestilence over large parts of the country, showed, during the subsequent decades, a substantial and steady decline. The death rate was estimated at 36 per thousand during the decade 1901-30 and at 31 per

thousand during the decade 1931-40. While this is the pattern of mortality rates, "the generally high levels of birth rates of from 40 to 45 per thousand have not changed very much between the pre-war and post-war period." In Ceylon, there has been a slight fall from 50 per thousand prior to 1900 to 45 per thousand in 1901-10 and to 40 since then. (Table 2). These changes can probably be explained by factors such as the increase in the age of marriage which is in evidence since the turn of the century and the increasing urbanisation. In Taiwan, whatever evidence is available actually suggests that fertility may have actually increased somewhat, while in India, birth rates have fallen from about 50 per thousand during 1881-1920 to 45 during 1921-40 and to 40 during 1941-50. As in Ceylon, however, these changes are not due to any change in marital fertility but have been probably brought about by minor shifts in

Birth Rates

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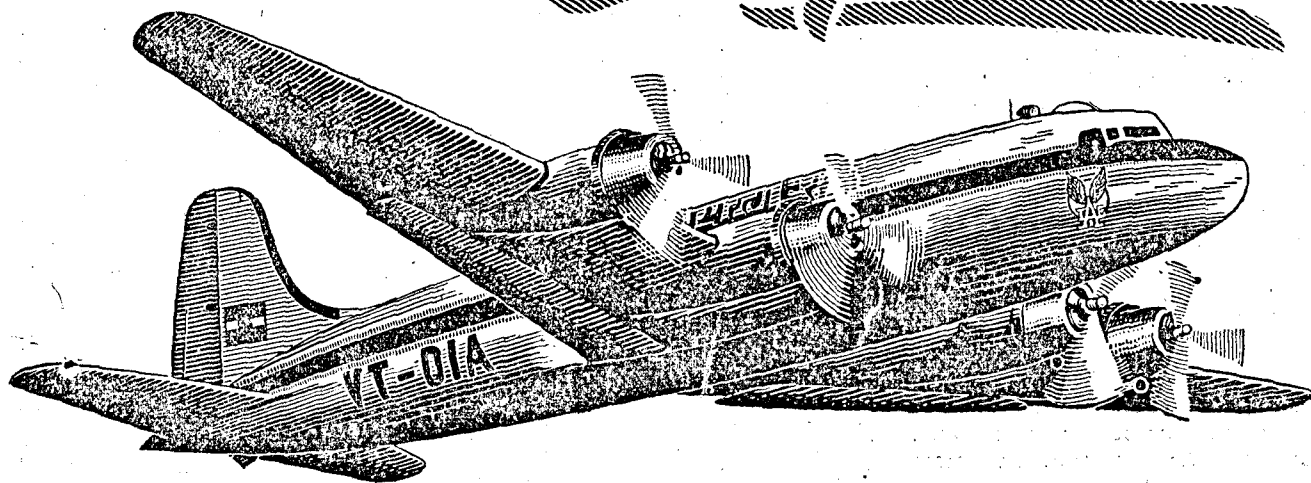
that the figures are too low.

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that area more effectively than if brought about in the immediate

low levels. Birth rates have shown only slight falls, if at all, and are not likely to be affected immediately by the factors that are bringing about a fall in mortality. If anything, an improvement in health and in survival of women through child-births may tend to increase the birth rates. It is clear that certain trends in the rates of natural increase which emerged from these facts during the pre-war period are likely to have been accentuated during the post-war period.

Rates of Population Growth

A study of these rates of natural increase show that these were high in most south-east Asian countries and areas, notably Ceylon, the Federation of Malaya and Taiwan, during the pre-war period 1935-40, showing a rate ranging from 10 to 25 per thousand per annum. (Table 3) Since the end of the Second World War, because of the factors mentioned above, the rates of population growth have shown a rising tendency. "The period of the early 1950s," the ECAFE study points out, "has witnessed in these countries such high levels of natural increase as 30 to 35 per thousand per annum. These levels are among the highest ever known in the world." (bold ours).

These levels of population growth rates are no doubt to be found at present in these two or three countries only. In the other ECAFE countries, the present levels of the annual rates of natural increase are about 10 to 20 per thousand, roughly comparable to the present rate in India and to the rates observed in Ceylon, Taiwan and Malaya during the pre-war period. The widespread declining mortality of the region, "implies that these other countries also may experience raising trends in natural increase if little relative change takes place in their birth rates."

Japan—An Exception

Japan is the only country in this region in which these common tendencies are not to be found. That country "seems to be approaching a new demographic equilibrium, with both low fertility and mortality." The attainment of such an equilibrium does not, of course, imply that Japan will have no demographic problems but rather that the character of these problems will be different. Among these new problems are those arising out of the aging of the population and those caused by the legalisation of abortion.

Mortality rates in Japan were already low prior to the war, standing at 17 per thousand during 1935-39. The expectation of life at birth which was already as high as 45 years at the beginning of the century rose to 50 years by the end of the Second World War. "This moderate change" it is argued, "was due mainly to a decline in Japanese infant mortality, since life expectancy at age 1 remained fairly constant at the level of 50 years during that period." By 1953, the mortality rates had declined even further until they had reached the low level of 9 per thousand. (Table 1) From the point of view of mortality rates,

it could be argued that Japan was providing the lead which was being followed by the other countries of the region.

The birth rate in Japan is extremely low, being below 30 per thousand. A comparison of the pre-war and post-war periods "shows that Japan is the only ECAFE country where a definite decline of mortality has occurred." Family limitation is probably the main reason for the decline in fertility. Abortion was recently made legally permissible and it is in fact resorted to on a large scale. The decline in birth rate since 1950, when it was 28 per thousand, has been very steep for

TABLE I—DEATH RATES IN SELECTED ECAFE COUNTRIES

Country	Source of Data	Pre-war period		Post-war period	
		Years	Death rate per 1,000 Population	Years	Death Rate per 1,000 Population
Burma	Reg.	1935-39	(22)	—	N.A.
Ceylon	Reg.	1935-39	25	1952	12
China: Mainland	Est.	—	—	1952-53	(17)
Taiwan	Reg.	1936-40	21	1953	10
India	Est.	1931-40	31	1952	25
Japan	Reg.	1935-39	17	1953	9
Korea	Reg.	1935-39	(19)	1950	(12)
Fed. of Malaya	Reg.	1935-39	21	1952	14
Pakistan	Reg.	—	N.A.	1948	(12)
	Est.	1943	(20-25)	—	N.A.
Philippines	Reg.	1935-39	(17)	1950-52	(9)
	Est.	1940	(19-25)	—	N.A.
Thailand	Reg.	1935-39	(16)	1950	(10)

Figures on which relatively little reliance can be placed are presented in parenthesis; in the case of registration figures so presented, it is probable that the figures are too low.

TABLE II—BIRTH RATES IN SELECTED ECAFE COUNTRIES

Country	Source of Data	Post-war Period		Pre-war Period	
		Years	Birth Rate per 1,000 Population	Years	Birth Rate per 1,000 Population
Burma	Est.	1924	37-42	—	N.A.
	Reg.	1935-39	(32)	—	N.A.
Ceylon	Reg.	1935-39	36	1952	40
China: Mainland	Est.	—	N.A.	1945	33-39
Taiwan	Reg.	1936-40	45	1953	45
India	Est.	1931-40	45	1952	40
Japan	Reg.	1935-39	29	1953	22
Korea	Est.	1928	42	—	N.A.
	Reg.	1935-39	(32)	1950	(26)
Fed. of Malaya	Reg.	1935-39	40	1952	44
Pakistan	Reg.	—	N.A.	1948	(18)
	Est.	1943	45-48	—	N.A.
Philippines	Reg.	1935-39	(34)	1950-52	(22)
	Est.	1940	44-48	—	N.A.
Thailand	Reg.	1935-39	(35)	1950	(28)
	Est.	1940	39	—	N.A.

Figures on which relatively little reliance can be placed are presented in parenthesis; in the case of registration figures so presented, it is probable that the figures are too low.

TABLE III—ANNUAL RATES OF NATURAL INCREASE IN SELECTED ECAFE COUNTRIES

Country	Source of Data	Pre-war Period		Post-war Period	
		Years	Rate of natural increase per 1,000 Population	Years	Rate of natural increase per 1,000 Population
Burma	Reg.	1935-39	10	—	N.A.
Ceylon	Reg.	1935-39	11	1952	28
China: Mainland	Est.	—	N.A.	1952-53	(20)
Taiwan	Reg.	1936-40	24	1953	35
India	Est.	1931-40	15	1952	15
Japan	Reg.	1935-39	12	1953	13
Korea	Reg.	1935-39	(13)	1950	(14)
Fed. of Malaya	Reg.	1935-39	19	1952	30
Pakistan	Reg.	—	N.A.	1948	(6)
	Est.	1943	(23-25)	—	N.A.
Philippines	Reg.	1935-39	17	—	(13)
	Est.	1940	(23-25)	1950-52	N.A.
Thailand	Reg.	1935-39	19	1950	(18)

Figures on which relatively little reliance can be placed are presented in parenthesis.

N.A. = Not Available; Reg = Registration; Est. = Estimates

these reasons. It fell to 22 in 1953. (Table 2) A month by month analysis shows an almost continuous decline over the period 1950-54 allowing for the seasonal pattern of births. The gross reproduction rates of Japan dropped from 2.66 in 1920 to 2.40 in 1930, and 2.06 in 1940. There was a short recovery to 2.22 in 1940's as shown by the 1947-48 data, but this was followed by a renewed decline to 1.82 in 1950 and to 1.62 in 1951.

Despite the fall in birth rates, rates of natural increase in Japan tended to rise till 1950, since the decline in death rates tended to be even more rapid. Rates of natural increase were 12.0 per thousand in 1920-24, 13.7 in 1930-34, 13.8 in 1940-44 and 17.3 in 1950. It is only in very recent years that falling fertility has tended to outpace falling mortality, as the latter reached very low levels. The rate of natural increase in 1953 fell again to 12.6 per thousand per annum. (Table 3) In due course, if birth rates keep on falling, as seems very likely, Japan may reach a demographic equilibrium with no change in population at all.

The factors that have resulted in this situation for Japan are not likely to be duplicated in the other countries at an early date. While the fall in death rate in Japan will be repeated in the other countries, there is no reason to believe that the birth rates will show a similar trend—at any rate in the near future.

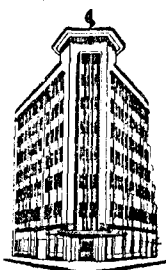
The study argues, "It is possible—though perhaps not likely in the immediate future—that the increasing load of dependency will induce Asian families to cut down their fertility as the Europeans did a hundred years ago." It must be noted, however, that in Europe the fall in death rates, which was followed

after a time-lag by a fall in birth rates, occurred as a result of industrialisation and consequent rising standards of living. This is not the case in the countries of south-east Asia, where the decline of mortality "is not due to an improvement of the level of living but has been largely brought about by the use of new drugs." The problems which will arise in these countries are to that extent of a different character from those faced in Europe. The experience of European countries may not, therefore, prove very helpful in this context.

It has also been noted in different studies that the time-lags between the fall in death rates and in birth rates in different countries of Europe have differed widely. Only an idea of the social adjustments which will occur as a result of the decline of mortality can suggest after what time-lag, birth rates can be expected to fall appropriately in south-east Asia or whether they will fall automatically at all. The experience of Japan suggests the need for drastic measures, but various reasons may deter the other countries of the region from following Japan's example. The problem is clear; what the solution can be, is a matter for separate examination.

Announcement

We have pleasure to announce that the Head Office of the Company will be removed from 135, Canning Street, Calcutta - I, to **Our Own Buildings at 24, Chitta Ranjan Avenue, Calcutta-12**, on and from 1st November, 1955. Constituents are requested to address all communications to the above new address.



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Around Calcutta Markets

Market Outlook

Wednesday, Evening

ABOUT a year ago, the stock exchange boom ended. Today, equities may not be booming, but they remain steady. There is no pessimism in the market. Investors may be hesitant. But speculators seem determined to push equities up. As the Calcutta stock exchange closed for the Puja holidays, the feeling spread that the outlook for equities was promising. It is interesting to go backwards to have some idea of the factors that have influenced market movements in the past year.

From September, 1954, equities started falling. Soon, it became evident that the boom had ended. A sharp fall in equities spread gloom in the stock market. But the continued strength in Tea shares cushioned the fall in equities. Tea prices and tea shares slumped much later. But, by then, other "bullish" factors intervened. That was why the slump was of short duration. For many months, equities remained steady at lower levels.

Many influences helped to sustain the market. Incidental consequences of deficit financing have always had a steadying effect on equities in the last twelve months. As money supplies and money incomes increased, investment support to the market continued. Expectations of a larger Second Plan emboldened speculators to bid equity prices up. But by the beginning of this year, certain doubts developed to restrain stock market activity.

These doubts and uncertainties spring from the reorientated economic policy of the Government. Avadi was a warning to stock markets. Equities are not higher today because many investors are apprehensive that the Government will gradually implement Avadi through industrial legislation. Almost simultaneously, it became known that the Government's intention was to expand the public sector. These fears continue to hamper stock market activity.

Calcutta is the home of the managing agency system. Introduction in Parliament of the Companies Bill created consternation in Dalhousie Square. And, as gloom enveloped Dalhousie Square, Clive Street felt the impact. There is nothing in the Companies Bill to affect equity prices. But the reaction of the business com-

munity to the Companies Bill was adverse. That was why it had a psychologically "bearish" effect on equities.

At this stage, an intriguing development occurred. As the proposed company legislation included a provision that, after some years, no managing agents could manage more than ten companies, the move to corner shares in order to acquire controlling interests in industrial concerns started. There was hectic cornering activity. As a result, many shares were boosted up. This move served to neutralise some of the "bearish" effects of the Government's harsh attitude to the managing agency system.

Cornerers concentrated their attention on Tea and Engineering shares. 1954 was a boom year for the tea industry. As the industry prospered, Tea shares spurted up. Hopes that the prosperity would continue encouraged some capitalists to buy up Tea shares in order to acquire controlling interest in tea companies. By the time this move started, tea prices had begun to fall. But cornering attempts continued. These activities had a sustaining influence on Tea shares. Fat final dividend payments also had a steady effect on tea shares.

If cornering activities partly neutralised the adverse effects of the Companies Bill, there were other influences which continued to have a paralysing effect on equities. As the contours of the Second Plan emerged, doubts deepened whether equities could move up during the Second Plan's unfoldment. Its emphasis on cottage industries, on development of heavy industries within the public sector and its attitude to organised consumer goods industries had a chilling effect on stock markets.

Throughout the past year, contradictory influences have been in operation. For instance, the continued strength in Indian Iron in the last few months has offset some of the "bearish" factors. Indian Iron started moving up in expectation a higher dividend disbursement. These shares continue to be firm in anticipation of bonus or right shares. Whether the continued strength in Indian Iron is justified or not, the behaviour of Indian Iron has had a restraining influence on Engineering

shares. Gradual improvement in sound Engineering shares has been a feature of price movements on the Calcutta Stock Exchange in the last few weeks.

Strength in Engineering shares augurs well for the future of equities on the Calcutta Stock Exchange. Even so, it would be unwise to ignore the consequences of another developing event. Soon, a Bill to regulate stock market activity will be introduced in Parliament. This legislation is likely to have a "bearish" effect on equities. In recent months, the Government has given many indications that it is anxious to curb speculative activity in stock markets. On more than one occasion, New Delhi has issued directions to stock exchange authorities to check speculation in particular shares. This is a move in the right direction. These precautionary measures are necessary to prevent the consequences of a runaway boom.

Kirloskar Engines

THE ninth Annual Report of Kirloskar Engines Ltd., for the year ending March 31, 1955 discloses satisfactory working results. The production of oil engines in 1954-55, is the highest so far, and considering that the company's products have been well received both in India and abroad and that efforts are being made to develop export markets in Germany and Middle and Far Eastern countries, Kirloskar Engines might confidently look forward to a promising future.

Net value of sales during the year under review amounted to Rs. 56.76 lakhs as against Rs. 39.01 lakhs in the previous year, and the improved sales performance has been reflected in the profits earned by the company. Thus, profits for the year 1954-55, after provision for depreciation amounted to Rs. 4.38 lakhs against Rs. 1.18 lakhs in 1953-54. In the year under review, a sum of Rs. 1.96 lakhs was credited to the Depreciation Fund, bringing the latter to a total of Rs. 9.81 lakhs. As against this, the company has a machinery valued at Rs. 18.69 lakhs as on 31st March 1955.

Out of the net profits earned during the year, the directors have recommended a dividend of 5 per cent on 'A' (Rs. 10) and 'B' (Rs. 100)

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Boom Prevails

Thursday, Morning

AS anticipated here, the upward trend in equities was accelerated during the last week. Although the Stock Exchange authorities recently instituted measures to curb unhealthy speculation, bulls have remained convinced of industrial prospects, as evidenced by large disbursement of dividends. Annual accounts of companies that have been published are encouraging. Even the maintenance of the dividend in the case of Indian Iron and Steel Co. had no deterrent effect, as hopes are held for a right issue some time or the other. In the event, equities, on the whole, registered a further spectacular rise, the leadership this time being shared equally between steels and textiles.

Both Tata Steels and Indian Irons ruled firm, the latter giving strength to the former and enabling it, in the process, to advance to the previous official peak level. Actually, in the early part of the week, the rise in Tata Steels was particularly sharp because of the little bearish effect on Indian Iron by the declaration of the same dividend as last year. It may be noted, however, that Bombay is reported to have absorbed about four lakh shares of Indian Iron from Calcutta. Calcutta operators are not unaffected by the comparatively depressed state of the jute market.

Cotton mill shares in general made further headway with prices recording new high levels on active bull support coupled with bear covering. Central India evoked fresh buying on hopes of brighter prospects for the Company. The annual report showed a profit of Rs. 39,632 as against a trading loss of over Rs. 18.51 lakhs in the previous year. Among other scrips, Bombay Dyeing and Century ruled steady. There was reaction in the former on rumours that there might be rationalisation soon. Century witnessed a hectic rise.

There were several bright spots in the miscellaneous section which remained on the whole firm. Persistent speculative buying and covering sharply pushed Bombay Burmah to new peak levels. There was a gain of as much as Rs. 25 compared with the highest level reached in the week before. Sugar shares drew sustenance from hopes of higher dividends. Belapurs which opened the week at Rs. 355 advanced by leaps and

bounds to record the highest for the week at Rs. 375 at which level they have been held. Premier Construction rallied smartly to Rs. 191 while Tata Chemicals moved up to Rs. 20. A C C recorded a peak level of Rs. 220 to close a shade lower at Rs. 219-8.

Cotton

New Peaks Reached

THE cotton futures market opened the week on a distinctly bullish note and prices reached new high levels. Two factors combined to bring this about. While reports of damage to the crop following heavy rains in some cotton tracts were an important bullish factor, a more immediate cause was strong manipulation by the bull syndicate. The new crop February contract opened the week firm at Rs. 642 and marched onward to a new peak of Rs. 654-8 before closing the week somewhat lower at Rs. 651-12.

In the Sewri spot market, Vijay was in the limelight on the support of a prominent group of mills who continued to buy this variety on a

fairly large scale. Close on the heels or Vijay came 320F Punjab, about 1000 bales of which have been purchased by a big textile unit at Rs. 125 ON. Vijay also featured prominently in the export section. Shippers were reported to have gone in for this style presumably against their outstanding sales abroad. There were reports of sustained enquiries from Continental countries as also from Hong Kong and Japan but the volume of business that materialised was small.

Meanwhile, the question of U. S.-aid cotton is still hanging fire. It may be remembered that this scheme was first proposed as far back as December 1954, and the scheme continues to remain in cold storage. The prolonged delay in the Government making its decision one way or the other is presumably due to the disinclination on the part of traders to comply with the Government's alleged insistence on payment of a deposit of Rs. 1 lakh before they are allowed to import this cotton. Traders are not interested enough to pay deposit for the import of U. S. cot-

MARKET LEADERS DURING THE WEEK

	Oct. 25 1955	Week's Range High	Low	Oct. 19 1955
Steel Shares :				
Tata Ordinary	263-4	263-12	258-12	256-12
Indian Iron	39-14	39-15	39-6½	38-13½
Textile Shares :				
Bombay Dyeing	576-4	585-0	566-14	560-0
Century	470-4	472-8	450-8	449-8
Kohinoor	359-8	361-0	348-4	349-8
Simplex	212-4	215-0	207-0	206-4
Swadeshi	243-8	244-0	238-0	234-12
Miscellaneous Shares :				
Associated Cement	219-8	220-0	212-8	211-4
Belapur	375-0	375-0	355-0	353-8
Burma Old	687-8	695-0	655-0	654-4
National Rayon	245-12	246-8	241-8	241-8
Premier Const.	190-0	190-0	183-0	186-4
Scindia	18-14	19-0	18-4	18-6
Tata Chemical	19-13½	20-0	18-14	19-1
New India Assc.	49-0	50-0	47-12	49-8

OILS AND OILSEEDS

	Oct. 25 1955	Week's Range High	Low	Oct. 25 1955
Seeds :				
Castor May 1955 (per candy)	100-4	101-4	75-10	95-2
Groundnut Dec.-Jan. (per cwt.)	22-14	22-15	22-10	22-13
Linseed Feb.-Mar	23-12	23-12	23-8	23-4
Kardi Ready	13-8	13-12	13-8	13-8
Nigerseed Ready	22-12	23-0	22-8	22-12
Oils :				
Castor Oil Com. (per quarter)	10-10	10-12	10-8	10-5
Groundnut Oil R. R. (")	12-4	12-6	12-2	11-14
Linseed Oil (")	14-12	14-12	14-5½	14-5

ton. They feel comparable varieties of long staple cotton—and what is more, with a price advantage—could be had from East Africa or Egypt.

Oils and Oilseeds

Castor May Crosses Rs. 100

A NOTABLE event in the oilseeds market during the week under review was the sharp rise in the price of Castor futures which, for the first time in several months, crossed the Rs. 100-mark. In keeping with the firm trend in this section, other sections also displayed a perceptible undercurrent of firmness. Towards the close of the week, there was a shift in favour of linseeds causing a little reaction in groundnuts, castor and kardi and nigar.

Sentiment in general was influenced by three factors. In the first place, fears of crop damage owing to the recent heavy rains aggravated the sense of scarcity due to paucity of floating stocks. Secondly, arrivals from Khandesh were halting and uncertain owing to transport difficulties, a necessary concomitant of heavy rains, particularly with regard to country roads. Thirdly there was increased demand from shippers and millers. This apart, during the early part of the week on expectation of a fresh export quota for established shippers, both Vanaspati dealers and speculators were inclined to go long in both groundnut delivery and oil. On foreign account good business is reported to have been done for about 1000 tons during the week. Before the close of the week, however, the expected announcement of the export quota was released although the actual quantum of the quota has not been mentioned. Groundnut oil R/R found regular buyers and improved from Rs. 11-12 to Rs. 12-6 during the week to be placed at the close at Rs. 12-4.

In the case of Castor May, a new peak level was established at Rs. 101-4 on Tuesday. Favourable advices from the spot section and prospects of increased purchases by the U. S. A. at higher prices led speculators to cover their short sales in futures. As a result, the early easiness was replaced by a firm undertone and May contract closed the week distinctly firm at Rs. 100-4.

The unusual firmness in linseed and linseed oil was due mainly to paucity of stocks and good overseas demand particularly from Australia which accounted for about 50 tons. This led to Punjab going in for linseed ready and delivery and its

oil. Ready linseed improved by a rupee a cwt. from Rs. 24 to Rs. 25. Delivery improved from Rs. 23-8 to Rs. 23-14 and closed the week on a firm note at Rs. 23-12. Linseed oil ready quoted as. 6 higher at Rs. 14-12 at the close as compared to the opening at Rs. 14-6.

Bullion

Futures Trading Resumed

AFTER a period of suspension extending well over three months, forward trading in bullion was at last resumed on Monday (October 24, 1955).

Recalling the causes which led to the closure of trading in forward bullion, the President of the Bombay Bullion Association drew the attention of the members to what the Bombay market had been able to save "by locating and remedying in proper time the malicious squeeze". He added: "We had an outstanding business of about 7000 bars of silver which would have been normally carried to the levels when we would have lost round about Rs. 20 lakhs

because the market has since risen by Rs. 11".

Referring to the Government's conditions in respect of the amended bye-laws he said "we have no alternative but to run the market in terms of the bye-laws imposed on us and accordingly we are starting trading in terms of the new bye-laws."

When futures trading started, it was on a buoyant note. In the absence of sizable selling, both the metals forged ahead, activities being confined to professionals and spot houses with scarcely any outside interest.

Arrivals in the local market as well as in upcountry centres were unexpectedly heavy and there was perceptible shrinkage in demand for the spot metal with the result that there was considerable selling by spot houses and the earlier gains were almost erased as a result.

Gold was comparatively firm although hedge selling at higher levels occasioned a small reaction here too. At the close silver quoted Rs. 170-9 and gold Rs. 95-3.

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Village and Small Scale Industries

HAND and household industries have been given a position of vital importance in the Draft Plan-frame for the Second Five-Year Plan. True, they are not part of the final objective of the Plan-frame which is to increase national income at a certain rate and to provide employment for those who will come into the working age-group within the next five years. But they are crucial in the sense of being essential steps towards realisation of the objectives. The latter however have to be viewed not in isolation, but in relation to the subsequent plans. The increase in income aimed at is to be realised in stages, and what is achieved in the next plan period will lay the foundation for greater achievements in the subsequent plan periods. This is the idea behind the principle of unbalanced growth which has been accepted in the Draft Plan-frame. The proportion of the national income diverted to future production and the manner of its disposal which governs the allocation to heavy industry are being guided by it.

For the country to be able to support this relatively large investment in heavy industry or capital assets which do not immediately lead to a flow of consumer goods, it is necessary to look to other avenues of maintaining the regular supply of consumer goods, in the absence of which heavy investment will lead to large money incomes without a corresponding supply of consumer goods. Hand and household industries are expected to take care of the latter; so the first question to be asked is, "Will this sector be able to deliver the goods so that planned investment may be pushed on without resulting in a runaway inflation?" Since the responsibility for maintaining consumer goods supply has been deliberately put on hand and household industries in preference to the consumer goods industries which are to be allowed a limited expansion, it makes the question of supply of goods more important than provision of employment in this sector. True, the village sector is believed to offer opportunities of employment, but if the supply of consumer goods can be maintained at the required level, formation of social capital, construction activities and provision of social services can be made to take care of employment, even if the village sector fails to absorb substantial numbers.

To the very important question of hand and household industries being able to deliver the goods, the Karve Committee does not offer an answer. It cannot, however, be blamed for not doing what it was not asked to do. The Committee was required to frame a scheme for the utilisation of the resources to be earmarked for these industries in the Second Five-Year Plan with special reference to the following:

- "(1) that the bulk of the increased production during the Plan Period of consumer goods in common demand has to be provided by the village and small-scale industries;
- "(2) that employment provided by these industries should progressively increase; and
- "(3) that production and marketing in these industries is organised, in the main, on co-operative lines."

Let's look at PROGRESS—Stanvac Quiz No 1

YOU KNOW THAT INDIA'S 5-YEAR PLANS MEAN A BETTER LIFE FOR ALL. BUT DO YOU REALISE THE PROGRESS **ALREADY MADE** UNDER THE FIRST 5-YEAR PLAN? TEST YOUR KNOWLEDGE AGAINST THE QUESTIONS AND ANSWERS BELOW.

1 IN 1953-54 INDIA ACTUALLY GREW MORE RICE THAN THE PLAN CALLED FOR. IN THREE YEARS HER RICE PRODUCTION HAS INCREASED BY:

A) 1,460,000 TONS
B) 4,250,000 TONS
C) 637,000 TONS

2 COTTON IS ONE OF INDIA'S MOST IMPORTANT CROPS. BY 1954-55, THE AREA OF LAND UNDER COTTON HAD INCREASED BY:

A) 1,252,000 ACRES
B) 3,746,000 ACRES
C) 624,000 ACRES

3 THE PLAN INCLUDES PROJECTS FOR MAKING INDIA SELF-SUFFICIENT, AND ALSO FOR EARNING FOREIGN CURRENCY. IN 1954-55 EXPORTED INDIAN GLASSWARE EARNED:

A) 6 LAKHS
B) 12 LAKHS
C) 20.4 LAKHS OF RUPEES

STANDARD-VACUUM ARE PROUD TO PRESENT THIS TOPICAL INFORMATION ON INDIA'S PROGRESS—AND PROUD THAT OUR THREEFOLD ACTIVITIES OF **PRODUCING, REFINING AND MARKETING** OF PETROLEUM PRODUCTS ARE CONTRIBUTING TOWARDS IT.



ANSWERS

1 4,250,000 TONS—AN EXTRA 25½ LB. OF RICE FOR EVERY MAN, WOMAN AND CHILD IN THE COUNTRY!

3 OVER 20.4 LAKHS OF RUPEES WERE EARNED BY THE EXPORT OF INDIAN GLASS—VALUABLE FOREIGN CURRENCY TO BUY VITAL IMPORTS!

2 3,746,000 ACRES—AN EXTRA ACRE OF COTTON-GROWING LAND FOR EVERY FOUR AT THE BEGINNING OF THE PLAN!

4 372,365 BICYCLES—MORE THAN THREE TIMES THE NUMBER MADE FOUR YEARS AGO!

4 IN INDUSTRY, TOO, INDIA'S OUTPUT HAS RISEN STEADILY. IN 1954-55, THE NUMBER OF BICYCLES MADE WAS:

A) 372,365
B) 60,260
C) 124,120

Visit INDIAN INDUSTRIES FAIR, New Delhi, October 29—December 15

Later it was suggested to the Committee that as part of its terms of reference it might examine and report on the organisational pattern needed for the proper development of village and small scale industries, and that while considering this matter, it might draw upon the views of the State Governments also.

Also, though the terms of reference of the Committee were confined within the Draft Plan-frame, the vexed problem of definition which is by no means unimportant was left out from its purview. For 'small scale' industries have assumed a connotation which marks them off sharply from the usual type of village industries; this term is often used to signify the use of power, and by and large, it overlaps with the so-called medium-scale industries which are predominantly, though not exclusively, auxiliary to large-scale industry. In the problem of definition, therefore, is implicit one of the most controversial of the issues that are currently agitating the public mind. Is the Second Five Year Plan with all its bold claim of changing the pattern of the national economy to be tied down to medievalism and Lounder in the impossible attempt to combine huge capital investment in heavy industry with the hand-pounding of rice and the Ambar charkha? Are we to discard science and stoutly refuse to apply reason in everyday affairs of life which brought about the Industrial Revolution in other countries? The Draft Plan frame, however, looks upon village indus-

tries merely as a stop-gap arrangement.

At one of his press conferences, Prof. Mahalanobis explained that hand and household industries were a suggested solution for being followed "not for ever, but for five or eight years, to get unemployment under control.... We shall supply small machines, and electricity to the household sector to increase productivity. That is the only way in which the standard of life can be improved." Prof. Mahalanobis also conceded that to the extent that supply of consumer goods from the village sector falls short, the deficiency will be made good by relaxing restrictions on organised industry. But where the Draft Plan-frame goes wrong—if that is the implication—is in thinking that improvement of techniques is necessarily dependent on the bulk supply of capital goods, which is by no means always the case.

If the Committee did not pronounce on the ability of the village sector to supply consumer goods in the required quantity, it could not give a firm estimate of its employment potential either. In effect, the recommendations of the Committee, as indicated by the allocations suggested for different industries, follow the usual pattern of demand that has been voiced by the interests that are active in these fields. Cotton weaving (handloom) gets the largest allocation viz. Rs 80 crores, out of a total of Rs 260 crores. Small-scale industries come next, with an

allocation of Rs 65 crores. Cotton spinning and Khadi get Rs 23 crores, vegetable oil (ghani) Rs 13 crores and so on. The pattern of allocation is not related to the pattern of demand for consumer goods which is likely to emerge and which the Committee makes no attempt to estimate.

Finally, productivity is neither the sheet anchor of the Committee's recommendations, nor does it even figure as a criterion in its choice of alternatives. On the contrary, it turns down the recommendation of the Kanungo Committee that a proportion of the hand looms should be gradually converted into power looms every year, so that productivity and efficiency may not be entirely lost sight of. Again, on the question of hand-pounding of rice, the Committee sides solidly with those who will have no truck with hullers or any improvement.

To the credit of the Committee, however, it should be said that it has commented, very particularly, on the absurdity of the present situation in which the village and small-scale industries are handled by different Ministries. Bringing them together under one Ministry is an essential first step to which it has rightly drawn pointed attention. The stand taken by the Government members on the Committee, however, suggests the inadvisability of incorporating officials in such committees of enquiry. There are better means of getting the views of the Government which in any case has the last word.

Step by Step

AN interim inference may be drawn from the deliberations to date of the four Foreign Ministers' Conference at Geneva. Both sides have gone to Geneva to bargain for concessions from one another. Both are conscious that each side is anxious to prevent an atomic war. With certain ultimate reservations, there is agreement on this issue. It follows that, except under certain aggravating circumstances, a period of uneasy peace will replace the preceding decade of "cold war". This was the achievement claimed by the four Heads of State at the 'summit' conference. Subsequent events have belittled their achievement. A sense of security should have led to a progressive betterment in the world situation. Instead, it has fostered a feeling that, with an understanding to avoid an atomic war, diplomatic efforts can now be intensified

to maintain a world balance of power through creation of spheres of influence. On all the issues under discussion at Geneva, the Western Powers' attitude is influenced by this basic consideration. Russian policy implies this aspect of the problem. But she has the diplomacy to feign sincerity. This may be machiavellian. But Russia can plead in defence that her diplomacy stems from the Western Powers' mental reservations.

Once these underlying motives are realised, it becomes clear how, and why, M Molotov manages to maintain the diplomatic initiative at Geneva. Both sides have enunciated their respective proposals for reconciliation of issues in dispute in Europe. From the plan proposed by the Western Powers, their intentions are evident. Russia's original proposal is decisively more logical.

Her amended plan answers the basic objections of the Western Powers. They are unwise in insisting that unification of Germany must precede any plan for European security. They concede the relation between the two issues by offering a non-aggression pact, even as Russia's original as well as the modified plan for European security involves a simultaneous solution of the German problem. It is difficult to understand why the Western Powers' proposal does not imply a parallel solution of both these problems. Here, Russia is more logical. There are indications that the Western Powers may concede the Russian claim for a simultaneous solution of the problem of Germany and of European security. Washington can only blame itself for letting Moscow have the diplomatic initiative on this issue. It stands to reason that

a "step by step" plan for a parallel solution of these two problems is the most logical.

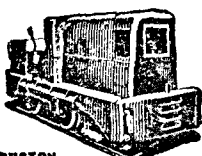
If the wider framework of the Russian plan for the parallel solution of the twin problems that threaten peace in Europe is more constructive, her proposal for the solution of the German problem is equally more democratic. It is significant that the Western Powers do not deny Russia's interpretation of their plan that it implies creation of a future united, armed Germany as a NATO partner. This, Russia can, or will, never accept. This is not the only aspect of the German problem on which Russia retains the diplomatic initiative. While the Western Powers imply that the occupying powers, they and Russia, will decide and arrange how the two Germanys are to be united into a single sovereign State, all the proposals made by Russia leave the initiative to the Germans themselves to decide their future status and alliance. Russia has only one reservation. Either the future, united Germany is to be neutralised, or arrangements for a system of European security must be such as to offset the implications of a united, remilitarised Germany. America may not, but both Britain and France will, endorse the substance of the Russian policy to Germany.

Russia's amended proposal for a sixteen-nation security pact for

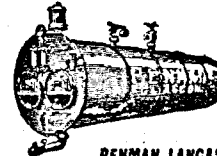
Europe is primarily aimed at preventing admission of a future, united, sovereign Germany into NATO. It is an ingenious proposal. But only those who have not carefully followed Russia's policy since the conclusion of the Austrian Treaty will be surprised at M Molotov's new plan for European security. It involves the creation of a demilitarised zone in Europe along with the conclusion of a European security pact. It was inevitable that the buffer zone, now proposed by Russia, will include both halves of Germany. But it is not without significance that the buffer zone, proposed by Russia, will, besides the two Germanys, include "all or some neighbouring States". It is, therefore, clear that Russia has no objection to include Poland, Czechoslovakia, Hungary and Rumania in the buffer zone. It is, in essence, the Eden proposal for creating a demilitarised zone or zones in Europe as a preliminary to phased disarmament. It cannot be expected that this new Russian plan will be accepted by the Western Powers without certain amendments. There is scope for modification of the new Russian plan for European security. Though the American Secretary of State is sceptical, it is a good augury that the British Foreign Minister recognises that the second proposal is an improvement on the original Russian plan for European security.

At Geneva, the British Foreign Minister has repeatedly stressed the need for the continued existence of defence pacts. Russia's new plan for European security concedes this claim by excluding any proposal for abolition of NATO and its Eastern counterpart in the next two to three years, though it provides for ultimate elimination of all such military alliances. Any such concession may reflect Russia's desire to reach a workable arrangement on the issue in dispute in Europe. But it focusses attention on the main source of world tension. There can be no lasting peace without disarmament. But developing events indicate that the Western Powers are interested in making Russia realise that a working agreement on the issues in dispute can be reached even without an understanding on the basic problem of disarmament. This means that NATO, the Warsaw pact, the Baghdad pact, the race for armaments in the Middle East, SEATO and similar other military alliances will continue. Desire of the four Foreign Ministers to reach some understanding, however imperfect, on the disputed issues, is understandable. But it would be idle to pretend that world tension can ease materially as long as military pacts continue and the faith in the balance of power theory persists.

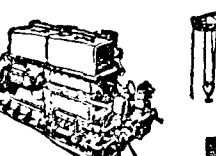
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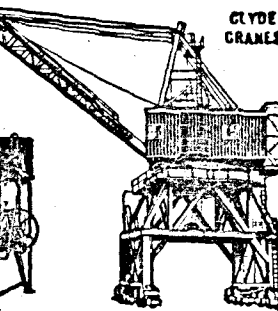
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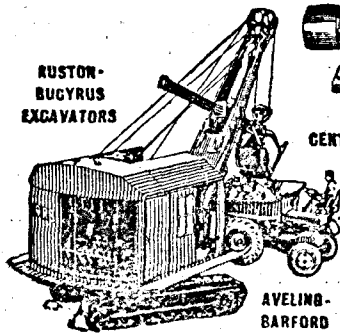
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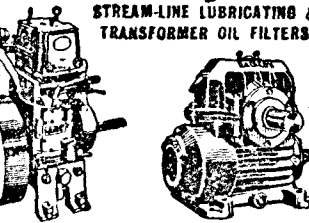
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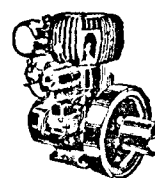
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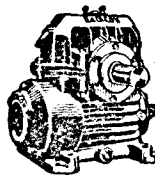
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CENTRIFUGAL PUMPS



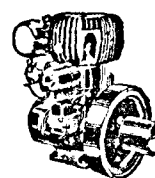
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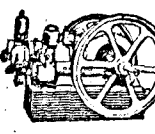
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Weekly Notes

No Doctors for All!

THE question of expertise that the Planning Commission can command or intends to use comes up all along the line, if its recommendations are not to be dictated by the Ministries themselves. The latter usually are hidebound by inflexible precedent; to suggest this is neither to cast aspersions on or show disrespect to the worthy civil servants who run the departments. Besides being hidebound, policies and measures worked out by the departments are rarely inspired by a vision of all round development or informed by that sense of urgency to impart which we need a separate Planning Commission. But just as Ministers inevitably surrender themselves to their secretaries when they lack grasp of the problems of their respective Ministries and also the character, drive and determination to direct affairs effectively, members of the Planning Commission find themselves in a helpless position in the absence of their own independent expertise. This happens, to repeat, all along the line. If in the case of railways the Planning Commission has not so far tried to assess existing capacity, in the case of a national Health Plan it is being led by the nose as in other things.

To end the present paradox of extreme shortage of qualified doctors, and the lack of adequate openings for the medical graduates who come out year by year, which leads to overcrowding of private practitioners in the bigger cities, medicine has to be socialised. An essential first step for it is a revolutionary change in the present system of training of doctors. A six years' course and Rs 50,000 per head all told cost of training cannot be squared by any stretch of imagination, with the needs of the country, if the half a million villages and small towns are to have the minimum of health service. But even to suggest that the period of training could perhaps be reduced and the cost brought down will cause consternation among the upper ranks of the medical hierarchy. In the past, even Major General Sokhey would not hear of it, but the times have changed and there are more open minds even among the medical profession who realise today the compulsions of social medicine in a

poor country. But who will get them together to work out a practical national health Plan?

Meanwhile the formulation, not of such a plan, but something else is under way. The Co-ordination Committee of the Health Panel and the Planning Commission has met. It is expected shortly to finalise its recommendations which will form the basis of a national health plan.

Fresh Exodus from East Bengal

SENSE of insecurity or impossibility of earning a livelihood, which is the more potent factor at the moment behind the fresh exodus of Hindus from East Bengal? Over-shadowing both is the unchanging, unvarying and ever-present fear that Hindus can have no future in an Islamic state. True, there has been nothing in the recent political developments in that unhappy state to make the Hindus feel less secure than they had done before. On the contrary, the eclipse of the Muslim League in East Bengal for a time awakened the hope, though not in the hearts of the East Bengal Hindus, perhaps, of a change for the better—the hope that the semblance of a secular, democratic state may replace the projected Islamic state. Despite the liberalism and broad-mindedness of the present Chief Minister of East Bengal, the League has managed to re-establish its hold on the centre. The Hindus certainly do not feel more insecure than they did in the past, but the hopes aroused by the electoral honeymooning has vanished and they have scarcely any reason to feel secure. The remnants of Hindu professional classes in the East Bengal capital who are tolerated because they cannot be easily replaced have no acute economic problem. In fact quite contrary is the case for a fortunate few and barring pinpricks such as income tax probe and currency regulations which deny them all facilities for remittances, they have nothing to complain on that score. Few of them, however, any longer think of East Bengal as their home where they can live with their family and bring up their children.

But question of security apart, if Hindus find it impossible to make a living, to what extent is it due to discrimination or any special disability to which they may be subject? Pro-

portionate representation in the services is the sort of thing that is usually thought of on such occasions and quite naturally too. For something could be done about it at the top political level. But if one compares the numbers who are leaving and the number of jobs that could possibly be offered to the Hindus, as also the occupational distribution of people who are coming away, it would be obvious that representation in services may be a good talking point at Government level. It may even ease a little the sense of insecurity if an appreciable number of Hindus are given higher administrative posts but it will not touch the heart of the economic problem.

Shri C C Desai has indeed a challenging assignment if he has to rehabilitate the Hindus in East Bengal, for it is nothing short of economic rehabilitation of East Bengal itself. Only if the economic conditions in East Pakistan improve, can Hindus and Muslims make a living.

Within the general frame work of the East Bengal economy, however, the occupational pattern of the Hindu population creates some special problems which are well nigh insoluble. Not many of them are cultivators; so they will not benefit from the acquisition by the State of intermediary interests in land which is now on the cards. Where and how will the displaced rentiers be absorbed? To be able to do his job well, Shri Desai has also to ensure that the rate of economic development in Pakistan does not fall too far behind that in India. Surely, in addition to slowing down rehabilitation of refugees, it is not suggested that India should slow down development also in order to discourage exodus of Hindus from East Bengal.

Instead of all this idle talk, what the two governments can easily do, both to reduce the sense of insecurity and improve economic opportunities, is to relax restrictions on the movement of men and money—and improve travel and remittance facilities. Four hour detention at Darshana does not appreciably affect smuggling nor does Pakistan's ostrich-like attitude to remittances visibly reduce free market dealings in currency or raise the real exchange rate of the Pak rupee.

Are Railways Doing Enough?

THE daily average loading of goods wagons on the Central Railway showed a 14 per cent rise last month, compared to what it was in the same month a year ago. This is on the broad gauge. On the metre gauge also, there was a substantial improvement, loadings being 11.6 per cent higher than in October last year. This has been possible, we are told in a press note, by more extensive employment of the principle of "directional loading", which enables better clubbing of consignments. Moreover, wagons are now carrying heavier loads than before and if the weight of goods loaded last month is compared to what it was a year ago, the performance is even better than the increase in the number of wagons loaded suggests.

All this, we are further told, is not due to directional loading alone. There are other reasons. Among the measures recently introduced to improve operational efficiency are increased hours of working at goods sheds and night transshipment at break of gauge points. This helped to cut down the time taken for turn round of wagons. More efficient working in marshalling yards has reduced the period of detention of through wagons while quicker release of wagons from 'sick sidings' and quicker turn out of wagons from workshops have increased the number of wagons available for loading. Though it is last month's performance that is highlighted, presumably because it is the best so far, over the period of a year, the increase in goods carried have been far in excess of the increase in the number of wagons and engines working on the line.

The attention drawn by the press note is very timely indeed, for the allocation to railways in the draft Plan-frame has come in for a lot of criticism and it is now generally accepted that the earlier plan put up by the Railway Board was woefully inadequate. And though at the moment with all this talk about perspective planning and the general uncertainty created by agitation over the re-organisation of states, plans and estimates are more fluid than ever before, it is on the cars that railways will get more, indeed so much more that the entire Plan-frame may be changed beyond recognition as a result. It would be very pertinent at this moment to scrutinise the idle capacity in our railways and in the transport system

generally, before a final decision is taken on their financial requirements. Are we getting enough from our railways?

Sizing up Idle Capacity

TRUE enough, the Railway Board publishes in its annual report fairly exhaustive data from which those who have the patience and perseverance may gather some idea about their operational efficiency. No

member of Parliament, however, wastes his time on this unrewarding labour. Amenities for 3rd class passengers make news, increased number of air conditioned coaches creates goodwill among people in high places. But net ton miles per wagon day or per train engine hour is of little immediate profit to anybody. The Railway Minister trots out these figures as a matter of routine but the variations in any

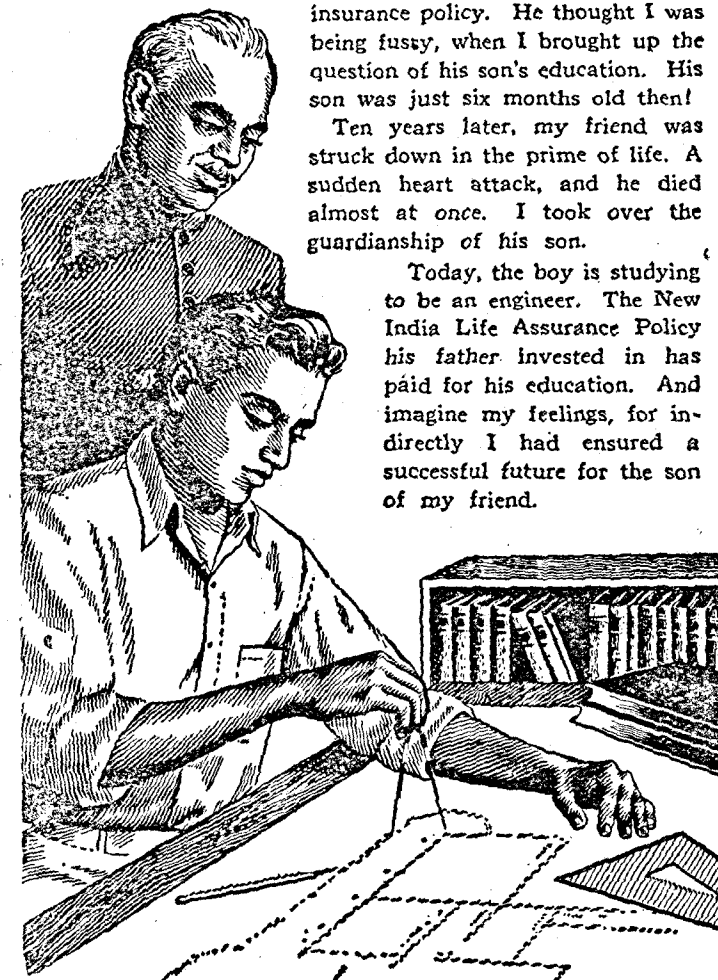
NEW INDIA STORIES FROM LIFE . . . 2

'My advice saved this boy's future!'

Years ago, I persuaded my good friend and neighbour to take out an insurance policy. He thought I was being fussy, when I brought up the question of his son's education. His son was just six months old then!

Ten years later, my friend was struck down in the prime of life. A sudden heart attack, and he died almost at once. I took over the guardianship of his son.

Today, the boy is studying to be an engineer. The New India Life Assurance Policy his father invested in has paid for his education. And imagine my feelings, for indirectly I had ensured a successful future for the son of my friend.



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case are too small, there is no drama in them and they are too monotonous to interest anyone. Let us take the latest figures available, viz. for 1954-55. Here are the main findings:

1 In 1954-55 the average speed of goods train on Indian Railways greatly decreased as compared to 1951-52.

2 Engine miles per engine failure (i.e., the number of miles that would have been run by the engine normally had there been no failure) increased in 1954-55 as compared to 1951-52, 1952-53, and 1953-54.

3. Net ton-miles per train Engine Hour decreased in 1954-55 as compared to 1953-54.

4 (a) Wagon miles per wagon-day showed a slight increase in 1954-55 on the broad gauge as compared to the previous year.

(b) Wagon-miles per wagon day showed a very marked decrease in 1954-55 on the meter gauge as compared to previous years.

If an average is taken of broad gauge and metre gauge, there is practically no improvement made 1954-55 in the wagon-miles per wagon day as compared to the previous three years.

5 (a) Net ton-miles per wagon day on broad gauge increased in 1954-55 as compared to the previous years.

(b) Net ton-miles per wagon-day on metre gauge decreased appreciably in 1954-55 as compared to previous years.

Here, too, an average of the two gauges show little progress.

6 (a) Average daily loadings (of four-wheeler wagons) on broad gauge increased slightly in 1954-55 as compared to previous years.

(b) Average daily loadings (of four-wheeler wagons) on meter gauge hardly showed any improvement in 1954-1955 as compared to previous years.

This makes depressing reading, the Central Railways hand out does not. One has only to look at this picture and that, and the temptation become difficult to resist to enquire why has not Parliament wanted an enquiry into the operational efficiency and economy of working of our railways? Projections from past data served up along with fragmentary data on the transport component of individual projects may tell us something about future requirements, but they can throw no light on this crucial question. Would it

not be more sensible to ask how much more can we get out of our railways without much substantial capital investment, before the allocations are finalised? The Planning Commission can certainly commandeer or import the expertise needed to size up existing idle capacity.

There are small things which escape notice. A year ago the Railway Board asked all the zonal railways to introduce night loading i.e. upto 9 p.m. instead of 6 p.m. as hitherto, wherever necessary. We should expect appreciable results even from such simple measures, perhaps some of them have already been reaped. It would be good to know if the other railways have also some thing to show comparable to what the Central Railway has achieved.

Looking For Oil — Deshi Way

"EARTHQUAKES to order

"A small, controlled earth tremor is one of the geophysicist's most important tools in his quest for the world's crude oil resources.

"These earth tremors are set off by small explosive charges buried in the ground. When the geophysicist explodes a charge, 'shock waves' are sent downwards into the earth, and are reflected by layers of rock deep in the earth's crust.

"The waves that return to the surface are picked up on sensitive receivers. By measuring the time between the detonation of the charge and the return of the various 'echoes', the geophysicist can glean valuable information about the strata beneath him. Indeed, he can often draw an 'underground map' of the area and so predict where there might be oil."

This is from an ICI advertisement, reproduced free of charge! And an ad. in so respectable a paper as *The Economist* means that it must have passed the test of advertising ethics set by whatever association there might be in Britain to check up on these things. Prospecting oil may not be as simple as all that and the ICI may not be able to supply the specialised equipment needed for 'Seismic Prospecting'—they advertise only the explosives and detonators used for the purpose—but the story does not look so very different in the Burma Shell film in which they show prospecting for oil in Assam.

This, it may be thought, is making light what is taken in simple trust as not only the mystery of mysteries, but also the biggest capital venture viz. striking oil in these days when virgin fields have all been mapped, and duly acquired by the oil companies from Sheikhs and others.

A little while ago we were told oil was right around the corner, and of all places, in West Bengal, the only point that remained to be explored was whether the great crack had pushed out all the oil into the Bay of Bengal or reserve could still be tapped in the Sunderbans. Now the Ministry of Natural Resources which is responsible for such things does not belong to the group which gets what it wants. But West Bengal means Dr Roy and so prospecting did not lack a sponsor. The outcome was the Indo-Stanvac Petroleum Project for the joint exploration of petroleum for which in the budget for 1954-55 a provision for Rs 25 lakhs was taken. Now Americans believe in "Live and let live". So to the complications of oil exploitation, which are bad enough, they have added a system of subsidies and contracting out. In this particular case, the job of exploration was contracted out to another firm which specialises in this sort of thing. Of course, since the Government of India was a partner in the project, Indian personnel was to be associated with it but right in the beginning, they came into a head-long collision, with the American team doing the prospecting. American technicians have to be tough, otherwise they would not be American technicians. In this particular case they seem to have over played their part and what happened afterwards no one knows for certain. For a Russian team is now here to do the geophysical survey or to help the Geological Survey to improve its organisation for the purpose. Whatever it be, one no longer hears about oil in West Bengal. Even the more imaginative of the news agencies have given up filing stories about it.

What happened to Indo-Stanvac?

WILL some member of Parliament table a question and ask what happened to the Indo-Stanvac Petroleum Project? In the last budget also, credit was taken for Rs 29 lakhs under this head. But in the notes on important schemes in the Explanatory Memorandum, nothing was said about this project except

the financial provisions. This was intriguing in itself, considering that a year earlier, the Memorandum had hinted at interesting possibilities. To quote from it:

"The Standard Vacuum Oil Company carried out an aero-magnetic survey of the West Bengal alluvial covered tract of 25,000 sq. miles for exploration of hidden oilfields. The data collected during the aero-magnetic survey indicate possibilities of favourable results but this forms only the first part of an extended investigation and further ground survey work and boring for oil will be necessary before it can be said with certainty that anything positive will ensue."

Nowadays even inventions are no longer accidents: they are designed, have to be planned and paid for. Oil has a peculiar habit of springing up where, it may be suspected, the oil magnetes want it to spring up, in response to the complex and delicate world-wide pattern of investments of the oil companies. That is perhaps why after lying undiscovered for ages, the oil bearing strata in Assam came to light all of a sudden at a convenient moment, after Stanvac threatened to appear on the Indian scene in a big way.

May be there is something in the ad. Prospecting may not be such a holy mystery after all. But—is it not high time that we were more resource conscious and let our boys fool around with the new gadgets which have now become so handy?

Safeguarding Life Fund

THE section of the Insurance Act dealing with misfeasance in respect of the life fund has been amended by the very unusual process of the promulgation of an ordinance. The purpose is to widen the scope of this section so that those playing with the life fund may not escape on the technical ground they were not "directly concerned with the affairs of the company" in question. Section 106 of the Act reads as follows:

"If on the application of the Controller of an insurer or any member of an insurance company or any policy-holder or the liquidator of an insurance company in the event of the insurer being in liquidation the Court is satisfied that by reason of this Act the amount of the life insurance fund has been diminished every person who was at the time

of the contravention a director, manager, liquidator or an officer of the insurer shall be deemed in respect of the contravention to have been guilty of misfeasance in relation to the insurer unless he proves that the contravention occurred without his consent or connivance and was not facilitated by any neglect or omission on his part etc."

By the amendment, persons who may not be directly connected with the affairs of the company may also be made liable for misfeasance under certain circumstances. The court may compel the parties both to restore money or property which they have wrongfully taken and for losses suffered by the insurer due to their misdeeds.

A new Section has been added to the Act which empowers the Administrator and to the court to ensure that property does not disappear in

the guise of "benami" transactions and for this purpose the court will have powers to ascertain facts regarding the nature of the interest of any person in any property whether standing in his name or otherwise. The property of private companies which are controlled by such persons can also be attached under the aforesaid provisions.

Comment is superfluous. Physical custody of securities, representing the investments of the life fund, with the Reserve Bank, for example, which has some times been suggested, is really, quite superfluous. It will also interfere with the flexibility of operations necessary for the most profitable utilisation of resources. Perhaps a record of all the transactions in these securities carried on during the year could be made a part of the routine check as a safeguard.

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Balwant Singh,

Managing Director

From the Calcutta End

That Puja Feeling

CALCUTTA was on holiday for the last ten days of October. In the first half of last week, Bengalis celebrated Durga Puja. They spent the second half of the week in offering and accepting Vijaya greetings. On Sunday last, they worshipped Lakshmi, the Goddess of Wealth. From the beginning of this month, they resumed work and their normal life. The care-free days, the gay, holiday mood, are over. Calcutta is again busy. Offices have opened. Dalhousie Square is no longer deserted.

Autumn is at its best now. The rains are over. The climate is cool. The sunshine is bright. The sky is blue. Work has been resumed. But the holiday mood still lingers. In overcrowded trams and buses, one hears office-goers discussing this year's Puja celebrations. In cafes, one hears serious-minded youngmen compare and criticise this year's Puja supplements published by Calcutta's numerous dailies and periodicals. This holiday mood will last till Diwali.

This year's Puja celebrations were less noisy, but more crowded during the days when it was not raining. They are all welcoming the ban on loud speakers. There is much that can be said against the Calcutta Police. But there is one thing the Calcutta police know. They know how to regulate traffic. It was perfect on the night when immersion took place.

One may add a footnote. Buses and trams on that night were not more crowded than those are every day during 8 to 11 a.m. or during 5 to 7 p.m. That was because more State and private buses were run on the immersion night. It should be possible to run more buses for a couple of hours in the morning and evening every day. Some such arrangement may ease the traffic congestion during the busy hours.

Durga Puja celebrations are over. Throughout this week, variety entertainments will be held in Sarvajani Puja pandals. Some forms of these entertainments like the jatra or the tarja are having a welcome revival. Those who are not-too-young prefer these art-forms to modern songs by various artists. During the Puja, there is something for everybody. If the kumars, the drummers, the writ-

ers earn some extra money during this season, why should not singers and folk-artists also earn some extra money?

One has had occasion to muse over some strange contradictions in Bengal to-day. One such contrast depressed one as one watched the immersion processions. *Alti* is a form of devotional dance danced before the image of Goddess Durga every night for the first three nights. That *Alti* is a picturesque-dance-monument, came vividly to one's mind as one watched a Sindhi lady imitating this dance-form almost to perfection. *Alti* is not very popular in West Bengal. But, at the immersion processions, teenagers, were seen dancing some Latin American dance-forms to the accompaniment of bag-pipes. One felt sad at this intrusion of morbid modernism.

Over and over again, this incomprehensible dualism in life, society, culture, politics and economics of present-day Bengal has been stressed here. Take *Kirtan*, for instance. *Kirtan* is a form of devotional song which is typically Bengali. There are serious-minded persons who are making commendable efforts to revive *Kirtan* in its pure form. One may have one's doubts whether *Kirtan* is amenable to Svaralipi (notation). Variation, interesting diversion, is the essence of *Kirtan*. But such attempts at Svaralipi have been made, one gathers from a distinguished *Kirtanwallah* to revive and to maintain it in its pure form. The Calcutta University has engaged the services of an expert to make notations for *Padavali*. There are *Kirtan* performances which are well attended, where virtuosity is highly appreciated. *Kirtan* performances at fashionable theatres are packed to overflowing, though the tickets are fairly high-priced and the standard of performance is rather poor. One does not expect virtuosity at mass performances of *Kirtan*. But one wonders how a Bengali who keenly appreciates *Kirtan* in its pure form can also be so enthusiastic over *Khanda Kirtan* (the modern popular version).

If *Kirtan* is characteristically Bengali, Bengal still maintains the lead in film-making. Bengalis have made many films of which they can be proud. *Pather Panchali*, directed and

produced by an artist of a well-known advertising agency firm and financed by the West Bengal Government, is a great film. Its sound recording and music direction are not faultless. But, it is the best film yet produced in Bengal. Altogether, it is perhaps the best film yet produced in India.

It is a magnificent achievement for the director. It is a tribute to the West Bengal Government that it has patronised and financed the production of this film. It is a reflection of the Bengali's appreciation of creative effort that *Pather Panchali* is a box-office success. And yet, puzzling as it may seem, the rush and demonstration at the opening show of an indifferent film at a nearby cinema-house was so heavy that Police had to make a mild lathi charge!

As in appreciation of fine arts, so, in the normal economic life, Calcutta is a bundle of contradictions. A visitor to Calcutta cannot escape the conclusion that it is a City where only a millionaire or a pice-hotel-wallah can live. For the rich, Calcutta offers a variety of amenities and conveniences. But the rich are too few in this City. There are many pice-hotelwallahs. There are many middle class people. This last section of the City's population leads a miserable life. It is surprising how the middle-class manages to exist in this City.

Calcutta is a hopelessly costly city. And, a middle-class person cannot get value for his money. He cannot afford the rent he pays. But he pays it, and yet does not get any comfort that his opposite number in, say, Bombay is used to at less cost. He cannot pay the high charges that doctors ask or the high prices for medicine that druggists demand. And yet, there are many doctors here who must be objects of envy by their Bombay colleagues, as also many druggists here who must be thanking their stars that they are doing business in Calcutta and not in Bombay. There does not seem to be any co-relation between the average income and the cost-of-living in this City. This may sound nonsense to an economist. But, then, there are not many sociologists who do not know that the rapid impoverishment of the middle-class in the major menace to Bengal and Bengalis.

Letters to the Editor

Tariff Commission on Rubber Tyre Prices

H T Parekh

I HAVE read with interest your article on "Fair Prices of Rubber Tyres" in your issue of 8th October 1955. I agree with you that there is little justification for bonus to labour not being allowed as an item of cost. What is, however, more difficult to justify is the Commission's assumption in determining fair prices. In previous enquiries the Commission adopted the formula of 8% on gross block for calculating fair profits. In the present enquiry, it must be set to the credit of the Commission that the basis adopted is that of capital employed. But the Commission's assumption that a gross profit at the rate of 10% on capital employed should be permitted must be regarded inadequate as well as unfair to industry in general.

The Commission has adopted this formula without any explanation or justification. A gross profit of 10% is equal to a net profit of about 5½% when allowance is made for taxation at 45%. How is any industry to pay a reasonable return to the investor and plough back profits for development out of a total return of 5½%? Or a basis such as that adopted by the Commission no industrial development would be possible. Had the Commission taken as its basis a net profit of 10% after allowing for taxation, its conclusion would have been nearer the mark because that would enable a reasonable return to the investor and also permit provision of adequate reserves.

The Commission has itself found it difficult to justify this basis and the weakness of its argument is best disclosed in its following remarks:

"In calculating fair profits, we do not consider it proper to take into account the additional dividend liability incurred by the company by issuing bonus shares".

The Commission accepts calculation based on capital employed and in the same breath rejects that part of the capital which was credited by capitalisation of reserves. It is indeed surprising that the Commission should resort to the specious argument that only original or "historical" capital should be taken into account and no account taken of capitalised reserves.

This line of reasoning would deter not only foreign capital but also

domestic capital, if it is extended to other industries.

The best argument in the Commission's favour was the comparative profits earned by the Dunlop Rubber Co. (India) Ltd. and the parent concern in U. K. The relatively higher profits in India would obviously warrant some price reduction but not on the grounds put forward by the Commission.

[The Commission's obiter dicta on bonus shares are unfortunate. Shri Parekh is certainly on firm ground in criticising the historic basis of valuation to which the Commission turns while unearthing the past 'excess' earnings of the company. But for judging present performance and for fixing fair profits for the future, the Commission does not adopt this basis. Capital

employed, which is made the basis for determining fair profits for the future, includes bonus share also and it is in any case much larger than it was in 1951. Returns on this basis, the Commission argues, would be adequate to meet the company's commitments and also make reasonable provision for reserves. Profits on this basis will enable shareholders to get much more than 5½ per cent net of income-tax, after setting aside reasonable reserves.]

Shri Parekh's observation, however, that higher profits earned by the Indian subsidiary, as compared to the parent company, are the "best argument in the Commission's favour" ignores the contention that as the parent company has to incur all the expenditure for research and development, its profits are necessarily lower, the implication being that they have to be compensated by higher earnings of the subsidiaries —Ed.]

E B Refugees in Other States

YOUR correspondent in Calcutta writes often and on on the problems of East Bengal refugees—this is really welcome. But his reports are not well based on facts; they are reports of press reports and even then, not very well summarised.

In the issue of 22nd October he notes (and I remember almost the same in the past issues) "East Bengal Hindus can be blamed for their incapacity to adapt themselves to new environments". This is the usual propaganda made by the Central Government officials concerned and also by some State Government officials, and echoed by a section of irresponsible press reporters, who just repeat what they are told and who do not take the trouble of going for themselves into this question of the settlement of the refugees outside West Bengal.

East Bengal refugees have very well settled down in the Andamans and in Naini Tal but they have failed to do so in Bihar and Orissa, because Bihar and Orissa, did not (and for that matter, the Central Government and State Government of West Bengal did not) take the trouble of looking at the lands where these refugees were to be settled. Human beings can be settled even in deserts, but not in an absolutely unwelcome atmosphere. Of course the absence

of any possible means of livelihood was also a reason for their failure to settle. I can write from my experience gathered from some of those who came back that if they are to be blamed, their minimum wants should be met first.

Your correspondent also refers to 'Plan outlines' about the schemes formulated to rehabilitate the DPs and he does so in connection with the Conference of the Rehabilitation Secretaries. The Ministers concerned have by now met and deliberated on the problems. Both as a corrective and a rejoinder to your correspondent's points, let me quote the following from a press report:

"The main impression gathered at the conference, however, was that it did not seem to produce any substantial schemes for resettlement in other States of the new arrivals (about 8 lakhs) despite the sympathy and concern about the magnitude of the problem expressed by other States participating in the conference" (The Statesman, Calcutta, 26-10-1955).

Those who attended the above conference in their official capacity are more frank, off the record, but they would not care to go into print.

Santimoy Roy

66 B Mahanirvan Road,
Calcutta 29
October 26, 1955

'Attenuation of Hyderabad'

(From an Andhra Reader)

AS an Andhra who believes in the desirability of the immediate formation of Vishalandhra, I may be permitted to reply to some of the points raised by 'Mulki' in his 'Thoughts on the Attenuation of Hyderabad'.

I am at a loss to know on what precise grounds he is defending the retention of the present Hyderabad State. The State as it now exists has no inherent homogeneity and its boundaries have been set by what the British powers let the Nizam hold. What unity there has been, has been imposed from the top in an administrative and political sense by a feudal oligarchy, which your contributor has been most vehement in criticising and rightly so. As for the common people of Hyderabad, the ties between the peasant in Nalgonda and his counterpart in Aurangabad or Raichur—mulki all, in the real sense of the term—were nothing more than tenuous. It is idle to pretend that there is more in common between them than with their counterparts in Andhra, Maharashtra or Karnataka.

Your correspondent also makes much of the supposed apathy of the Andhras towards the sufferings of the Hindus of Hyderabad in the days of the Asaf Jahi dynasty. It may be remembered that that was the time when Andhra, like the rest of the country, was engaged in the struggle for freedom from the British—surely a more formidable opponent than their 'Faithful Ally'. The alleged misbehaviour of some of the officials—even the pronounced anti-Andhra bias of your correspondent hasn't led to his describing all of them as Andhras!—is a matter for regret but individual misdeeds cannot condemn a people. The Osmania University is mentioned as an instance of the Circars Andhras ousting local candidates. The Vice-Chancellorship of Osmania is, I believe, an elective post and if these allegations were true, the present incumbent would not have been re-elected by a body largely composed of mulkis. In any case, it would be interesting to find out how many Circar Andhras have been imported to displace local mulkis 'with high academic qualifications'.

The rest of your correspondent's diatribe against the Andhras may be dismissed as the sentimentalized outpouring of one nostalgic for what according to the writer himself were the not-so-good old days. The mention of the Circars Andhras poking fun at the racy accent of Hyderabad's Telugu speakers is hardly an argument, even if true. Accents differ from place to place and it is not uncommon to see one group making good-humoured fun at the expense of others but this cannot be made a serious argument any more than that differences in accent between a Mancunian and Cockney make either of them less English.

The author's nostalgia has led him into belief in the cultural unity of the State. What in common, for instance, do Ajanta and

Ellora have with the scene of activities of European adventurers with or without local harems? Or again to say that as a result of disintegration, kababs would no longer be available is on a level with saying that the British should not have departed from India as crumpets and muffins might not be available. Surely, the gourmets of Hyderabad, who raise kababs to the level of political argument could also be depended on to see that the kabab shops do not close down even if Vishalandhra was formed.

Your correspondent is understandably not enthusiastic about the fact that no less than 69 out of 95 Telengana legislators have pleaded for Vishalandhra. No one can deny that they are all mulkis and they certainly know what they are doing.

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From the London End

Britain's Budgetary Crisis

THE supplementary budget proposals presented to Parliament by the Chancellor of the Exchequer this week defy all common understanding and reason. When the inflationary impact of the 1954 budget was first felt at the beginning of 1955, all had anticipated that the April budget would supplement the monetary restraints that were then called into being. But the opposite was the case—the standard rate of income tax was reduced and the ingenious "investment allowances" given to private industry were maintained. The Chancellor in those days—and those were election days—persisted in protesting that there was no "crisis". Now when the trade returns and the balance of payments of the United Kingdom reflect a favourable trend, the Chancellor chooses crisis measures to meet what is hardly a critical situation. It was therefore inevitable that Mr Gaitskell of the Labour Opposition should characterise the Chancellor's April 1955 policy as a "masterpiece of political deception" and that "he must go". It is equally inevitable that an exposure in these terms should receive widespread sympathy in the country.

This inconsistency in the Conservative Government's economic policy is, however, only an apparent one. It is now clear that when the Tories assumed power in 1951, they were playing for high stakes. There was first the need to maintain for themselves the power to undo all that Labour had conceived and put into practice in the transformation of Britain into a "welfare state". Next there was the long-term aim of re-establishing Britain as a world power and, more particularly, as the foremost Colonial power. In economic terms this had meant for the Conservatives a world in which the direction of trade and payments would be dictated by that vast economic and financial complex which is the City of London. In choosing these paths, as it is now clear, the Conservatives were prepared to overcome obstacles such as a General Election by ways and means which, to say the least, were unusual in British politics. In order to win the General Elections they deceived the electorate by what the Labour Opposition now terms "bribes".

They spoke alluringly of "doubling the standard of living in twenty-five years". When the time comes, as it has now come, to call off the "bribe" they devise measures which are not only out of keeping with the exigencies of the moment, but also utterly distasteful and reactionary. That these measures were, in any event, politically dangerous is obvious; that they would provoke sustained bitterness on the industrial front, however, appears to have had little influence on Tory aims and thinking.

The budgetary measures themselves suggest that the Conservatives are bent on converting the system of taxation and revenue in Britain into an utterly regressive one. While the income tax is left untouched, application of the purchase tax is widened with little regard to the income groups which are most touched by that tax. To quote Mr Gaitskell,

"I believe the Chancellor is doing this because he contemplates later on converting purchase tax into a general sales tax—convenient to collect, but extremely regressive".

The new budgetary proposals bring within the purview of the purchase tax a whole series of indispensable household goods, most of which could never be conceived of as being in the luxury or consumer-durable class. It is this indiscriminate application of the purchase tax which makes it most difficult to see how the British consumer could accept the Chancellor's plea for "a restrained demand". To the higher income groups the burden of the new tax is negligible and these groups will therefore not cut back on their demand. For the poorer sections of the population, the purchase tax on indispensable household needs will likewise lead not to a cut in their consumption but rather to an increase in their cost of living and it is here that either by a gross miscalculation or by wilful abandon, the Government courts one of the most serious of crises in industrial relations. Who can now oppose demands for wage increases on the part of the Trade Union movement?

This assessment of official policy is serious enough. But by another deception, a new development in

economic policy is introduced which leads for the first time to a major reversal of the welfare facilities normally provided by the State. The deception was that the authorities had to cut down on their own expenditure in order that the supply of goods and services in the country would be able to meet demand at unchanged prices. In informed circles there was little doubt that the cut in Government expenditure would take the form of a pruning of the military vote so that the current £4,800m. rearmament programme would be reduced to a level which the economy could bear. In fact, the cut in Government expenditure has taken the form of a severe attack on the Government's and Local Authorities' housing policy. The standard housing subsidies which are granted by the Government in order to keep Local Authority house rents at a level commensurate with income standards will now be recast. In conjunction with this the cost of Local Authority borrowings will rise and, further, under Government direction, the housing outlays will be substantially reduced next year.

Another feature of the unusual proposals of the Chancellor of the Exchequer is that relating to the measures designed to cut down on the level of investment demand in the country. Instead of withdrawing the 1954 investment allowances granted to private industry so that the extent of new investments taking place in the country could be reduced to levels which the economy could bear, the Conservative Government has rather made a direct attack on the nationalised industries. The various plans for re-equipment and expansion in the Gas, Electricity and Coal industries are now to be held back so that, in the first place, Mr Butler will be able to bridge the gap between demand and supply and, secondly, so that private industry can continue with their own plans, whether economic or not, without legislative encumbrances.

The great problem which these measures suggest and which is currently being debated in the House of Commons is whether they will solve the problems of inflation and rising prices. It was expected that the budget would be directed to the solution of all these problems. And

yet the first reaction of the Stock Exchange, that prime indicator of economic trends in Britain, was one of a rise in industrial share prices. As the economic commentator, Sir Oscar Hobson, put it, "the majority opinion in the Stock Exchange interpreted the budget as inflationary" and the question inevitably arises why this budget is inflationary. The answer of the Stock Exchange speculators is unequivocal. To them the Chancellor has not attempted to cut the current expenditure of the Government and because he has raised the purchase tax and the postal charges he has added another few points to the cost of living. This must inevitably be a correct interpretation of the outcome of the supplementary budget

since in this interpretation the Stock Exchange has the support of the entire Labour movement—the Railway workers, the Miners, the Tobacco unions have already all jumped on the band wagon of increased wages. They claim that "the higher prices dictated by the budget" justify rapid and drastic action in tabling their demands. The Chancellor of the Exchequer had aimed, and very unsuccessfully so, at dulling the demand for higher wages by pushing up the distributive profits tax by 5 per cent. to 27½ per cent. In response, the British Petroleum Company has announced an interim dividend of 5 per cent, tax free, thus bringing up its profits distribution to a level of 43 per cent. in one year.

The Financial Times has now recorded that "the first reactions to the budget have been distinctly unfortunate". It claims, after having forsaken the Chancellor of the Exchequer, that the Government's increase in the cost of living "happens to occur at an exposed point where everybody is bound to take notice of it". Similarly, the other supporting organs of industry and finance are having second thoughts on both the wisdom of Mr Butler's proposals and the need for an autumn budget. They are suggesting that the unfortunate reactions will lead not to a solution of the problems of the British economy, but rather to their exacerbation. In this view they have the whole-hearted support of the British people.

Tata Power Supply Companies

ALL the three companies of the Tata Hydro-Electric group, viz., Tata Hydro Electric Supply, Tata Power and Andhra Valley, have shown impressive working results during the year ending June 30, 1955. Revenue from sales of energy has recorded considerable expansion and the improvement in net profits has enabled the Directors to strengthen the financial position of the three companies. The rate of dividend has been maintained at 7½ per cent.

Total sales of energy by the three Hydro Companies during 1954-55 amounted to 1263 million units, which required the generation of 1283 million units by the Hydro Stations and purchase of 155 million units of thermal energy from the Bombay Electricity Board's Plant at Chola.

During the year under review, the Hydro Companies completed arrangements to obtain from the World Bank, a loan equivalent to U S \$ 16.2 million (Rs 7.77 crores) in various foreign currencies to finance equipment and services required for the Trombay Thermal Project. The loan agreement was executed on November 19, 1954 in Washington.

The accounts of Tata Hydro-Electric Power Supply for the year ended June 30, 1955 indicate all round progress in the operation of the company. Thus, judged on the basis of the energy produced and sold, the revenue earned therefrom, the efforts being made by the company to obtain capital for further expansion of operations, and the progress made on the thermal power project at Trombay, the results achieved by the company are indeed gratifying.

During the year under review, the company sold 253.73 million units of energy as against 228.64 million units in 1953-54, and the revenue earned from the supply of power was higher at Rs 75.68 lakhs than the previous year's figure of Rs 62.33 lakhs. Total expenses of the company rose by 10.56 lakhs during the year to Rs 46.53 lakhs, and of the increase about Rs. 9.7 lakhs were on account of the purchase of thermal power. On balance, net profit in 1954-55 amounted to Rs 25 lakhs, an increase of Rs 2.29 lakhs (or 10.12 per cent) over that earned during the previous year.

The company has made an allocation of Rs 6.02 lakhs to the depreciation fund during 1954-55. With the year's addition, the cumulative total amounts to Rs. 1.41 crore and against this, the company has fixed capital valued (at cost) at Rs. 4.42 crores, as on June 30, 1955. While the contribution to General Reserve has been maintained at Rs. 1.25 lakhs, that for contingencies has been increased by Rs. 0.2 lakhs to Rs. 2.21 lakhs during the year under review.

The construction work at Trombay site is said to be progressing according to schedule and the first 50 MW unit is expected to go into service in October 1956, followed by the second unit in April 1957. All equipment has been ordered and the progress of manufacture is being inspected and expedited by a team of inspectors deputed by the company's consultants.

Tata Power profits on the other hand show a slight decline from Rs. 55.32 lakhs in 1953-54 to Rs. 53.32

lakhs in the year under review. This is to be explained mainly by the rise in expenses of about Rs 30 lakhs from Rs. 88.58 lakhs in 1953-54 to Rs. 118.95 lakhs in 1954-55. Revenue from the sale of energy was higher this year at 1.92 crores as against Rs 1.58 crores in the preceding year.

Andhra Valley profits have increased from Rs 25.82 lakhs in 1953-54 to Rs. 28.79 lakhs during the year under review. Revenue from power supply similarly increased from Rs. 89.27 lakhs to Rs. 1.08 crores in the same period. The rise in net profits has probably enabled the company to make a slightly increased allocation to contingencies reserve—Rs. 2.69 lakhs in 1953-54 and Rs. 2.88 lakhs during the year under review and a sum of Rs 2 lakhs has been transferred to the Deferred Taxation Reserve (nil, last year).

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Why Not Retain Hyderabad?

Raghu Jagirdar

This is a down to earth and vigorous demand for the retention of the present State of Hyderabad by a Congressman who has no nostalgia for kababs or Hyderabad culture.

The author is a member of the Rajya Sabha and belongs to Gulbarga, a border bilingual district, which under the new dispensation may go to Karnataka. For the people of his district, however, Mysore is at the back of beyond; it is with Hyderabad that they have their ties which are more than a century old now.

WITH all the pious aspiration of the States Reorganisation Commission for the 'emotional integration' of different language groups, the Commission has unwittingly caused a wave of mental disintegration throughout the country. Every State has somehow begun to think in narrow terms. Some have even gone to the extent of accusing the Report of having "released political passions, communal suspicions and provincial rivalries all over the country."

It is an irony of fate that a Commission, which was empowered to redraw the map of India, should have shown signs of nervousness instead of following firm principles based on solid foundations in its 267-page report. As if unnerved by the pointed finger of a martyr, Sriramulu, at its very birth, this high-powered Commission seems to have gone astray in its struggle to escape from the consequences of its own creation. Otherwise, there would have been no reason for confusion over its original stand of high principles and later surrender and inevitable retreat.

Contradictory Findings

Whatever be the other reactions to the SRC Report, it has failed to evoke that enthusiasm that was due to its far-reaching recommendations with regard to the future map of India. Perhaps, even such a map would have been readily acceptable as one coming from a high-powered body if there were no elaborate high-sounding arguments on the one hand and unconvincing or contradictory findings on the other. No conclusions have been based on any firm principles applicable to the whole of India. The main trouble was not so much over the bulk of the language areas as over their borders, and the claims and counter-claims accompanying them, which the Commission has left unsolved. The border dispute has been allowed to rage on furiously.

With its confused thinking, the

Commission has only presented self-contradictory evidence. The Commission at the very outset, while declaring its stand against accepting language or culture as the determining factor—since 'the idea of a federating unit, organised as the political expression of a single group, would inevitably encourage exclusivism'—has itself fallen prey to the idea of linguistic division, with the exception perhaps of Bombay State.

So far as the people of Hyderabad State are concerned, the SRC's entire assessment and conclusions are neither based on, nor related to, facts. Its attitude can in no way be helpful to the healthy growth of nationalism in this country. It has failed to make out a genuine case for disintegration, save by surrendering to nauseating slogans of bygone days.

The most that can be said is that the SRC has helped in sacrificing a composite State at the altar of linguism, i.e., casteism, though it might have proclaimed itself against any sort of appeasement. There could be no meaning today in attempting to find fault with the origin of a former feudal State. Whatever be its former anti-national tinge, now this self-same, much-hated 'historical accident' is fulfilling a most vital need, consistently with India's present spirit of nationalism.

Focal Point

It cannot be denied that of all places in India, Hyderabad stands out as the focal point in every sphere. Not only is it India in miniature in all aspects, but also the meeting place of the South and North. What the situation demanded was not its nominal retention in a truncated form, but the effort to make other States, wherever possible, follow such a composite pattern or tradition. To deprive an existing State of such a character may mean depriving the country of a heritage.

All the talk of disintegration by a

certain type of people means nothing more than inherent suspicion of one another, and that too, strangely enough, after India has become free. The SRC would have done the right thing if it had suggested the formation or adoption of a fool-proof "one State two languages" or "one language two States" formula so as to serve as a safety device against the dangers of fascistic fanaticism. This might have to some extent enabled those in the South to fight the growing menace of linguism.

A politician may find in the SRC recommendations new avenues for an adventurist future, but those people in this State who have roots in the soil or the common folk in the countryside are simply perplexed and perturbed over the Commission's proposals for the disintegration of language areas. What such disintegrated areas are to achieve which they could not hope to achieve by continuing in the present set-up, is difficult to understand. How these areas will fare in a new atmosphere and new set-up has received no consideration at all. Disintegration may at the most satisfy for the time being either the fanatic or self-centred fringe. Where the fanaticism will lead India to, is a problem worth pondering over.

In respect of Hyderabad, the Commission seems to have lost its direction and failed to take the right and logical course, which it has itself advocated for bilingual Bombay or with regard to the question of retaining Karnatak Bidar in the nine Telengana districts of Hyderabad. The problem of Hyderabad is not so simple as to be disposed of off-hand. The Commission has not cared to go deep into the matter or tried to know the feelings and wishes of the people in the countryside.

Border State

After all, Hyderabad happens to be a sort of border State; hence it is not just a unilingual or bilingual entity. It has even a trilingual



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aspect. Its territory is spread over the Karnatak districts of Bidar, Gulbarga and Raichur, the Marathwada districts of Nanded and Osmanabad and the Telengana districts of Mahboobnagar, Nizamabad, Adilabad and also the Hyderabad district. There are over 508 thousand Telugu, 368 thousand Marathi, 833 thousand Urdu and 261 thousand Kannada bilingual speakers.

The extent of bilingualism in the whole State is 14.2 per cent; it ranges from 13 to 18 in Marathwada, 13 to 21 in Telengana and 17 to 22 per cent in Karnatak; and in Hyderabad district, it is 20 per cent. At least a population of 2,653,118 are bilingual who speak another Indian language besides their mother-tongue. Thus bilingualism is fairly extensive. The census records show that in these districts one out of every four is bilingual.

Instead of trying to know the real needs and aspirations of the people, the Commission has only relied on the evidence of certain busybodies and invariably on that time-worn slogan of disintegration. That slogan might have served at the beginning as a sort of argument to carry on an agitation. But today after the miserable experience following police action, thanks to the behaviour of the neighbouring linguistic enthusiasts, that slogan has lost its glamour and actually yielded place to a sort of fear and apprehension. The recent Mulki movement or the rising indignation against people of the adjoining language areas is too fresh to need mention here.

The Commission, in its verdict, says that "public sentiment both within and without the State, is overwhelming and insistent on the need for the disintegration of the State." How it arrived at such a conclusion is difficult to understand. In the first place, "the public sentiment" prevailing "without" has no meaning, since it has nothing at stake and its demand may be opposed to local wishes and interests. As far as sentiment "within" is concerned, it has no valid sanction. Enlightened opinion feels that the slogan of dismemberment was solely meant to get rid of the Nizam's rule.

To stick to the slogan even after the emergence of a democratic setup on the part of political leaders is nothing but an attempt to save themselves from being dubbed as inconsistent by their political opponents. Moreover, in the past, when

this slogan was raised, the question of reorganisation of States was not before the people, and any decision for the wholesale liquidation of the State without a clear verdict of the people on this specific issue would not be democratic.

"Free Association"

The Commission has preferred to make sweeping remarks that the three "areas were substantially united only under the authority of the Asaf Jahi dynasty. The unity was not based on a free association of the people." What a discovery to make about Hyderabad, as if it could not be applied with greater force to other parts of India! Where and when was that "free association" ever thought of before the advent of the British? Which is that State which has not been "substantially united under the authority" of some power or the other, not to speak of UP or even the SRC's composite bilingual Bombay of Gujarat and Maharashtra?

That attempt to dub Hyderabad as an artificial unit is simply irrational. In fact, every State is an artificial unit, including the States proposed by the Commission. India is one, having the same culture and history; and any division is nothing but artificial. These artificial "substantially united" areas in the Deccan came together after the arrival of Allauddin or the settling down of the Bahamanis, long before the advent of the Mughals or the Asaf Jahis. Whatever may be the reasons, Aurangabad, Golkonda, Bidar and Gulbarga have somehow lived a common or "substantially united" life for over six centuries; and never before in history have the people of Aurangabad, Golkonda and Gulbarga or Deogiri, Kalyani and Malkhed been dependent on Bombay, and Poona, Kurnool or Mysore. The people of these areas have lived and suffered together in the past during great upheavals; and they naturally feel that just when freedom has come, they are being dismembered and deprived of the joys of a "substantially united" life in their joint march to freedom.

Deccani Culture

The Deccan culture may or may not be different from that prevalent in former British India; but its contribution may be deemed somewhat different. Call it by any name, Hyderabad has evolved, whether in rural or urban areas, a common social and economic outlook and a way of life, which may not be easily

understood unless one lives in the Hyderabad atmosphere.

The Commission may find it surprising, but this common culture based on understanding, tolerance, and fellow-feeling has been a major contribution to the quest for unity in India. There was some significance when the Prime Minister himself declared close on the heels of the Police Action that the people of the State would be given a chance to decide about their future and that the police action was confined to the removal of feudal rule.

The SRC seems to be more enthusiastic in the case of Hyderabad than in respect of the rest of India over divisions on geographical and demographic lines. The Commission conveniently forgets that these "demographic features" apply with greater force to the rest of India as a whole than to Hyderabad. India has an individuality and variety unlike the regimented or common pattern and mode of living in Western countries. In what way can "demographic features" be more varied between Aurangabad and Warangal than between Cutch and the Goa borders, which the composite Bombay State, the handiwork of the Commission, itself represents?

No Need for Hurry

The Commission seems to be living in a world of its own. Otherwise how can "the apprehensions felt by the educationally backward people of Telengana that they may be swamped and exploited by the more advanced people of the coastal area" differ in the case of the Marathwada and Karnatak districts of the same State? Taking into consideration the same state of affairs and all the disadvantages and disabilities which Telengana would face in Vishalandhra, the Commission could have adopted the same impartial attitude towards the common backward Marathwada and Karnatak regions.

There was no need for such hurry at this juncture when these backward regions after centuries of subjection were just settling down and looking forward to development through various schemes. By allowing the Tungabhadra or Raichur area to develop, the Hyderabad people naturally feel that the Commission could have not only allowed the continuation of the same administration that planned the project, but also tried to help the progress of Hyderabad State and its

Kannada areas. All this linguistic distribution could have waited as the accent is no longer on mere agricultural development, which was perhaps dependent on linguistic homogeneity. The accent now is on industrial development. Industrial development may be dependent on the availability of natural resources, but not so much on linguistic homogeneity.

Karnatak Bidar has, however, been retained by the Commission in residuary Hyderabad State for the sake of the solidarity of India. In the present Assembly, out of 96 members from Telengana, 50 belong to the Opposition and 44 to the Congress. With the addition of 11 Congress members from Bidar, the strength would be 55 Congress as against 50 Opposition in a House of 105. Instead of such a precarious majority in spite of Bidar, why not include Gulbarga and Raichur, which have the same affinity and contiguity as Bidar with Hyderabad? Why this hazardous break and dislocation of life in these contiguous districts by splitting and forcing them to join Karnatak-Mysore? Moreover, Raichur and Gulbarga do not differ much from Bidar, whose "undoubted Karnatak areas are also somewhat remote from Bangalore and Mysore."

Urdu-speaking Population

Speaking about Hyderabad City, the Commission takes into consideration the position of 45.4 per cent of the Urdu-speaking population. And likewise for the retention of Bidar in residuary Hyderabad, it pleads for the Urdu-speaking population, apart from advancing other considerations such as "that administratively, Bidar has very close links with Hyderabad" etc. Of the 86.2 per cent Hindu population, the larger section is in the eastern half or the Telengana area than in the western half or Marathwada and Karnatak areas. Of the six former Muslim capitals in the State, two, namely, Golkonda and Hyderabad, are in the centre, and the remaining four, namely, Aurangabad, Daulatabad, Bidar and Gulbarga, are in the Western half. These are the very portions which the Commission has strangely sought to wrench from Hyderabad to be added to the remote regions of Mysore or Bombay on untenable arguments.

A little calculation will show that out of 11.8 per cent of Muslims, a total number of 53.3 per cent live in urban areas; and Hyderabad City

accounts for 22.0 per cent of their total population. In Bidar, which has received special consideration from the Commission, their percentage is 42.9. The Commission, which is so loud in its pleadings to tag Bidar to Hyderabad City, with a Muslim population of 44.7 per cent, again conveniently ignores the fact or fails to apply the same consideration to Gulbarga and Aurangabad where the percentage rises to 48.3 and 43.9 respectively.

Common Life

What really weighed with the Commission in deciding on dismemberment of the State is rather difficult to understand. After all, the area is a contiguous one; and, for good or bad, the people have lived together for the past so many centuries. Somehow, a common life has been evolved, which has stood the test of time; at least, here in the Hyderabad regions there has not been so far that virulent caste or language antagonism, which is so vehement in other parts of the country, especially in the South.

Taking into consideration these overwhelming factors, there is need for a detached view and for allowing the status quo in the case of

the present Hyderabad State. Already in the wake of the disintegration proposals of the SRC, there have been dismal portents of parochialism; selfishness is turning friends and colleagues into opponents and rivals in a race for territorial possessions. In a struggle for power between Telengana and Andhra all sorts of manoeuvre may be tried. Some may even raise for their selfish ends, the bogey of "India in danger" at the sight of Hyderabad State just as the League used to raise the bogey of "Islam in danger" at the sight of the Congress.

The SRC, instead of solving the problem of the future set-up of India, seems to have created more problems for future generations. After all, the Report is not such a sacrosanct document needing immediate implementation. Reorganisation is not a half-hearted measure, and it cannot be implemented in a hurry in the midst of mounting tension all round. Redrawing of the map for administrative or development purposes may become necessary only when the country has sufficiently advanced industrially and not otherwise.

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Vishalandhra

(Contributed)

The contributor dispels the fear that regional interests will clash in an integrated Telugu State. On the contrary, when things settle down, the fairly even population of Telengana, Rayalaseema and Circars will of itself ensure the maintenance of balance between the three component regions which in co-operation could add to the strength and stability of Vishalandhra.

THE report of the States Reorganisation Commission cannot but have caused some disappointment in Andhra. The setting up of the State of Andhra in October 1953 has been regarded by most Andhras as but the first step in meeting their desire for a separate State. Out of the 32 odd million Telugu-speaking people in the country—incidentally the largest linguistic group after Hindi in the Union,—barely 21 million were included in Andhra. It would have, of course, been too much, and perhaps even wrong to hope that all the areas where Andhras were in a majority would now be included in an expanded State, and indeed Andhras were quite prepared to meet the viewpoints of other States in this regard more than half way. The abandonment of the claim to Madras City despite its historic Telugu associations and its sizable Andhra population, it would be recalled, was a condition to the creation of the Andhra State. Similarly, the Andhras, though hoping otherwise, are not seriously perturbed about the Commission's decision to retain the Telugu area of Ganjam and Koraput in Orissa and Kolar district despite its Andhra majority in Mysore. A reciprocal gesture of goodwill over Bellary was the least Andhras could have expected in return from Mysore. As the Bellary issue has engendered undue animosity on the Karnataka side, the facts may bear repetition. It is true that Bellary District as at present constituted i.e. minus Alur, Adoni and Rayadurg talukas which form part of Andhra has a Kannada majority. The Misra Award going apparently more by the single criterion of language gave the area to Mysore, but the SRC have repaired the damage done to Andhras in this regard. For though the very basis of Andhra was linguistic, administrative convenience has played no small part in shaping its boundaries and the SRC have rightly combined the criteria of linguistic affinities with those of financial and commercial links and administrative convenience. It was this argument that has made them recommend the retention of Kolar in Mysore, about

which incidentally the protagonists of the Karnataka area have been astonishingly silent.

Tungabhadra Project

In the case of Bellary the controversy has assumed an acrimonious form especially in view of the importance of the Tungabhadra project. This project was the joint endeavour of the composite Madras and Hyderabad States and was specifically designed to irrigate the arid and chronic famine regions of Rayalaseema and Southern Hyderabad. The construction of the dam was completed in 1953 but it is regrettable that utilisation of Tungabhadra waters has not yet been made possible. While part of the blame for this would rest on an inadequate appreciation by the engineers connected with the Project of the technical difficulties of terracing the undulating fields in Rayalaseema and preparing the ayacut, the Andhra Government has felt that the obstructionist tactics of the Mysore Government in whose area the headworks now lie were no less significant a factor. It was particularly aggravating that the Tungabhadra Project's benefits so long cherished by the peasants in the parched plains of Rayalaseema should now be denied through the inefficiency of engineers and the machinations of politicians. The Tungabhadra Board set up by the President in terms of the Andhra Act and presided over by a senior and respected civilian has not been able to do anything effective about Andhra's complaints against Mysore and the Andhra Government was seriously considering referring the matter to Presidential arbitration. That the SRC were convinced about the justice of Andhra's claim in this regard is evidenced by their statement that "it will be somewhat unsatisfactory if the Andhra Government has, even after the redistribution of States, no access to the headworks of the project in which it is vitally interested." The Tungabhadra project was, after all, meant for the benefit of Rayalaseema and the Commission are to be congratulated on their courage and wisdom in recommending the retransfer of Bellary so as to eliminate the chances of friction with regard to this project. The Andhra case would be reinforced with the construction of the high level canal and the preparation of its ayacut as well as immigration from Andhra into Eastern Bellary. It is to be hoped that Karnataka will accept with good grace the SRC recommendation over Bellary especially in view of the restraint shown in Andhra over Kolar. For its part, the Andhra Government should do nothing to make the Kannada population in Sirugappa, Hospet and Bellary talukas feel that they are either aliens or inferior citizens.

Future of Telengana

The satisfaction in Andhra over the decision of the SRC to incorporate the three Bellary talukas has been more than outweighed by the SRC's proposals regarding the future of Telengana. The case for Vishalandhra could not have been put better than by the Commission. "The advantages of a larger Andhra State" say the Commission "are that it will bring into existence a state of about 32 millions with a considerable hinterland, with larger water and power resources, adequate mineral wealth and valuable raw materials. . . . Another advantage of the formation of Vishalandhra will be that the development of the Krishna and Godavari rivers will thereby be brought under unified control. . . . The economic affiliations of Telengana with existing Andhra are also not unimportant. . . . Telengana will also be able to save a great deal of expenditure on general administration, in case it is not established as a separate unit. . . . This will also solve the difficult and vexing problem of finding a permanent capital for Andhra; for the twin cities of Hyderabad and Secunderabad are very well suited to be the capital of Vishalandhra". These passages have been quoted at some length to show that even the Commission feel that not only on the basis of linguis-

tic and cultural affinities, but also on grounds of economic complementarity and administrative convenience and developmental needs, the case for Vishalandhra is certainly very strong and convincing. The way the Commission have dealt with the case for Telengana indeed appears clinching and it appears unnecessary to repeat the advantages which Vishalandhra would bring about. Why have they recommended a six year probationary period for Telengana giving the right of veto to just over one-third of the legislators in 1961? The arguments advanced by the SRC for a separate Telengana are based on financial and psychological considerations which it would be seen do not stand the test of close security. They make a reference to the fact that excise revenue accounts for Rs. 5 crores annually in Telengana, and the result of unification might be "the exchange of some settled sources of revenue out of which development schemes may be financed for the financial uncertainty similar to that with which Andhra is now faced".

If thereby it is suggested that unification would lead to the Telengana districts going dry and sacrificing the excise revenue, could not the Commission have recommended instead that for a few years the Telengana districts should remain wet? In any case, with the possibility of country-wide prohibition by 1958, even this argument loses its force. If financial viability were so important a criterion, several States in the Union may not have stood the test. Andhra itself in 1953 was considered to be not strong financially, nor does the condition of viability seem to have been applied with regard to Karnataka. The other point made by the Commission is that the claims for the location of future development projects in Telengana may not receive adequate attention in Vishalandhra. This is a baseless fear, in any case the Planning Commission's approved draft of projects in the Second Five-Year Plan as submitted by the Hyderabad Government would certainly have been carried out in Vishalandhra. In a period of planning the likelihood of inadequate consideration to the development of particular regions is less; in any case, in the proposed Nandikonda and Kustapuram projects the benefits can be shared between the two areas in agreed measure. It may be useful to recall that similar apprehensions were given expression to by Rayalaseema leaders many years ago and the Tungabha-

dra scheme figured in many of the discussions that led ultimately to the Sri Bagh Pact. The demand for such a project was a hardy annual at almost every budget session of the old Madras Assembly, the Andhras from the Circars taking no less an interest than those from Rayalaseema in pressing for its early implementation.

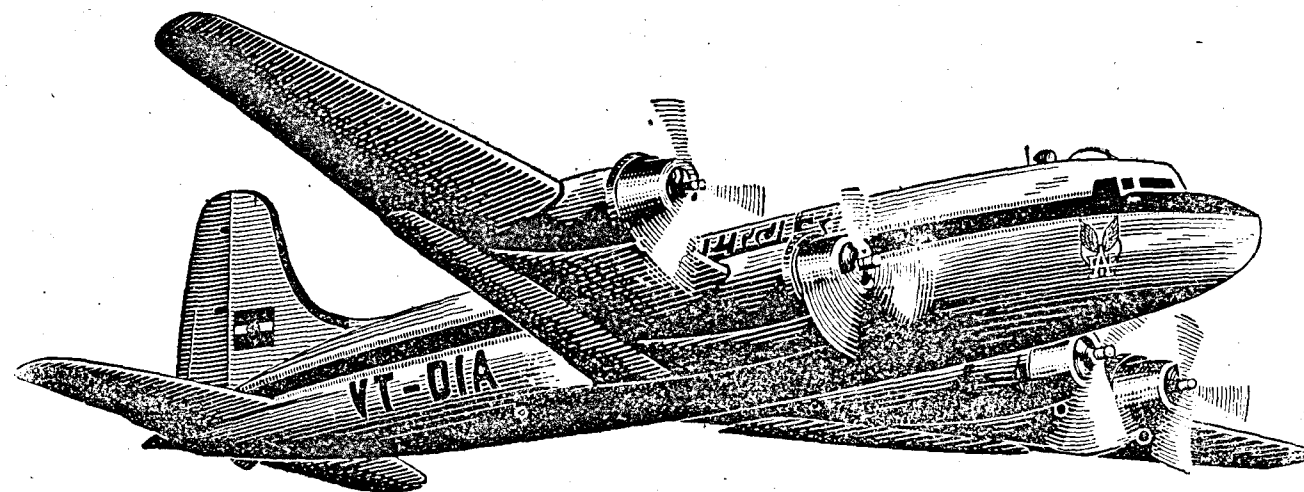
The Commission has also referred to the fears of the educationally backward people of Telengana being swamped and exploited by the people from the coast. If the Commission felt so strongly about the danger of merging a so-called backward area with a more advanced one, how do they defend the merger of Marathwada and Kannada areas of Hyderabad with Bombay and Karnataka where the gap is at least as great, if not greater? In any case, similar fears were expressed by Rayalaseema before the creation of Andhra; that they were exaggerated has been proved by events. The location of the capital in Kurnool, the expansion of educational facilities in that region and the setting up of the Sri Venkateswara University have gone far to dissipate what fears did exist. Similarly, in Vishalandhra, Telengana would have little to fear; the location of the capital in that area and the existence of a first rate university would doubtless be supplemented by an expansion of educational facilities in that region. In any case the population of Telengana at 12 million is not so small as to lend itself to exploitation by about the same number of coastal Andhras. In fact a delicate balance would be created between Rayalaseema, Telengana and Circars in Vishalandhra where no single group could exploit any of the other two.

If these are then the arguments for a separate Telengana the Commission's plea for such a State fails to convince. In particular, the recommendation that the future of Telengana should be decided after six years is likely to lead to unnecessary uncertainty and instability. The Commission aver that opinion in Telengana is yet to crystallize itself. This is no longer the position. No less than 69 members of the Hyderabad Assembly out of the 95 from Telengana have expressed themselves in favour of an immediate merger with Andhra; this number does not include any of the Congress ministers and deputy ministers. Since then, it is significant that Shri B Ramakrishna Rao the Chief Minister and Nawab Mehdi Nawaz Jung the only

Muslim member of his Cabinet have come out with public statements in favour of the immediate formation of Vishalandhra. In view of this, it appears unnecessary to allow the small group of Telengana legislators backing Shri Chenna Reddy and Shri Ranga Reddy to have the veto on the formation of a larger Telugu State, but this is what the Commission have unfortunately done. It has been said that the fear of Communist rule in Telengana has been responsible for some of the Congressmen hitherto neutral veering round to the cause of Vishalandhra. This does less than justice to the Communist Party who have been resolute champions of Vishalandhra from the beginning despite their being fully aware that their strength in a larger Telugu state would be relatively much less. The real opposition to Vishalandhra seems to be from the small caucus among the Telengana Congress legislators who count for something at least in the politics of Hyderabad and who now fear that they will cease to wield any influence and become nobodies in the larger political area of Vishalandhra.

It is also possible that the Kapu (Reddi) caste in Hyderabad fears a loss of its power and influence. Vested interests there always will be in retaining any status quo but this does not mean that they have to be accommodated. In particular, where the undertone of the argument is based on caste considerations, there is even less case for supporting it. On their part the Andhra leaders should give generous assurances to the people of Telengana that their particulars interests would in no way be jeopardized. The SRC seem to think that a pact on the lines of the Sri Bagh Pact may be impracticable but there is no reason to believe that this is the case. The Sri Bagh Pact has been working satisfactorily in Andhra and there is no reason why an extension of that principle could not be attempted. The meetings that have taken place between the Andhra and Telengana leaders would, it is hoped, allay the fears in the minds of the Telengana leaders and ensure positive result in the immediate formation of Vishalandhra. As things settle down, the fairly even population of Telengana, Rayalaseema and Circars will of itself assure the maintenance of balance between the three component regions, which in co-operation will undoubtedly add to the strength and vitality of an integrated Telugu State.

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Floods in Delhi and Punjab

Kumud Bhushan Ray

LATE in the rainy season this year, disastrous floods occurred in Delhi and the two Punjabs resulting in heavy loss of life and property. A glance at the accompanying map will give an idea of the extent of the ravages caused by this disaster. Delhi and both the Punjabs are in the dry north-west. The Indus and the Sutlej rise in the Tibetan Plateau, north of the Great Himalayas, where the monsoon does not reach. It is a dry region. Between the Great and Lesser Himalayas lies the Kashmir Valley, in which rise the Jhelum, Chenab, Ravi and Bias. The Kashmir Valley is also dry. Only the northern slopes of the mountains in this valley have forests. There is more shade on these slopes, the snow remains longer and moisture is not dried up by the sun. The southern slopes are bare rocks or are covered with short grass or shrubs. South of the Kashmir Valley, in the sub-Himalayan region, the rainfall ranges from 30 to 40 inches. Further south lies the broad alluvial plain, which may be divided into three parts. The north-eastern part along the foot-hills, partly in Punjab (P) and partly in Punjab (I), has 30 to 40 inches rainfall. The south-western part, lying wholly in Punjab (P), has a rainfall of 5 to 10 inches. The south-eastern part in the Punjab (I) has 20 to 30 inches rainfall.

Except the north-eastern part, all the rest of this region has thus little rainfall, and needs canal water for growth of crops.

Irrigation Canal

There are three canal systems, supplying water for irrigation to the south-western part of the Punjab plains:

- The Upper and Lower Jhelum Canals from the Jhelum River,
- The Upper and Lower Chenab Canals from the Chenab River, and
- The Lower Bari Doab Canals from the Chenab River,

There are three canal systems, supplying water to the south-eastern part of the Punjab Plains for irrigation:

- The Upper Bari Doab Canals from the Ravi River.
- The Sirhind Canals from the Sutlej River, and
- The Western Jamuna Canals from the Jamuna river.

The Eastern Jamuna Canals, also from the Jamuna River, supply water for irrigation to a part of the West U.P.

Condition of River Channel

With torrential flow in the rainy season, channels of the rivers in the Punjab plains have become more than a mile wide in places. Sometimes water overflows the channels, submerges river side lands, and there is destruction of crops and flood damage.

In the dry season, the flow is shallow and feeble and the discharge very little, most of the water being diverted into the canals.

Rise in River Bed Level

Uncontrolled erosion of river banks goes on in a river channel, increasing the channel width and consequently its sectional area, so that the velocity decreases. The power of transportation of silt load being thus decreased, a current of water deposits part of its silt load. With greater deposit of silt load in parts of a channel, islands are form-

ed. Erosion of banks also forms bends, lengthening a river channel. In a widening and shallowing channel, 'hydraulic mean depth' goes on decreasing. In a lengthening channel, the 'slope of water surface' goes on flattening. Both of these cause decrease in velocity, so that the discharging capacity of the river also decreases.

With decreasing velocity, a current of water cannot transport the whole of its silt load, part of which is deposited and there is gradual rise in the river bed level.

High River Banks

With rise in river bed level, there is corresponding rise in flood water level. With decreasing discharging capacity, a river is not able to accommodate and drain away its flood discharge; the flood water level rises higher than river banks, water flows away from the channel, river side lands are submerged, and there are flood damages.

When water flows away from a channel, there is a sudden decrease

in depth of water over the river banks, as compared to that in the river channel, and a considerable part of the large silt load is deposited on a small width of river banks. The level of river banks rises, and ultimately becomes higher than the river side lands.

This explains how by dynamiting the high river banks, it has been possible to make river water disperse over river side lands, thus lowering the flood water level in the Sutlej near Bahawalpur.

Diversion of Water into a Canal

When part of a river's discharge is diverted into an irrigation canal, there is lessening of discharge through the river channel. Moreover, silt-excluding devices at the Canal Headworks exclude the coarser silt, while diverting water into the canal. Thus more silt passes down the river, which has to be transported by a lesser volume of water, having a lesser velocity. There is thus silt deposit on the river bed, downstream of a canal headwork, as a result of diversion of water into a canal.

With silt deposit on the river bed, its channel goes on deteriorating, and this deterioration extends down-

stream. With an extensive system of canals, there is thus progressive deterioration in the rivers Jhelum, Chenab, Ravi, Sutlej and Jamuna. The channels of these rivers have broad sandy wastes of river bed in the dry season.

In normal years, the discharge of the rainy season can be drained away by the deteriorated channels, except that at certain points in some of these rivers, banks are overtopped and there are flood damages. The run-off from abnormal, heavy and prolonged rainfall, as that of 1955, which occurs once in about 50 years or so, cannot be drained away by these deteriorated rivers. Colossal flood damages thus occur.

River Training

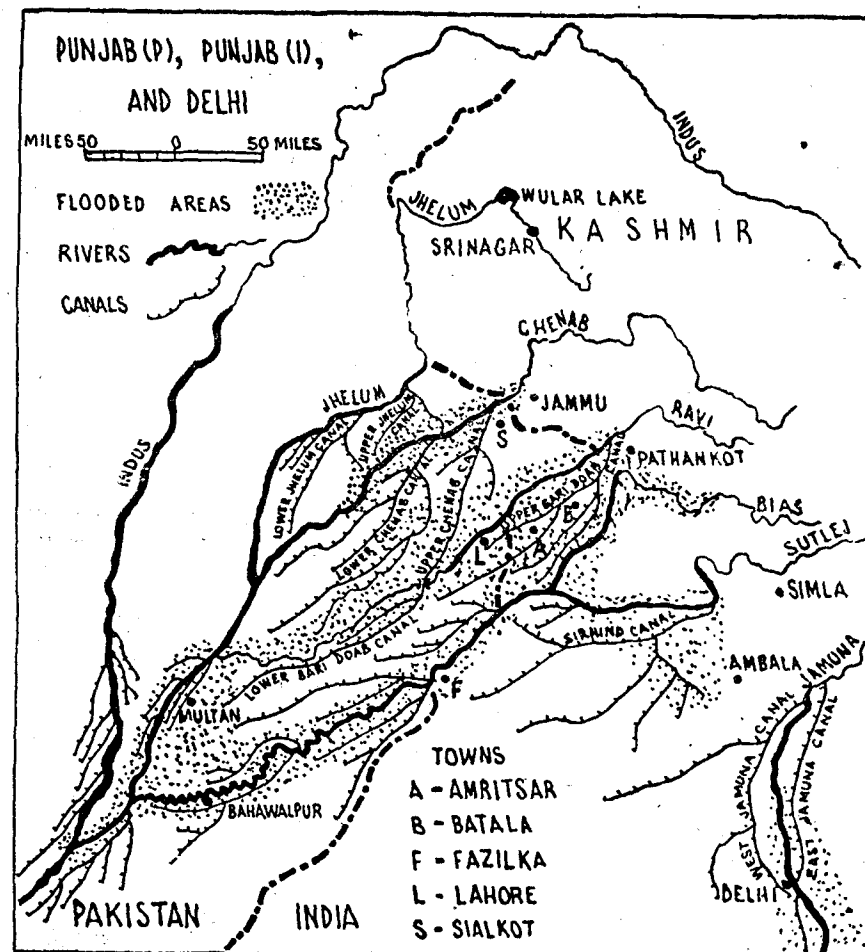
After the construction of a canal, no action is taken to ensure that the river channel, below the canal headwork, does not deteriorate. River Training Works, however, are necessary, in order that a river is able to perform its primary function of drainage.

Deepening a wide and shallow river channel in the dry season is done by Steamer Companies in India, by assisting a river to utilise the great force of its current of

water, by the use of 'bandals'. These are temporary expedients, as the bamboos driven into the river bed for the 'bandals' are undermined and topple over, with a rise in the water level and increase of velocity in the flood season.

An improvement in the 'bandals', known as "permeable screen" is able to maintain its position in a river channel in the flood season. A line of 'permeable screen' assists a river to utilise the great force of its current of water, to deposit silt and form new parallel river banks, by reclamation of parts of a wide and shallow river bed, thereby developing a narrow and deep channel between the newly formed parallel river banks. The higher velocity and greater discharging capacity of a narrow and deep channel enable a river adequately to perform its function of drainage of water.

The cost of 'permeable screens' for rivers in the Punjab and the Jamuna, will be between Rs 20 and Rs 40 per running foot, depending on the dry season depth of water in the river. Part of the cost of river training works by 'permeable screen' can be made up by the sale of fertile lands, reclaimed from the existing wide, sandy waste of river bed.



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Around Bombay Markets

Overbought Position

FOR the second settlement in succession, there was an appreciable rise in the budla rates, indicating a distinctly overbought position in the Stock Exchange in Bombay. As in the case of the previous settlement, the technically unhealthy position was preceded by frenzied speculation which boosted up prices all round, some of the leading counters exceeding the highest levels touched during the year. This was particularly noticeable on Tuesday when the quotations were at their peak for the week. On the same day, strangely enough, there was a break towards the close, when the pivotal scrips lost heavily. Thus, Bombay Dyeings lost about 15 points, Century 11, Kohinoor 9, Simplex 7½, Central 8½, Swadeshi 8 and Indore-Malwa as much as 21 points in the course of the day.

The trend for the greater part of the week, however, was such as to strengthen the hands of the bulls. The sharp rise in the values of their holdings further emboldened the bulls as a result of which shares which had been coldshouldered before became favourites overnight and were in keen demand. As the bulls gained fresh vigour, the shorts were forced to cover their sales in an advancing market. Consequently scrips changed hands at prices which bore no relation to the true worth of the companies concerned. True, the bulls were not entirely left unhurt. In fact, they were caught in their own trap when, on the settlement day, they had to pay through their nose abnormally high budla charges in respect of some of the scrips.

Thus, the carry-over charges for Tata Ordinary and Indian Iron ranged from 11 as to 13 as and 8 to 10 as, respectively. Bombay Burmah budla moved up from Rs 10 to Rs 12-8, certainly a high budla notwithstanding the closure of books. The carry-over charges in respect of Scindias were very high at 8 as while those of National Rayon, Bombay Dyeing and Tata Chemicals were also appreciable.

While prospects of industrial advancement in the country following the Second Five-Year Plan and other allied factors may be adduced in favour of a further rise in prices,

a substantial reaction to set right the technical maladjustment cannot be ruled out as a probable outcome of the continuous rise for the past few weeks. In fact, the odds seem to weigh more in favour of the latter course.

Steel shares, despite an irregular fluctuation towards the middle of the week, made further headway, with Tata Ordinary touching a new high of Rs 267-4. The shares received ample support at small setbacks from considerable shortcovering as well as fresh buying. Although on the settlement day both Tata Ordinary and Indian Iron suffered a sizeable reaction on heavy unloading by bulls, the losses were made good by replacement buying.

In the cotton mill section, Bombay Dyeing led and touched a new peak of Rs 596-4. Manipulation by interested parties to rig up these shares

Thursday, Morning

was strongly hinted at in market circles. Prospects of renovation of its mills pushed up Central India. For the same reason, India United also attracted keen attention. Apollo Mill which had been neglected by operators hitherto were sought after by bargain hunters. Indore-Malwa registered a jump of 20 points during the week. But all these gains were erased on Tuesday as stated earlier.

Banks and electric shares also moved up in sympathy. While Central Bank made further advances, Bank of India, which recently shot up by 15 points, were inclined to consolidate their gains. Electric shares kept steady with scattered business.

Among miscellaneous counters, Bombay Burma moved ahead to new high levels on short-covering as well as fresh buying. ACCs, National Rayons and Premier Con-

MARKET LEADERS DURING THE WEEK

	Nov. 2, 1955	Week's Range		Oct. 25, 1955
		High	Low	
Steel Shares :				
Tata Ordinary	263- 0	267- 4	261- 0	263- 4
Indian Iron	40-12	41- 4	39-13½	39-14
Textile Shares :				
Bombay Dyeing	577- 8	596- 4	571-14	576- 4
Century	467- 0	485- 8	467- 0	470- 4
Kohinoor	354- 4	363- 8	351- 0	359- 8
Simplex	208- 0	217- 8	207- 8	213- 4
Swadeshi	232- 8	246- 0	232- 0	243- 8
Miscellaneous :				
Associated Cement	215- 4	222- 0	214- 8	219- 8
Belapur	365- 4	377- 0	364- 8	375- 0
Burma Old	685- 0	712- 8	677- 8	687- 8
National Rayon	235- 0	248- 4	231- 8	245-12
Premier Const.	186- 0	194- 0	184- 0	190- 0
Scindia	17-13½	19- 1	17-10½	18-14
Tata Chemical	18-10	20- 2	18- 6	19-13½
New India Assc.	50- 8	52- 8	48-12	49- 0

OIL AND OILSEEDS

	Nov. 2, 1955	Week's Range		Oct. 25, 1955
		High	Low	
Seeds :				
Castor May 1955 (per candy)	105- 8	106-10	99-12	100- 4
Groundnut Dec.-Jan. (per cwt.)	24- 0	24- 0	23- 2	22-14
Linseed Feb.-Mar.	24- 8	24- 8	24- 0	23-12
Kardi Ready	14- 0	14- 0	13- 4	13- 6
Nigarseed "	23- 0	23- 4	22-12	22-12
Oils :				
Castor Oil Com. (per quarter)	11- 5	11- 5	10-12	10-10
Groundnut Oil RR	13- 2	13- 2	12- 4	12- 4
Linseed Oil	15- 0	15- 0	14-12	14-12

struction ruled steady at Rs 215-4, Rs 235 and Rs 186 respectively.

Cotton

Bull Grip

ALMOST throughout the week cotton futures danced to the tune of the bull syndicate who were inclined to the view that considerable inroads had been made on the new crop by untimely rains. As against 56-57 lakh bales originally estimated, bulls now put the crop at around 47-48 lakh bales. This apart, they believe that the quality of the crop has deteriorated. Besides, in view of the American surplus cotton disposal plan which is to be launched from the New Year, the bulls foresee a reduction in, if not a complete abolition of, the export duty on cotton, in order to enable Indian cotton to meet the competition of US surplus cotton which is going to be virtually dumped on world markets. In view of this firm bull grip on the market, for the above reasons, even the announcement of an additional bonus export quota of one lakh bales of ¾" cotton and a quota of 50,000 bales of Bengal Deshi went almost unnoticed. This quota had been long expected by a section of the trade who were in fact actively campaigning for it. In the light of the alleged large-scale damage to cotton, however, it is problematic how far this country can afford to export cotton.

Towards the close of the week, there was a sharp break in cotton futures, suggesting slackening in the bull grip. According to market circles, this might have been occasioned by a disruption in the ranks of the bulls themselves rather than by an external factor. In the event, there was a sharp set back in prices and for the first time in the past few days the February contract turned easy. Cotton future closed around Rs 662-0. The highest and lowest levels during the week were Rs 669-12 and Rs 655-4 respectively.

In the spot market at Sewri, mills which had been holding back so far started picking up their requirements as well as buying new crop contracts.

Official permission to commence business in new crop May (1956) futures is reported to have been received by the East India Cotton Association. The date of commencement of the contract is expected to be fixed by the Board at its next meeting on Friday.

Oils and Oilseeds

Market Firm

THE oilseeds market, on the whole, presented a firm pattern of trading. True, the market was little weak immediately following the release of the HPS groundnut quota as overseas buyers were inclined to wait for a while before entering into fresh commitments. Thus, Continent quoted £4 lower than the prices offered before the quota announcement. Groundnut oil was also offered at lower prices. Shippers who had been able to dispose of about 1000 tons of oil at around £103 per ton could not get anything better than £100 per ton. If some business was done even at this level, it was because exporters were still able to have a fair margin of profit. However, the market entertains hopes of better business in the near future. It is presumably because of this that groundnut ready delivery and oil RR found encouraging support, prices advanced and closed firm.

In the castor section, ready, futures and oil prices have continued their upward trend. May futures touched a new high during the week. America is reported to have shown keen interest in Brazilian oil at around 13 cents per lb. On apprehensions of a lower Brazilian crop, US has been showing increasing interest in Indian oil. Mainly on account of this, there has been an appreciable rise in the May contract

which went up to as high as Rs 106-10 before closing at Rs 105-10.

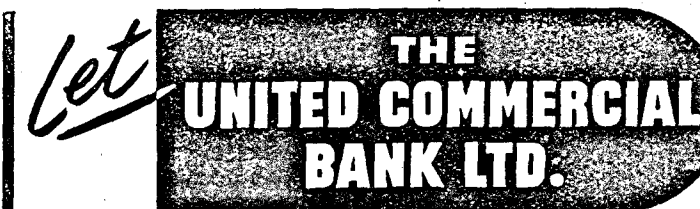
Other seeds were sympathetically firm with linseed closing at Rs 24-6 as compared to Rs 23-12 last week while Kardi and nigar closed firm at Rs 14 and Rs 23 respectively.

Bullion

Gold Steady

SINCE its resumption, forward trading in silver has not yet had a full week's session, trading being interrupted by holidays. During trading sessions, however, silver displayed a hesitant undertone, while gold was relatively firm, and moved up.

Two factors combined to bring this about. In the first place there was speculative support and then there were also apprehensions about devaluation in the UK. Besides these, traders took inspiration from the recent experience in the spot market. The pre-Puja demand for gold from Calcutta to the tune of 60,000 tolas has also contributed to the firm trend in the Bombay market, where the daily offtake of gold was reported to be around 5,000 tolas against the arrivals of only 2 to 3,000 tolas. The floating stocks have therefore, been eaten up and are now estimated to be only around 15,000 tolas. With prospects of immediate entry into the Bombay market of upcountry interests, traders expect continued steadiness in the market.



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Around Calcutta Markets

Recent Developments

Wednesday, Evening

BOOM conditions prevailed on Dalal Street during the days Clive Street was closed for the Puja holidays. This was the main reason why the Calcutta Stock Exchange opened firm after the Puja holidays. Both Dalal Street and Clive Street have now developed an irregularly lower trend. But this is mainly due to occasional profit-taking. There is no selling pressure, though buyers seem reluctant to lend support to the market at these higher levels.

Recent price movements in equities indicate that speculators are inclined to the view that the stock market boom is likely to continue. Basic economic conditions are not unfavourable. There is absolutely no reason why equities should slump. Whether equities should be booming, is a different matter altogether. There is no doubt that the stock market atmosphere is "bullish". Even so, it is time for a proper assessment of the influences affecting market movements.

"Bull" Factors

Some developments are evidently "bullish". Money supplies are increasing. There has been a considerable expansion in banking resources in the current year. Money incomes are also expanding as a sequel to deficit financing. Success of the two successive loans floated by the States visibly reflect the growing volume of surplus, investible resources. This is a dependable factor behind the recent spurt in equities.

Sometime ago, two apprehensions were widely entertained. There were fears that the Government, encouraged by the success of the loans, might decide to issue fresh loans. These fears have not yet materialised. There were also fears that, following an expected further rise in Bank Rate in Britain, the Bank Rate might be raised here also. These apprehensions vanished when the British Government announced that a supplementary budget would be introduced in Parliament. There is nothing in the emergency budget to cause dearer money in Britain.

Wider Issues

These are technical factors. But recent market behaviour indicates that investors have overcome the feeling of depression caused by the

Companies Bill. It will be recalled that the Finance Minister cited the continued steadiness in stock markets as a sure indication that genuine investors had nothing to fear from the Companies Bill. Managing agents may feel disturbed, but shareholders have nothing to lose through incorporation of the Companies Bill into the statute book. There is something in the Finance Minister's argument.

To enumerate the "bullish" factors is not to gloss over the disturbing developments. Soon, the Government will introduce a Bill in Parliament to regulate trading in stock markets. There are provisions in the Bill which may have an immediate chilling effect on stock markets. Besides, there is evidence that New Delhi is anxious to curb speculative activity on stock markets. In recent months, the Government has more than once issued directives to stock exchange authorities to take measures to curb speculative activity. There can be no quarrel with these moves to ensure that savings are not utilised for speculative purposes, but are diverted to productive channels.

So far as the Calcutta Stock Exchange is concerned, there is another disturbing development. There are rumours that the West Bengal Government is exploring the prospects of a turnover tax on stock market trading. It is more than time for the West Bengal Government to introduce such a levy to increase the budgetary resources for financing the second Plan. Such an impost is not likely to have any lasting "bearish" effect on equities, as Dalal Street's experience suggests. But, in a "bear" market, this and similar other developments cannot be ignored.

Changed Pattern

This is the wider background against which some of the interesting trends on the Calcutta Stock Exchange have to be assessed. There has been a definite change in the pattern of stock market movement in Calcutta. Jute shares are in the doldrums. Even speculators have, by now, realised that Tea shares have no prospect in the immediate future. And the boldest speculator is afraid of dabbling in Coal shares.

This explains why Jute and Coal shares are friendless, or why Tea shares are gradually losing ground.

In their hunt for new, promising groups of shares, speculators have long ago discovered the prospects for *Miscellaneous and Engineering* shares. Engineering shares started moving up two years ago on the ground that secondary engineering industries must fare well during the second Plan period. Later, these shares were boosted by cornerers. Activity by cornerers is no longer an active influence in operation. But speculators have rediscovered the prospects of Engineering Shares during the second Plan period.

Paper shares have been supported for a long time now on the belief that these shares will move up as the demand for paper improves due to growing literacy. Recent market movements indicate that speculators are always on the search for picking up small-priced sound shares. This explains why many Miscellaneous shares are gradually moving up. These are not unencouraging developments. But there are doubts whether the Calcutta Stock Exchange can go on booming, while Jute and Coal shares remain inactive and Tea shares continue to be irregularly lower.

India's Villages

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CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1305.86	1303.28	1280.22	1161.94
2. Rupee Coin	111.14	111.21	112.05	106.35
3. Deposits				
a) Central Government's	49.33	48.34	58.04	103.46
b) Banks'	57.71	57.59	62.77	66.30
c) Other Governments'	30.23	25.48	11.64	22.51
d) Others'	15.79	15.88	16.37	34.29
4. Foreign Securities	627.10	627.10	671.82	623.15
5. Balances held abroad	85.27	85.41	47.66	102.24
6. Rupee Securities	543.60	533.67	488.95	417.75
7. Investments	50.33	50.30	49.85	95.06
8. Loans and advances to Governments	0.02	—	2.02	0.69
Scheduled Banks				
1. Demand liabilities (net)	602.28	599.23	596.65	550.42
2. Time Liabilities	423.93	422.07	405.23	357.55
3. Cash on hand	33.47	32.56	33.88	32.84
4. Borrowings from Reserve Bank of which against Usance Bills	5.39	6.74	12.47	3.56
5. Advances and Bills discounted of which State Bank's	512.31	515.48	551.34	494.22
6. Investments of which State Bank's	392.96	390.47	391.44	319.17
Cheque Clearance	99.27	139.09	141.24	92.88

†For Reserve Bank and Cheque Clearance week ended 28-10-55. Scheduled Banks week ended 2-10-55.

Bombay Money Rates	28-10-55	21-10-55	3-9-55	29-10-54
Inter-Bank Call Rate	1½	2½	2½	1½
3 months deposits	2½	2½	2½	2½
6 months deposits	3	3	3	3½

Bombay Bullion	3-11-55	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	95-3	95-2	95-0	88-3½
Forward	95-11	95-9	†	88-0½
Silver (per 100 tolas)				
Spot	168-7	168-8	165-0	156-9
Forward	169-5	169-8	†	158-13

† no trading

PATTERN OF IRON & STEEL PRODUCTION

(Calendar Months or Monthly Averages)

	Latest June '55	A year ago June '54	Monthly average 1954	1953
(in thousands tons)				
Pig Iron	144.5	138.5	149.3	137.9
Basic	107.6	110.5	112.0	109.9
Foundry	36.9	28.0	37.3	28.0
Ferro Alloys	0.6	4.8	5.4	0.6
Direct Castings	12.0	13.3	10.6	9.6
Crude Steel	133.1	131.0	140.9	125.5
Ingots	130.4	128.7	137.9	123.4
Metals for casting	2.7	2.3	3.0	2.1
Semls	117.5	115.3	120.3	102.5
Bloom, billets & slabs	83.4	74.1	82.0	71.3
Tin bars	6.9	7.1	7.0	7.0
Sheet bars	25.7	32.7	29.8	22.2
Others	1.5	1.4	1.5	2.0
Finished Steel	98.7	93.9	101.0	85.3
Heavy structural	6.0	5.6	7.3	7.1
Light structural	8.3	8.9	10.2	7.4
Heavy rails & fish plates	9.2	10.3	9.5	7.8
Tin plates	5.7	4.8	5.6	4.9
Black sheets	9.3	11.0	10.4	7.9
Galvanised sheets	11.2	10.4	11.2	7.9
Plates	5.3	5.4	6.0	5.3
Bars	26.6	25.1	26.6	21.8
Rods	6.5	4.0	4.1	4.3
Wire & wire products	2.9	2.1	2.6	2.6
Wheels, tyres & axles	1.8	1.7	1.9	2.0
Steel castings	1.4	1.2	1.2	0.9
Spring steel	1.4	1.2	1.1	0.8
Tool steel	—	0.1	0.1	0.1
Others*	3.1	2.1	2.3	1.5

* Comprises bolts, nuts, rivets, spikes & hoops and stripes
Source : Ministry of Commerce and Industry

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-Group	Week ending 22-10-55	Week Ago	Month Ago	Year Ago
I Food Articles:	320.4	319.4	306.5	355.8
Cereals	388	392	375	391
Pulses	808	293	264	284
Others	230	228	222	317
II Industrial Raw Materials:	408.7	408.2	397.5	434.3
Fibres	414	4.6	406	462
Oilseeds	390	385	373	406
Minerals	431	431	413	393
Others	423	421	423	423
III Semi-Manufactures:	332.2	320.0	325.0	351.3
Leather	338	355	338	362
Mineral Oils	262	262	262	221
Vegetable Oils	379	369	362	434
Cotton Yarn	409	408	407	455
Metals	276	276	278	241
Oilcakes	357	350	344	416
Others	330	330	330	306
IV Manufactures:	370.9	370.2	368.6	377.9
Textiles	411	409	403	419
Jute	397	391	396	447
Cotton	349	349	402	415
Rayon & Silk	479	479	474	415
Woollen	273	278	278	310
Metal Products	311	371	352	340
Others	285	285	286	285
V Miscellaneous:	559.4	559.0	554.9	606.3
All Commodities:	359.8	358.8	351.1	382.3

TOTAL EXPENDITURE OF FOREIGN TOURISTS IN 1954

	('000 Rupees)				
	Official	Business	Pleasure	Health	Total
Sterling Area	15.60	88.43	46.62	12.80	163.45
U.K.	8.15	83.35	13.33	3.78	108.61
Ceylon	19	49	15.02	3.20	18.90
Pakistan	1.24	1.89	8.48	4.14	15.75
Burma	5.88	92	1.10	—	7.90
S. Africa	—	50	4.11	15	4.76
Australia	2	1.10	2.81	70	4.63
Others	12	13	1.77	83	2.90
Dollar Area	4.36	17.19	75.48	12.71	109.74
U.S.A.	4.31	16.54	71.56	12.63	105.04
Canada	4	44	3.39	—	3.87
Others	1	21	53	8	83
Other Areas	11.21	42.29	20.87	8.67	83.04
France	47	13.05	11.27	9	25.48
Germany	80	8.59	2.06	1.34	12.79
U.S.S.R.	—	6.39	—	—	6.39
Japan	31	3.93	15	1.12	5.51
Switzerland	28	2.65	1.02	1.37	5.32
Sweden	3.01	33	79	53	4.71
Denmark	1.30	1.29	96	8	3.63
Others	5.04	5.46	4.62	4.09	19.21
GRAND TOTAL	31.17	147.91	142.97	334.18	356.23

Source : Reserve Bank of India

ELECTRICITY GENERATION AND DISTRIBUTION

(Monthly Average or Calendar Month)

	Generation	Domestic consumption	Commercial light and small power	Industrial power	Public lighting	Traction	Irrigation	Public works pumping	Total
1948-49	390.1	34.8	20.3	206.0	4.2	23.8	11.0	14.7	427.9
1952-53	525.1	51.5	29.2	275.6	6.0	27.7	19.2	19.4	464.4
1953-54	573.1	68.3	31.7	298.1	6.5	29.7	19.1	20.6	474.0
1954-55	646.6	62.6	28.9	344.6	7.5	31.7	20.0	22.1	517.4
1954 May	639.9	61.1	40.5	325.6	6.9	33.8	23.6	23.8	515.5
June	629.4	61.6	37.7	325.9	6.9	32.6	22.2	23.2	510.3
July	633.4	62.3	37.5	338.6	7.1	31.9	15.6	22.9	515.8
August	635.0	64.9	37.2	338.8	7.3	27.3	11.7	23.2	510.5
September	647.6	65.0	37.4	344.6	7.4	27.6	18.4	23.1	523.3
October	626.5	63.7	35.3	336.6	7.7	30.8	14.9	22.6	511.6
November	656.5	63.4	35.2	351.2	7.7	31.9	22.5	22.6	534.6
December	683.5	63.2	36.2	370.9	8.1	33.2	23.0	23.5	558.0
1955 January	668.5	62.1	36.3	362.5	8.0	32.1	21.4	22.9	545.2
February	628.7	60.8	35.1	346.7	7.5	29.4	20.7	21.5	521.8
March	698.7	63.3	38.7	375.5	7.9	35.2	24.2	23.6	568.3
April	691.1	62.6	43.6	368.9	7.6	32.0	25.6	23.7	563.9
May	706.5	64.2	39.7	377.2	7.8	34.1	21.5	24.9	569.4
June	716.2	67.8	38.5	379.7	7.6	33.2	24.7	24.6	576.1
July	724.8	67.6	38.3	390.2	7.8	34.2	20.8	24.5	583.3

Source : Ministry of Irrigation & Power

The Economic Weekly

A Journal of Current Economic and Political Affairs

(Established January 1949)

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Eight annas

Let's look at PROGRESS—Stanvac Quiz No. 2

YOU KNOW THAT INDIA'S 5-YEAR PLANS MEAN A BETTER LIFE FOR ALL. BUT DO YOU REALISE THE PROGRESS **ALREADY MADE** UNDER THE FIRST 5-YEAR PLAN? TEST YOUR KNOWLEDGE AGAINST THE QUESTIONS AND ANSWERS BELOW.

1 IRRIGATION SCHEMES ARE A VITAL PART OF THE PLAN. BY 1953-54, THE AREA OF LAND UNDER IRRIGATION HAD INCREASED BY:

A) 8,100,000 ACRES
B) 1,300,000 ACRES
C) 2,700,000 ACRES

2 EXPORTS OF EVERY KIND ARE VITAL TO A COUNTRY'S PROSPERITY. DURING 1954-55 INDIA'S EXPORTS OF SALT TOTALLED:

A) 4,575,280 MAUNDS
B) 1,505,211 MAUNDS
C) 631,010 MAUNDS

3 THE ORIGINAL TARGET FOR TELEPHONES HAS BEEN SO FAR EXCEEDED THAT A NEW TARGET HAS BEEN FIXED. THE NUMBER OF TELEPHONES PRODUCED IN 1954-55 WAS:

A) 8,233 B) 16,078
C) 48,234

4 THE PLAN CALLS FOR NEW SCHOOLS, EDUCATION FOR ALL. BY 1954, THE NUMBER OF NEW SCHOOLS WAS:

A) 28,063
B) 25,700
C) 12,400

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ANSWERS

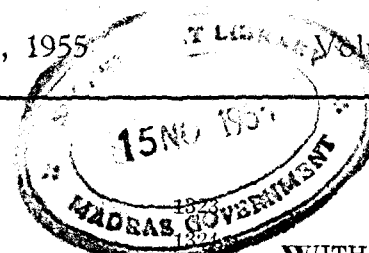
1 8,100,000 ACRES OF ADDITIONAL FERTILE, PRODUCTIVE LAND—TO GROW MORE FOOD FOR INDIA!

2 4,575,280 MAUNDS OF SALT WERE EXPORTED IN 1954-55, EARNING RS. 3,367,900 IN VALUABLE FOREIGN CURRENCY!

3 48,234 TELEPHONES WERE PRODUCED IN 1954-55. THE ORIGINAL TARGET FOR THE ENTIRE PLAN WAS 25,000 TELEPHONES!

4 25,700 NEW SCHOOLS HAD BEEN OPENED BY 1954—WONDERFUL PROGRESS IN PROVIDING EDUCATION FOR THE CITIZENS OF TOMORROW!

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WITH everything made so fluid by the redrawing of the map of India, one should have thought that Diwali could be celebrated only with mixed feelings. As the day approaches, the lines of the map are being drawn, erased and redrawn. Does it mean breaking up and undermining that feeling of unity and cohesion which even the most ardent of patriots would not consider strong enough, as it was? But the gloom is dispelled by Diwali cheers. The Indian economy has shown remarkable resilience. After the country became free, the bad years have been left behind and one by one, what looked like stubborn bottle-necks have been gradually broken. Indeed, after the food shortage was overcome, things have been on the whole smooth-going. Bumper agricultural crops have changed the outlook of the economy and even falling agricultural prices, which were once regarded, and not without reason, as an insurmountable difficulty in the path of further progress, have been partly checked, very largely without any special measures of assistance. In any case, falling agricultural prices have not withheld the progress of industry, and industrial production has set new records, one after another.

But can we forget that industrial production for which we have an index contributes no more than five per cent of the total national income? It is the prosperity of agriculture and the level of activity in this sphere of small scale, village and cottage industries that still spells joy or despair in the countryside. Of this we know no more than that the urge for development is slowly but steadily penetrating the country side also and what more is needed to speed us forward than the desire and determination for doing better and still better?

Truly can the Government claim that the single largest achievement of the Five Year Plan has been to make people plan-conscious; it has made them take stock of their present situation, look around and think of better things. Age-long apathy is slowly giving place to hope; hope is being kindled in many hearts which had forgotten what it was to hope and strive. This is not to say that the urge has yet become sufficiently strong to result in action among all sections of the people. That is not yet. But freedom in the eyes of even the lowliest is slowly acquiring, however faintly, some semblance of content. As this urge gathers strength, many problems which now appear to be insoluble will become easy of solution, but in what precise manner we do not know yet.

Discussion about the Second Plan goes on apace. The gap between aspiration and achievement is not appreciably narrowed thereby, but the will to achieve has been asserting itself in no unmistakable manner. For no suggestion has come up that the gap in resources necessary for the Second Plan, for example, should be sought to be bridged by lowering the targets; on the contrary, the consensus of opinion, both at the highest political level and among the common people, is that the targets should be stepped up rather than brought down.

Many Diwalis have come and gone since the advent of freedom and each had its own aura as well as the hanging clouds. Hopes have faded and new hopes have gleamed; but through them all has flickered a deeply felt urge for better things and for greater endeavour and today it burns brighter than ever before.

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Those who deal in coastal statistics, what measure can they take of the depths? Or to change the metaphor, what can meteorology say about the seismic waves, the tremors that shake the bowels of the earth? What indication can market indices give of the economic forces that shape the lives and destinies of our submerged millions, who do not even come within the ken of the market economy? Subject to these limitations, on the eve of Diwali, one cannot help taking stock of, and forming one's own judgment about, the prospects that Diwali holds. Elsewhere in this issue, an attempt has been made to survey the stock exchange, bullion and commodity markets from this angle. Prosperous agriculture and record industrial production has tinged the outlook in all these markets, and the result of the assessment, on the eve of Diwali, is bright enough to dispel the shadows cast by future uncertainties.

Market movements, however, are affected more by the immediate and the tangible than by factors that are distant and remote. No student of the Indian economy or of developmental problems, however, can fail to be overawed by the great divide that sets apart the two sectors of the economy, if one is allowed this permissible measure of over simplification.

How does agricultural prosperity sustain the development of the entire economy and how is the fat of the land to be fed into industry? Community Projects and agricultural extension have been launched with this end in view and have got off with a flying start. The programme of village industries, originally thought of as an integral part of community development, is now being given a wider, but not a sufficiently wide, orientation. Development so far, however, has been more effective at the industrial rather than the rural axis, despite the remarkable increase in agricultural production which is by no means to be slighted. The natural trend, and in many respects a desirable trend, of this development would be to put back the fruits of it into the agricultural and village industry. How are resources to be drawn from one sector to the other to ensure the continuity and speed of development? The growing urge for it, which is increasingly becoming evident, will no doubt find a solution, but it would not be damping the Diwali spirit to draw attention to this basic problem, so

that its solution can be brought nearer.

The emotional urge for language groups to come together can be a powerful drive for national development, if it is properly guided. Active participation in development can give an outlet to the energies that have been wasted hitherto, in the

West Asia

IT would be rash to conclude that the recent arms deal between Egypt and Czechoslovakia is the root cause of revived fighting between Egyptians and Israelis in the demilitarized zone of El Auja. It may have hastened the border clashes, but it has not directly caused the breach in the armistice agreement. To interpret the Egyptian arms deal as a direct cause for the violation of the armistice terms is to confuse issues. Two separate issues are involved in the disturbed situation in West Asia. These issues may not be entirely unrelated. But to stress the casual relation between the issues in question is to misinterpret the developing situation in this region.

Colonel Nasser has shown intimate familiarity with international power diplomacy. This explains the timing of his arms deal with Czechoslovakia. By accepting supplies of arms and technicians from a Communist State, the Egyptian Premier has successfully exploited the keen diplomatic rivalry between Russia and the Western Powers for creating spheres of influence in West Asia. His arms deal is partly a reflection of Egypt's aspirations to outbid Turkey as the leader of the Moslem world, even as it is a tribute to Soviet diplomacy that Russia has succeeded in exploiting Egypt's political ambitions in exerting her influence on developments in West Asia. To emphasise these political trends is not to suggest that Colonel Nasser has any Communist leanings, or that Egypt's foreign policy is to align herself with the Communist bloc. Non-involvement in the East-West tension remains the essence of Egypt's foreign policy.

Moscow can have no direct interest in creating any permanent tension in West Asia. But Russia must necessarily be vitally interested in neutralising the political domination and interest of the Western Powers in this region. West Asia is a strategic area, rich in oil. In both oil

absence of such an outlet, in bickerings and purely parochial conflicts. This is the time to remind ourselves that an expanding economy is itself a solvent of destructive and mean impulses that feed on the self. It can lift up men who are born heir to a kingdom and have fallen into a pit. To this great endeavour, let the country awake.

as fuel for a potential war and in West Asia as a global strategic point, Russia is keenly concerned. For the first time in recent history, Russian diplomacy has succeeded in making its influence felt in West Asia. She has achieved this diplomatic triumph without any direct participation or involvement on her own part. Egypt is buying arms not from Russia, but from Czechoslovakia. So is Afghanistan. This oblique move leaves ample scope for diplomatic manoeuvre for Russia.

Russian diplomacy has already had the intended effect. It has forced the Western Powers to make approaches to Russia to help the situation in the border zones between Egypt and Israel. Despite supplies of arms by Czechoslovakia to Egypt, America and the Western Powers are showing reluctance to help Israel with arms and ammunition. Israel still maintains military superiority. Israel is seeking help from the world Jewry to finance purchases of arms and ammunition. If border clashes continue, the arms race is likely to assume alarming proportions. But that stage has not yet been reached. Meanwhile, the Russian diplomatic move has focussed attention on the wider strategic issues in West Asia. By a single diplomatic move, Russia has succeeded in creating a situation in which the Western Powers have been forced to consider whether they should seek terms from Russia for an agreement on issues relating to West Asia.

Suggestions have been made that a four-Power agreement should be concluded to limit supplies of arms to Israel and Arab States. This is an aim which is devoutly to be desired. There is no reason to apprehend that Russia will be reluctant to enter into such an agreement. For such an understanding is not likely to prove an obstacle to Russia to extend her influence in West Asia. Her successful diplomacy has strengthened her bargaining position. To those who are inclined to blame

Russia for attempts to create spheres of influence in West Asia, there are two answers. If the Western Powers can continue to dominate West Asia's politics and oil resources, there is no reason why Russia should not seek friends in this region. Not Russia, but the Western Powers started the diplomatic rivalry. Russia was provoked to create a neutral belt in West Asia by the establishment and extension of the Baghdad pact. This military alliance, which extends from Turkey to Pakistan, is an open attempt by the Western Powers at strategic encirclement of Russia. She has, therefore, every right to demand a price, in the shape of modification of the Baghdad pact, for her participation in any four-Power agreement to limit supplies of arms to Israel and Arab States.

Here, it is necessary to revert to the main theme of this article that the issues involved in West Asia are separate, though not unrelated altogether. Colonel Nasser may be opposed to involvement in the East-West conflict. But he is a staunch nationalist. There are two main aims in his policy to the neighbouring States. He has succeeded in one of his aims. Britain has quitted the Suez Canal. His other aim is to make West Asia a region where only Arab or Moslem States will exist. Egypt has never accepted Israel. Colonel Nasser is one of the leaders of the Army group which has always denied that Egypt has lost the war for Palestine. He concedes that Egypt lost a battle in the Palestine war due to corruption and treachery of the Palace. This was the main inspiration behind the successful rebellion of the Army group. It has never made a secret of its wish to wage "a second round" of the battle for Palestine. This is one of the reasons for the renewed fighting between Egyptians and Israelis in the demilitarised zone, though it would be unfair to blame Egypt alone for breaches of the armistice agreement.

Statesmanship demands that Egypt accept the realities of the situation. Israel has come to stay. Israel's status as a separate, sovereign State cannot be denied. Egypt and other Arab States must agree to live in peace with Israel. First things must come first. Border clashes must first cease. Armistice terms must be honestly implemented so that negotiations can start. It is by now clear that Russia has established her claims to be one of the four Powers who will have to

guarantee the frontiers of Israel and Egypt. Once the frontiers have been firmly fixed, Russia and the three Western Powers have to undertake jointly to guarantee the territorial frontiers mutually agreed upon by Egypt and Israel. In return for recognition of Israel, Egypt and Arab States have the right to insist on a lasting solution of the problem of Arab refugees. This is where the former Dulles proposal for an international loan to Israel to enable her to assume the responsibility for Arab refugees comes in.

Colonel Nasser has grown in stature since his assumption of power in Egypt. India and other Bandung countries rely on Colonel Nasser to pursue a policy which can ensure

Egypt's claim as the moral leader of the Arab world. Egypt's refusal to recognise Israel can only lead to a disturbance of peace in West Asia. There is a further danger that such a policy may provide opportunities to Russia and the Western Powers to tighten their grip on West Asia. Korea and Indo-China are stern reminders to Egypt of the ugly consequences on West Asia of any possible "little war" between Israel and Arab States. Colonel Nasser has a grave responsibility to maintain peace in West Asia. There will be hope that the Egyptian Premier will have the courage and statesmanship to ensure peace in West Asia so that Egypt can play her destined role as the leader of a stable, democratic, peaceful Moslem world.

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Weekly Notes

Malaya and Communists

Our Malaya Correspondent Writes:

THE excitement in Malaya at the moment is to do with this meeting of Tungku Abdul Rahman and the leader of the Communists, Chin Peng. The Government officials are making most active attempts to stop Tungku Abdul Rahman saying any more than that if the Communists stop fighting, then we will not punish them for their terrorism (although we may detain them).

The point is that not all Communists are terrorists nor are all terrorists Communists and the government, by identifying the two, have got themselves into a hopeless position. All that has to be done is to declare that all Communists who wish can come down from the hills and form political parties but that all those proved to have committed terrorist acts will be tried in the ordinary courts of justice and not by special tribunals. But the government officials are not prepared for that. For the last three years they have been following the wrong propaganda line and are practically forcing Tungku Abdul Rahman into the position of an open fight against the British government or against his own party.

The British government never seems to learn that once you have conceded independence, you have to go the whole distance or not at all. But once on the slope, the sooner everything is handed over, the better.

From this point of view, British Guiana proved a bad bet and I expect the colonial officials in London to regard Malaya as a possible British Guiana which just goes to show how little they know about this part of the world.

Cabinet Minister, Happy Mother

SOME of Denmark's export problems have been put forward pointedly by the Danish Minister of Commerce, Industry and Shipping in the latest issue of the Annual "Denmark Exports" which comes out as a Special Edition of the Borsen, Denmark's Commercial and Shipping daily. Even a cursory glance at this Annual will show the wide range of industries which Denmark has been running of late, in addition to shipping, fishing, dairy and farm products, for which of course Denmark has always been well known. The

Danish Minister of Commerce, Industry and Shipping, who is the first woman to hold such a position in any country in the world got into the Cabinet from the Consumer's Council of which she was the President. And she started her career by studying economics in an University. The smaller countries have to use the most advanced techniques to be able to hold their own. The high standard of economic studies of the Scandinavian countries generally has always commanded admiration. Economists have an assured status there. But from the Consumer's Council to the Cabinet must indeed be a remarkable feat. And besides meeting the exacting demands of her post, Mrs. Lis Groes is the happy mother of nine children.

Denmark has been steadily increasing her industrial exports but getting into balances of difficulties in the process, as her imports have expanded at a rate double as fast as that of exports. The Danish Minister of Commerce complains that the treatment of Danish trade by international organisations has been unfair. Denmark freed a major part of her imports but her exports continue to be severely damaged by high tariff, subsidies and state trading by foreign countries.

All these present baffling obstacles to her high quality products of agricultural origin, which account for

two thirds of Denmark's total merchandise exports. Restriction on imports and exorbitant tariffs exclude Danish agricultural products from a large number of potential markets.

It is ironical to find not only U.S.A., but Britain also in the dock, and being arraigned for protecting and subsidising home agriculture which puts the bulk of Danish exports in a very difficult position. Yet Denmark holds firmly to the GATT through which alone she can hope to get a fair deal some day. She is thankful even for small mercies, such as stabilization of tariff bindings which the GATT has made possible. Along with the other low tariff countries, however, Denmark finds herself in a position of particular disadvantage in another way, for she can offer little by way of tariff concession in order to bring about a multilateral reduction of tariffs. Denmark is one of the few countries in the world today which still clings pathetically to the advantages of international division of labour, and is bitter that these advantages are distorted through tariff protection to the detriment of increased standard of living. Naturally Denmark finds little to gain from bilateral agreements and has to work steadily through the procedure of consultation the GATT offers for multilateral solutions of the problems of her commercial policy.

The Indian Iron & Steel Co. Ltd.

NOTICE

THE Thirty-eighth Ordinary General Meeting of the Shareholders of The Indian Iron & Steel Co. Ltd., will be held on Monday, the 28th November, 1955, at 11-00 a.m. at the Registered Office of the Company, 12, Mission Row, Calcutta, to transact the following business:—

- (1) To receive the Directors' Report and pass the Audited Accounts for the year ended 31st March, 1955.
- (2) To declare a Dividend on the Ordinary Share Capital.
- (3) To elect Directors.
- (4) To appoint Auditors and fix their remuneration.

The Share Registers of the Company will be closed from the 15th November to the 25th November, 1955, both days inclusive.

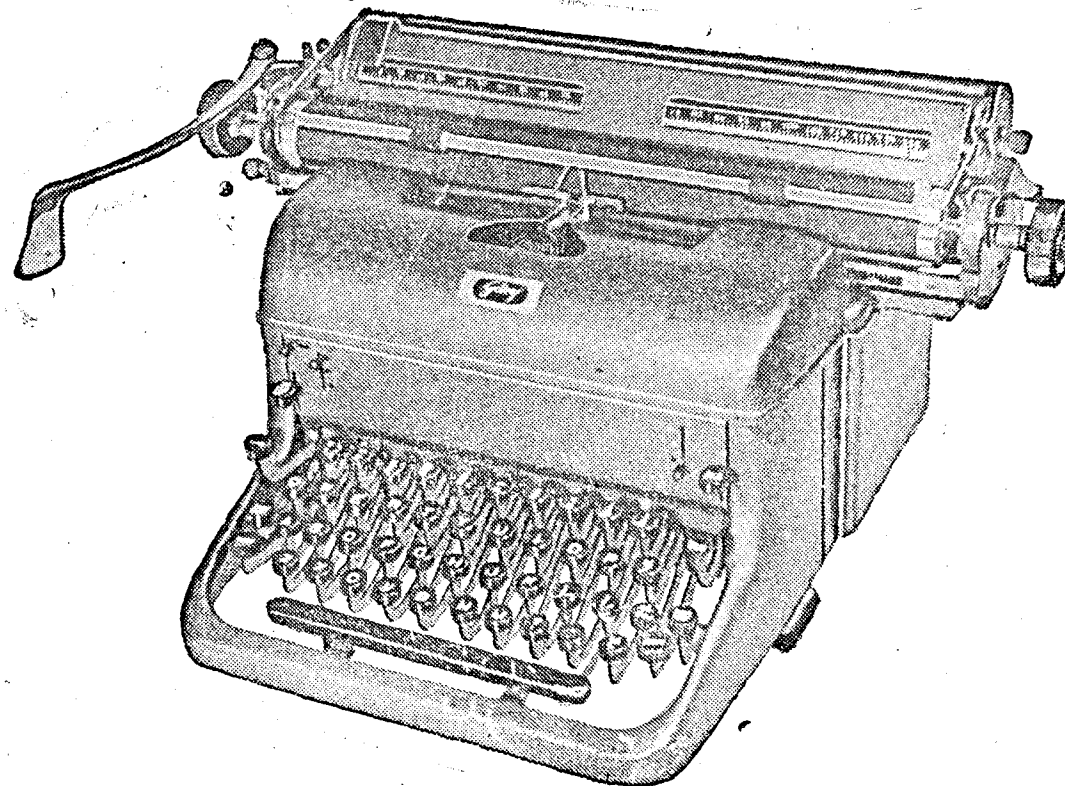
Calcutta,
10th November 1955.

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NOTE: If the Dividend as recommended by the Directors is passed at the Meeting, it will be paid on or after the 5th December 1955, to those shareholders whose names are on the Company's Register on the 25th November, 1955.



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Justice to Roads

THE Indian Roads and Transport Development Association have urged the Planning Commission to do full justice to the claims of roads in the Second Plan. In the absence of the President, Mr D A Nadrishah, this demand was voiced by Mr A D Wenzel, the Vice-President, who presided over the last annual general meeting of the Association held in Bombay last week. The progress of road building, Mr Wenzel said, had been fairly satisfactory during the First Five Year Plan, and 90 per cent of the development programme was expected to be completed by the end of 1955-56. The Nagpur Road Plan, however, was not going to be realised even in the Second Plan period. The balance of 57,000 miles of roads which remain to be completed, if the Nagpur road Plan was to be achieved, would cost Rs 530 crores. The Draft Plan-frame had allocated only Rs 350 crores to roads which amount was likely to be scaled down to Rs 250 crores. This, Mr Wenzel complained, was inadequate.

There is nothing like leather. And the Association strongly feel that Government has been treating road transport very unfairly and giving undue preference to railways. The Association had assessed the overall transport requirements of the First Five Year Plan at about 30 per cent over the pre-plan facilities. But while this estimate was accepted in the case of railways, it was not adopted in the case of road transport on the ground that the required number of vehicles would not be available and that the necessary capital might not be forthcoming.

The preference shown to railways, Mr Wenzel complained, could not but slow down the development of roads. In fact, railways were now claiming as much as Rs 1500 crores out of a total development expenditure of about Rs 5,000 crores, i.e. 30 per cent of the total. He felt that it was unfair that such a large proportion of the development expenditure should go to one nationalised service when private capital was forthcoming to develop other modes of transport.

Now if adequate transport was not forthcoming to take advantage of the roads—whatever may be the reason for it—would not the investment on roads be unprofitable and unwise? Idle capacity in any form is a social waste. Whether it is high tax on motor vehicles, high

price of petrol, the import policy of the Government with regard to trucks or mistaken policy of nationalisation of road transport—it is immaterial what the reasons are—if roads are not likely to be fully utilised for carrying traffic, could not investment be diverted elsewhere where it would be more productive?

Idle Capacity

THERE is a prima facie case for scrutinizing the existing 'idle capacity' in roads as much as in railways. This is a point which the Indian Roads and Transport Development Association cannot be expected to look into or appreciate. Their angle on it, however, is simple and straightforward, that is to remove all obstacles to development of road transport. The Association, of course, are all for the fullest utilisation of roads and for more roads. And Mr Wenzel wants it to be done by giving due encouragement to private capital which is willing to develop road transport.

He is, however, on more firm ground in pointing out the absurdity of still continuing the restrictive provisions of the Motor Vehicles Act which had been introduced at a time when the railways, way back in the 30's, were being badly worsted in the competition with road transport.

Ironically enough, R T Os are still being employed by the authorities to see that no licences are issued to road carriers where they carry goods over a distance of 75 miles or more on roads which run parallel with railways. This is certainly an anachronism when there is not enough transport available, by road or rail, to carry all the traffic that offers.

We did not choose the easy and straight path of first developing enough transport on roads before venturing on manufacture of automobiles. Automobile interests want more cars and trucks to be put on the roads by reduction of taxes on motor vehicles and speedier road building, but not by making trucks and cars cheaper by freer imports. Private carriers are being held back both by high costs and by the restrictive policy of State Governments who are developing their own road transport. Reliable data on road utilisation are scarce, if not non-existent. But even so, from the general look of things, it appears that a case could be made out for temporising the road building pro-

gramme until the country is in a position to avail fully of the roads that are built. A proper phasing of programmes is essential to planned development.

Wheat Prices

AT the meeting of the International Wheat Council next March, India is likely to press for a reduction in the price of wheat sold under the Wheat Agreement, first signed in 1949 and subsequently revised in 1953. There are more reasons than one to support India's case. In the first place, domestic production of wheat has shown remarkable improvement, especially in the last two years. In 1954-55, India had a record crop of 8.5 million tons. Secondly, world stocks of wheat are now much larger; that the benefits of improved world supplies should be passed on to the signatories of the Agreement, at least in part, will not need much arguing. Finally, although the Agreement provides for the sale of wheat at prices which are below the ruling market prices, the underdeveloped countries in particular find it hard to bring the wheat in. Freight charges are excessive and often importing countries find that the landed cost is inflated by as much as 40 per cent with the result that unless the Government of the country concerned is prepared to subsidise the sale of wheat imported under the Agreement, it would not sell at all, prices being prohibitive. For instance, it is estimated that consumer prices for such imported wheat, without subsidy, in some parts of India would be 50 per cent higher than those paid by consumers in the US, Canada, Switzerland and the UK.

It is only natural, therefore, that efforts should be made to get a price concession. India has been progressively reducing the quantities of wheat bought under the Agreement. India's purchase which averaged 12 lakh metric tons per year between 1949-50 and 1953-54 declined to only 6.5 lakh metric tons in 1954-55. During the current year no purchases have been made yet.

Under the original Agreement, India had to buy a guaranteed quota of 1.5 million tons per year; this was subsequently revised downwards to 1 million tons in 1953. As indicated above India's purchases have been going down each year and her requirements are now so low, an effort also would be made to seek a revision of the quotas for guaranteed purchases under the Agreement.

Deposit Insurance

WHILE inaugurating the Ahmedabad branch of the United Bank of India, Shri R G Saraiya said that Indian Banks should try to evolve a system of deposit insurance, if necessary with the assistance of the Reserve Bank of India, to ensure safety of deposits to clients of modest means. This is not the first time that a proposal for some form of deposit insurance has been mooted. It has no doubt a superficial attractiveness, particularly in a country where the banking habit is not well developed. But closer examination would show that it is strictly not necessary as an adjunct of sound banking development.

It is essential to see the problem of safety of deposits in its proper perspective. It is obvious that the problem really concerns the weaker banks and as such a proposal for a system of deposit insurance to cover the entire industry is hardly necessary. Even in regard to the weaker units, there are more economical alternatives such as amalgamation, sounder banking methods in regard to employment of funds, etc. At present the major portion of deposits are banked with the stronger units, who would not be interested in deposit insurance, and to confine deposit insurance to weaker units would be to create an invidious distinction within the industry which is far from strengthening the insured banks and would further undermine depositors' confidence in them. Furthermore, deposit insurance might even conceivably act as a drag on attempts to improve quality of banking, which is ultimately the best guarantee of depositors' funds.

Admittedly, bank failures are not entirely a thing of the past in India but even so, they are happily few in number and virtually insignificant in relation to the total deposits in the country. Besides, with the assumption of State control over the Imperial Bank of India, and the proposal to take over the remaining State-associated banks, the State has acquired a vital stake in the stability of banking. The private sector in banking is dominated by well-managed institutions, who would hardly need deposit insurance. One should not be misled by the experience in the USA where historical and institutional reasons, such as memories of 'wild cat' banking, the legal and political obstacles to branch banking, the fear of the 'money trust' have created a milieu favourable for deposit insur-

ance. In India we have got on well without deposit insurance and the authorities have enough statutory and moral resources to combine stability and progress in banking without reliance on institutional devices of the deposit insurance variety.

Indo-Arab Trade

THE Union Commerce Minister, Shri D P Karmarkar, remarked, while inaugurating the Indo-Arab Trade Conference in Bombay, that there was considerable scope for the expansion of trade between India and the Arab countries, with whom India today has an adverse balance of trade. This appears to be an optimistic view of the matter. It would be idle to under-estimate the very real difficulties in developing export markets in a politically volatile and economically unsophisticated area like West Asia. In the first place, there are physical difficulties such as the virtual ban on foreigners, particularly non-Muslims, in countries like Yemen and Saudi Arabia. In fact ARAMCO has had to reduce its American employees to the barest minimum in deference to Saudi sentiment. Of course, this difficulty may not present itself in Egypt, Syria, and Lebanon. Then there is the language barrier which should not be under-estimated as English firms have learnt to their cost in Latin America. Then again xenophobia is endemic in this region and Indians have not escaped it as evidenced by the prejudice against Indian employees and traders in Kuwait, Bahrain, and elsewhere.

Besides, the Indian trader in West Asia or elsewhere for that matter, has not shown the resourcefulness and adaptability of the Greek or the Arabian. The traditional Indian exports to the region, such as textiles, will soon have to contend with the domestic industry which is being developed fairly rapidly in Egypt; Indian tea has always had a hard competitor in Ceylon tea; the ability to export light engineering goods presupposes an adequate supply of spare parts and an efficient after-sales service. It is reported by European firms operating in this area that consumers are apt to be unduly insistent on making unreasonable 'after-sales' demands on suppliers. A prospective export market has to be carefully studied and nursed and this takes something more than occasional commercial exhibitions of the type that was held in Cairo some time back.

There is, however, a nucleus of commercial penetration in the

branches of Indian Banks. These, along with branches of Indian insurance companies, should spread themselves out farther afield in West Asia. Indian shipping companies, who have not yet been able to compete effectively with foreign lines in the lucrative Haj traffic, could also furnish another source of export income. India undoubtedly has an international reputation in these areas which might yield commercial dividends in the long run. The Sudanese welcome to Indian personnel is an encouraging augury. The dominance of the rupee currency in the Persian Gulf is another vital asset. Nevertheless, one has to temper optimism with caution.

Office of Speaker

THOUGH we have had and still have men of outstanding ability and distinction of mind and demeanour functioning as Speakers in this country, the institution of Speakership as such has yet to evolve into its truly conventional form of being wholly above party and partisan controversy. The example of Speakers in the pre-Independence days, however inspiring in itself, cannot have much relevance to the present state of affairs. In those early days, Speakers were not only presiding officers, but also in a sense crusaders for the wider freedom of the country. If they could not or did not divest themselves of all association with the political movement or if they occasionally figured in the arena of controversy even, there was something to be said for that. Political freedom rightly appeared to them to be basic to all other freedoms, particularly the limited one enjoyed by the legislatures of those times; and in fighting for the former, they were actually doing their duty by the latter in a larger and more significant sense than the limited scope of their office then might be said to have allowed in a superficial sense.

With the advent of freedom, all this has changed; and what thinking people would look for in the office of speakership is not political advocacy or championship of particular causes, but maintaining the dignity and privileges of legislative bodies and holding the scales even between contending interests. It is not the crusading spirit or the heroic pose, but the judicial temperament, a high-minded aloofness from passing controversies and a magnanimity of heart and mind that are required of Speakers in free India. Active poli-

tionians, who cannot be accommodated in the Cabinet or given any other suitable office and who nevertheless have to be kept satisfied or at least silenced, are not necessarily the best candidates for the august office of Speakership. Not that this is how Speakers come to be recruited these days; but the danger is always there. In any case, the temperament that one would associate with a Speaker of the conventional type is yet to manifest itself in an adequate measure in this country.

Shri Mavalankar's Appeal

IT was only last week, at the three-day conference of presiding officers from all over India at Shillong, that Shri G V Mavalankar, speaker of the Lok Sabha, repeated his appeal to his fraternity to eschew party politics, making a particular reference to the present linguistic controversy. He said that Speakers in their personal capacity might feel strongly on the issue of the proposed redistribution of States, but it would not be in keeping with the responsibility and dignity of their office to take sides in public and uphold particular claims, as some Speakers have unfortunately been doing. More such issues are likely to crop up in future; and if a bad precedent is to be set now, the result can hardly be beneficial to the institution of Speakership. The Speakers of today have both the privilege and obligation to set a pattern of demeanour which is likely to hold good as long as the practice of parliamentary government continues in this country. Lasting conventions and traditions are to be built now—in the formative years of freedom; and it is anything but encouraging that this aspect of the question has not yet received the attention it deserves, or rather it has not yet found adequate expression in practice, the annual conference of presiding officers notwithstanding.

This proclivity to partisanship on the part of some Speakers in the political sphere is not always likely to be kept outside the limits of legislative bodies. And even if, in actual practice, it may not influence the proceedings of a legislature, there is the possibility of a certain degree of suspicion being created in the minds of the people, not in intimate touch with legislative proceedings; and this touch of suspicion should be enough to undermine slowly the prestige of the high office of Speakership. It is not enough if Speakers are impartial and just; they must also seem to be so. Meanwhile, there is an impres-

sion gaining ground in certain quarters that the Opposition or minority view in legislative bodies does not always get the scope for expression that it is entitled to. In this context, the Governor of Bombay, Dr. Harekrishna Mahatab, had some sound advice to tender only a few weeks back. In a full-fledged, vigorous democracy, it is not so much the majority as the minority that needs the considerate attention of presid-

ing officers. In any case, the latter must get its due without question. To some extent, all these difficulties are bound to resolve themselves if care is taken in the selection of candidates for speakership, attaching more importance to their frame of mind, temperament, learning and wisdom than to their political record, and also if a certain element of permanency is introduced into the office of Speaker

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Changing Pattern of Company Management

H T Parekh

WITH the passage of the Companies Bill in the Lok Sabha and Rajya Sabha the controversy over the future of the managing agency system can be regarded as ended, at any rate for the time being. During the next five years, efforts will be directed at collecting evidence which will form the basis for future government policy in regard to company management. At this stage it will perhaps be appropriate to indicate the forces already at work in changing the pattern of company management which may well blur the differences which distinguish joint-stock management in India from that in industrially advanced countries.

It is essential to realise at the outset that abuses associated with managing agency system such as corruption, maladministration, misappropriation of funds, etc. are not peculiar to the system for they have been in evidence in cases of banks and insurance companies also which have no managing agents and which are wholly director-controlled. That is, the abuses arise from the personnel managing rather than from the system of managing agents.

Remuneration of Managing Agents

What is really conspicuous in managing agency is the excessive remuneration charged for management, being a fixed percentage of profits at a high level of around 10 per cent whereas in other countries management is carried on on the basis of fixed salaries, largely unrelated to profits. Particularly in cases of large corporations this makes a material difference though admittedly in case of small companies, where salaries of officials are fixed at a comparatively high level, the difference may not be marked. In this direction the new legislation prohibits other forms of income to managing agents such as commission on sales and purchases, office allowance and also disallows remuneration based on production or sales. The cumulative effect of these restrictions is bound to be substantial. The legislation, however, accepts the principle of remuneration to managing agents being related to net profits at a fixed percentage not exceeding 11%. This is an advance over 12½% advocated by the Company Law Commission.

What, however, is a greater advance over the recommendation of the Company Law Commission is the limitation of remuneration to 7½% where management rests with "Secretaries and Treasurers" instead of with "Managing Agents". This is a highly progressive feature of the present legislation because it takes one further step forward in reducing the excessive remuneration allowed for management and thereby narrows down further the gap between reward for management in India and in other countries. It is true that the incidence of this measure will only be felt to the extent managing agencies are transformed into "Secretaries and Treasurers". Such adaptation will itself be a test of enlightened management.

It has to be remembered that while in foreign countries remuneration for management may not vary with profits, handsome remuneration is paid to a large number of top executives among whom are included President, Vice-Presidents, Chairman, Vice-Chairman etc. In India such posts seldom carry separate remuneration and when allowance is made for the aggregate of such remuneration, it would amount to substantial sums and would therefore constitute a considerable percentage of a company's profits. For instance, salaries and other remuneration of three top executives of General Motors amount to \$1.8 million though this formed only 0.225% of the company's net income. In the case of the American Viscose Company total remuneration of three top executives amounts to 3% of net income after taxes. The particular advantage of remuneration in form of salaries, even if large, as against percentage of profits, lies in the fact that as the enterprise and its earnings grow the incidence of salaries of executives to total earnings goes on declining while when the remuneration is linked to profits, the burden on the company grows and reward for management therefore becomes disproportionate and excessive.

Judged from this angle, the members of Lok Sabha who advocated a sliding scale of percentage of profits as remuneration made a valid point. Dealing with this point, the

Finance Minister indicated that this matter could better be dealt with individually for each unit though it is not clear how this would be possible. Perhaps the same purpose would be served even better if leading companies in India were voluntarily to adopt such a course by limiting their remuneration to say 5 per cent of profits as their earnings tend to rise over previously laid down limits, as has been done by a textile mill, viz., Delhi Cloth Mills.

It is of interest to note that in respect of new floatations a tendency is already noticeable of dispensing with managing agency altogether and promoting companies which are wholly director-controlled. The recent floatation of the West Coast Paper Mills is an instance.

"Secretaries and Treasurers"

With rapid strides which science is making, managerial firms, more than ever before, require the services of specialists such as technicians, accountants, administrators, lawyers etc. to work in close co-operation with business men. Many of the existing agency houses suffer from lack of organisation and suitable personnel and also from over-centralisation of authority. In so far as they are family firms run merely on hereditary lines without proper distribution of responsibility, their efficient running will only be to the extent that the top executive is energetic or able. In so far as members of the family step immediately into responsible position without qualification or experience, the managerial set-up will be gravely defective and the managed concerns must suffer in one way or another.

Only to the extent managing agency houses shed their character of being close family preserves and admit outside talent on equal footing into their organisation so as to benefit the managed companies, the managing agency system will be able to justify its existence and continuance. Modern enlightened form of capitalism demands recognition of the principle of equality of opportunity and its active operation in the field of management. Such voluntary divesting of authority by present managing agents and admission of outsiders to participate

in the high rewards of management will go a long way towards helping the survival of the system, albeit in a form modified to suit modern conditions. Rationalisation of management along these lines is an urgent necessity.

The new provision in company law of "Secretaries and Treasurers" implies this reform and has validity only in so far as it is based on this concept. From this angle, there is much to be said in favour of a public limited company operating as the managerial firm, preferably as "secretaries and treasurers", instead of private limited companies working as family firms with a nominal organisation, unassisted by talented or qualified staff enjoying equal status. A public limited company as set up by several foreign managing agency houses in India for management is free from many of the defects associated with managing agencies and could well be adopted by Indian Agency houses. The partial loss of authority and profits which the change may cause to present agents should be willingly borne so that opportunity for management may be thrown open to many more deserving people and the feudalistic pattern of company management may be ended. In the absence of such reform the hands of those demanding termination of the system will be much strengthened.

Choice of Directors

The Company Law reform will also have far reaching significance in the managerial field in another direction. Through several specific clauses the ultimate authority for management is vested in the Board of Directors whose powers have been greatly expanded while pro tanto the powers of managing agents have been cut down. The responsibility of the Board of Directors has thus greatly increased. Even in the choice of directors the age limit of 65, restriction to 20 companies, restriction of ex-officio directors to two must mean a Board of Directors more alive to its responsibilities. Directors will henceforward be less of figureheads or busy-bodies and the Board will have to be less of a packed house than hitherto.

It is a matter for close examination how far the prevailing practice in India of having a Board of Directors largely consisting of outsiders needs modification. Such outside directors formally attend meetings of the Board but take little inter-

est in the actual management of the companies. They are largely preoccupied with their own affairs and devote little time to study the working of the companies concerned.

On the other hand, in foreign companies a large number of directors are full-time, technical or other specialists, who have often risen through merit and hard work. Almost all foreign companies operating in India have their senior full-time officers as directors and very few directors are drawn from outside. Such a homogeneous Board of Directors perhaps works more efficiently. It would be a desirable trend if companies in India were to modify the present practice of packing the Board of Directors with business magnates who may be successful and able in their own businesses but lack the time and energy, as also any interest, to discharge adequately their responsibility as directors on various concerns. It would make for efficient running of companies

if Boards of Directors are constituted more by full time workers and outside people are represented only to the minimum extent necessary. What is desirable is the change of proportion and greater emphasis on workers rather than on "leading lights" for effective conduct of the company's affairs.

Without important modification in the structure of managing agency firms and of Board of Directors, further industrial development would be difficult, particularly when we take account of modern industries such as automobile, air-crafts manufacture, chemicals etc. which all depend more and more on scientific advance and its incorporation in industry. The business man with his great qualities and judgment is no doubt indispensable, but he must be the first to appreciate his own limitations and be ready to absorb and integrate the new forces of science so that industry may march along modern lines.

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From the London End

Britain's Share of Europe's Trade

THE evidence of weakening British competitive power as is examined in the latest quarterly report of the Economic Commission for Europe has been generally described in Britain as "disturbing". With the exception of the trade in chemicals, the ECE has found that Britain's share in Europe's trade has declined absolutely as well as relatively to other countries in the past year. In contrast, Western Germany has emerged as a greatly expanded economy dominating the trade of Europe and taking an even larger chunk of that trade.

The evidence provided by the ECE is both interesting and illuminating. The German gains in the West European market have been most spectacular in those commodities which are currently subject to most competition. In the European car market Germany has been advancing at Britain's expense. Similarly, more of railway rolling stock and ship-building contracts have gone to German firms. Even in textiles—a traditionally British export product—recent figures indicate that the Netherlands and the three Scandinavian markets have turned more to Germany for their supplies.

The reasons for the shift in the competing shares for the West European market inevitably, but not solely, rest on the question of price. It would appear from the statistics provided in the ECE Report that Britain's export prices have fluctuated more, and thus have contributed to the instability of her competitive power in world markets.

UK and West German Export Prices in July-August 1955

1st Quarter 1954 = 100

	U. K.	West German
Total Manufacturers	103	101
Engineering Products	103	100
Chemicals	—	96
Textiles	100	100

The comparative instability of Britain's export prices can, of course, be explained in terms of the over-spill in domestic demand and the attractions of the home market to British exporters. And there is no doubt that the Chancellor of the Ex-

chequer's last supplementary Budget was founded on this understanding of Britain's trade problems. The reasoning of the Economic Commission for Europe on these matters runs somewhat on different lines. The report shows with considerable clarity that the ratio of exports to turnover in the West German heavy and light engineering industry has been falling since the last quarter of 1954. This, says the E. C. E. report, is a sign that the internal boom in investment and consumption of durables was beginning to act as a brake on exports in West Germany. In other words, almost at about the same time as Britain was experiencing the first symptoms of an inflationary internal demand for goods and services, West German exports, too, were being held back by a high level of internal investment and durable consumer demand. It is, however, more possible, and here the ECE report states that it is a strong possibility, that the falling ratio between exports and turnover in the machinery and automobile industries, both in Germany and in the United Kingdom, was the result not so much of the impact of home demand, but of export markets tending to become less expansive than before.

The lesson that can be drawn from the well-argued ECE report is that there exists, rather strongly, a possibility of what the Financial Times terms a "cyclical recession" some time in the first half of next year. The policy of retrenchment—of holding back or cutting down on particular forms of investment expenditure—which appears to be the hallmark of almost all the measures that are emanating from the Treasuries of European countries must thus be seriously questioned, lest once again policy finds itself out of time with the actual course of economic events.

The New Treasury Bill

An event of some importance to the London money market took place during the past week. The new Treasury bill—a bill of 63-day maturity—has been introduced by the Bank of England as yet another instrument of short-term government finance. Up to now, the authorities have always followed the practice of giving all bills issued at public

tender a life of three months. It was long recognised that Treasury bills of varying dates should be used as in other countries, so as to simplify the task of official borrowings from the banking system, thus ensuring an even balance between the movement of funds in and out of official hands.

The new Treasury bill is largely necessitated by the requirement of the official policy of credit squeeze. The discount houses have been found to be reluctant to accept short-dated bills from the authorities on days when credit happens to be in good supply since they are afraid that on succeeding days the shortage of money may become so acute that they will be forced to borrow from the Bank of England at penal rates of interest. Now, with the issue of both 91 and 63-day Treasury bills, the authorities will be able to adjust the amount of bills falling due for payment so that repayments could fit in with the amount submitted for tender.

The new Treasury bill was introduced in the public tender for the week ending November 4th. The average rate of discount for the £50 million of 63-day paper came out at a shade under 4 1/8 per cent and that of the 91-day maturities at a little over 4 3/32 per cent. A week earlier the public tender rate was 4-1/16 per cent.

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Background to Devaluation

Report on Currency & Finance 1954-55; State Bank of Pakistan, Department of Research, Karachi
Pages 180, Price Rs 3-8.

AMONG the many practices Pakistan has adopted from India is the publication every year by its State Bank of a Report on Currency & Finance. Not only in its external format but in its contents and even more in leaving more things unsaid and to be read between the lines, the State Bank's Report follows very closely our own Reserve Bank's annual publication. This year's Report of the State Bank is of particular significance as it provides the background, as it were, to the decision since taken to devalue the Pakistan Rupee.

Pakistan has moved a long way from the happy situation she found herself in after Korea when she was riding on the crest of a commodity boom. The balance of payments position had begun to cause anxiety as early as 1951-52, with the collapse of that boom and though the Report mentions that in 1954-55 the balance of payments registered improvement, it noticeably soft-pedals the fact that this improvement was accomplished through heavy and progressive slashing down of payments (mainly imports) from a level of Rs. 287.9 crore in 1951-52 to Rs 130.3 crores in 1954-55; this was necessitated by the steady deterioration in export earnings and other receipts from Rs. 240.6 crores in 1951-52 to only Rs 133.9 crores in 1954-55. This decline, of course, has been the result largely of the considerable worsening of Pakistan's terms of trade and in the case of raw jute, in particular, the volume of exports as compared with the earlier year has shown a rise, though the receipts have barely been three-fifth of that in 1951-52. The relative decline in receipts from cotton exports has been no less severe, though with the impetus of rising international tea prices, receipts from tea exports has shown a sizeable increase.

The sudden collapse of foreign demand for her two main export commodities had serious repercussions on Pakistan's internal economy; the growing volume of stocks in both these commodities naturally affected production and raw jute production had slumped to 447,000 tons in 1953-54 from a level of 1,218,000 tons

the previous year. Cotton production also suffered a setback and it is not difficult to imagine the domestic consequences of lower production in the form of declining purchasing power; on the other hand the severity of the imports cut had driven the cost of consumer goods, most of them essential and many again imported, to new high levels. The justification of the decision not to devalue had been declared to be that of protecting the interests of the producers of the main export commodities and of reducing the cost of living. The fortuitous circumstances after Korea had vindicated this stand but by 1955 it had come to be realised that non-devaluation had cost the nation dear.

Against this background, it is little wonder that Pakistan devalued her currency. The decision to do so was no easy one for the maintenance of the 2½d rate had unfortunately become a matter of 'face'; on economic grounds, of course the decision was well high necessary; indeed the surprising part of it was that it was delayed so long.

In the light of this experience and the decision to devalue, the statement in the opening paragraph of the Report (which incidentally paints a far brighter picture than is warranted) that "the continued expansion of economic activity of W. Europe and the recovery in the USA helped to sustain the markets for commodity exports" is rather difficult to accept at its face value.

The section in the Report on Industrial Production is of interest in that it reveals the very significant achievement of Pakistan in this field in the brief span of eight years. Much of the success of the effort at industrialization has been due to the pioneering work of the Pakistan Industrial Development Corporation. 19 of the projects sponsored by the PIDC in such diverse fields as paper, woollen textiles, sugar, cotton ginning, insecticides and cotton textiles have already gone into production while schemes in respect of cement, fertilisers and the Sui Gas pipelines are nearing completion. It is a record of which the PIDC can legitimately be proud, and our own

national Industrial Development Corporation which is organised broadly on the same pattern might well profit by a close study of the working of its Pakistan counterpart.

That the growing industrialization of the country has, however, not really diversified the economy sufficiently to allow for any substantial influence of non-seasonal factors in Pakistan's credit pattern is revealed in the discussion on money and banking. That the banking habit is spreading but tardily is evident from the fact that of the increase in money supply during the year no less than two-thirds was in the form of currency. Incidentally, there is no attempt in the Report at an analysis of variations in money supply beyond stating the obvious fact that it was due to a rise in bank credit, a favourable payments position and increasing development outlay. The necessity of ensuring credit for economic development has prompted the State Bank authorities to relax their eligibility criteria; bills having maturity up to 5 years drawn for the purpose of financing schemes of agricultural and industrial development are now discountable with the State Bank while proposals are under way to set up an industrial bank.

The section on Public Finance which is an additional feature this year is useful though such banalities as "Public finances serve both as mirror and instrument of economic growth" may well have been avoided.

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The Second Five Year Plan —Some Methodological Considerations

K S Rao

For appropriate developmental planning it is necessary to pool the knowledge of economists, statisticians and other technical experts in different fields, in order to complete the work initiated so brilliantly by Prof Mahalanobis. The scientific approach in the Draft Plan Frame calls for nothing less.

The author, one of our leading econometricians, argues persuasively and convincingly for operational studies in order that policy makers may have appropriate scientific criteria for programming of activities, so that instead of purely subjective preferences, policies may be based on observation and valid inference.

THE first five year plan period is coming to a close with March, 1956 and the Plan-frame for the second Five Year plan has been before the public for some time. The plan-frame has aroused keen interest even though the interest has received a temporary set-back owing to the publication of the States Reorganisation Commission's Report. The second five year plan, however, is busily under preparation and is expected to be before the public before the end of the first plan period. At this stage it will not be out of place to make a critical appraisal of the methodological considerations useful for the finalisation of the second five year plan.

The approach of the first plan was simple and did not present any methodological problems. The accent of the plan was on agricultural development with river valley multi-purpose projects and community development projects as parts of it. Firstly the various projects were defined and their costs estimated. An estimate of the money available was made and by readjustment, the priorities and sizes of the projects have been brought into equilibrium with the money available. The evaluation of the progress of the plan was mainly on an expenditure basis. The tempo of achievement was measured by the tempo of expenditure. Even though the method of evaluation of the progress of the plan leaves much to be desired, the basic approach of the first plan was sound, considering the purpose for which it was intended, namely, agricultural development, so very necessary for the development of the other sectors. Because of the primary accent on agricultural development, problems of employment and industrial development could not be given much attention in the framing of the first plan. The first plan on the whole laid a basic and correct foundation to subsequent balanced economic development of the country.

When it came to drafting the second five year plan, attention was

given to those aspects which are more important than only continued accent on agricultural development. Because of the nature of the targets that the country has chosen to place before itself for achievement during the second plan period, the method of approach adopted in the first plan is no longer sound and applicable. It seems now the appropriate time to examine whether the scientific approach adopted in the Draft Plan-frame is not severely restricted by the lack of the development of economic concepts, aiding economic decisions in the planning and programming of the development of the economy most suited to our conditions, however good they may be for economic decisions arising in the economics of other countries.

The Objectives and Approach

The objectives of the second five year plan as placed before the country from time to time by Pandit Nehru and other leaders are as follows:

- (a) to increase national income,
- (b) to increase employment,
- (c) to usher in a socialistic pattern of society, and
- (d) all these to be done within the democratic frame work of the constitution.

The approach for achieving these objectives can be summarised as follows:

- (a) For increasing income, use increasing tempo of investment for increasing national income by twenty five per cent over the plan period.
- (b) For increasing employment, (1) restrict expansion of factory production of consumption and use labour-intensive methods and (2) encourage construction, social services, etc.
- (c) For a socialistic pattern of society, enlarge the scope of the public sector.

In the execution of the plan some bottlenecks may arise. In the case

of the various bottlenecks noted below the following devices have been prescribed for adoption:

- (1) In case of insufficient finance, use deficit financing,
- (2) In case of market mechanism going out of gear, use restrictions, controls, common production programme etc.
- (3) To avoid bottlenecks of physical resources, use matrices of physical input-output structures.

For the planning and programming of investment,

- (1) Use capital-output ratio as a criterion of choice between alternative investments.
- (2) Conserve foreign exchange for investment in basic industries, and
- (3) The increased demands for consumption goods arising out of the new investments is to be matched by the supply of the same from quickly maturing capital-light and labour-intensive hand and household industries.

The accent in the second five year plan is on investment on basic industries for the following purposes: (1) to secure economic independence and (2) to develop steel plants (a) for meeting demands for steel from various industries (b) to make machinery for setting up further steel plants and (c) to make machinery for consumption goods factories, in part to be exported and in part to be used ultimately in the production of consumption goods.

This, in short, is a summary of the Plan-frame and the basic approach to it as revealed in the plan papers. The approach for the attainment of the objectives is quite good as far as each objective and the corresponding approach are concerned but taking them as a whole, it is not clear how far they are in equilibrium or at least mutually consistent or even necessary. For example, for increasing employment a restriction is ought to be placed on the expansion of factory production of consumption



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goods. This in fact is not in the best interests of accelerated development of income and the economy as a whole. Increasing employment by itself is purely distributional in character and without a corresponding increase in the per capita production, especially wage-goods, there may not be a development of the economy so as to give rise to the planned twenty five per cent increase of national income over the second five year period. The common production programme may not be a success as it is not necessarily in conformity with conditions of economic equilibrium. Controls and other restrictions may have to be resorted to in order to prevent the market mechanism going out of gear.

Also, the methodological approach is in part financial and in part one of physical resource budgeting. The physical resources budgeting method is quite necessary for avoiding bottlenecks but by itself it cannot be operationally smooth under conditions of democracy. On the other hand, the traditional concepts of macro-economics such as national income, total output, investment etc. which are the common tools of industrially developed democracies like the United Kingdom and U. S. A. are not necessarily the best concepts for facilitating decisions of developmental planning under the aegis of a democratic type of constitution in an underdeveloped country like India.

Western Economic Concepts not Enough for Proper Planning

Aggregates like investment capital-output ratio for an industry do not give any indication of priorities in planning even though they do provide measures of evaluation of the progress and success of the execution of the plan. Concepts like the capital-output ratio and employment generated are concepts which serve the purpose of an individual entrepreneur for deciding between priorities. But they do not necessarily serve the purpose of planning on an entire economy basis to be streamlined with the working of the economic forces in a democratic set-up.

The economic concepts used in the preparation of the second five year plan are concepts which have been developed in the West or in Russia to meet the requirements of their economic thinking suitable to their socio-political institutions and the state of development of their economies. They are not necessarily

convenient for all purposes and cannot provide scientific criteria for the planning, programming, and execution of investment.

A Social Engineering Approach Needed

The problem of planning in an underdeveloped country like India must be approached as an engineering problem from the point of view of society as a whole and must be defined in operationally convenient and feasible concepts. For an optimum allocation of the limited resources of the country for an accelerated development of the economy, it is necessary to have criteria of determining the appropriate technique, size and number of firms within an industry and between the various industries. As it is, the aggregates cannot give any guidance in the matter and the planning has to proceed on a guess-work basis as far as the operational details are concerned. Suppose, for example, the country decides to have ten factories of a particular size and technique for manufacturing cement and five textile mills. How are we to set up a criterion of choice between, say, the fifth unit in the cement production and say, the third in textile manufacture? At present there are no criteria. The Planning Commission do not seem to have investigated this problem nor is there any indication given by them so far that they are studying it.

Demand alone cannot be the sole criterion in the determination of the priorities between specified units of one industry and another for programming of resource-utilisation in development planning. Demand and supply no doubt play an important part for the economic existence and viability of a particular unit but it is essentially an individual entrepreneurial view for planning whether to get the particular unit into existence or not. The Western concepts are all woven round this particular view. The individual entrepreneurial view is not at all concerned with the accelerated development of the economy as a whole, for which the criteria are rapid growth of incomes, employment and more even distribution of incomes in tune with the structure of the economy working under democratic conditions with the minimum of interference with individual drive and initiative. From this point of view, it is necessary to investigate the ramifications of bringing into existence a unit of particular size and technology in an

industry at a certain level of development of the economy as a whole. Any particular factory generates incomes and employment not only locally but also throughout the various sectors of the economy. The factory draws its materials in a raw and semi-manufactured state from various sectors, thus generating income and employment throughout. The cumulative multiplier effects on income and employment generation as also on prices and other related economic variables relevant for economic planning have to be investigated. The multipliers of income and employment of a particular unit provide the necessary criteria of preference, indifference or rejection of one item with respect to another in planning and programming of economic development. The multiplier effect of income and employment generation in the economy occasioned by bringing into existence one individual unit is akin to a chain reaction set up by the fission of the atom. One new activity gives rise to supporting activities and those in turn, to other supporting activities and so on. A survey conducted shows that a factory going up in the area even though it would employ only 150 people directly would give rise to business activity enough to employ 1,100 persons at the level of incomes obtaining in the USA. The purchasing power created would go to buy produce from 6000 acres of farm land in the locality. On the whole the increased economic activity would lead to state and federal taxes of nearly 2.5 million dollars, receipts of nearly half a million dollars by the local truck owners, constructional activity to house 300 homes and business for 30 grocery and other shops etc.

It is indeed very regrettable that no attempt is made to conduct micro-economic surveys of the above kind in India which are so very essential for proper planning. We talk in terms of aggregate borrowed from Western economic theories. When we do not know how best to break up the aggregate which any way will have to be done in the execution of the plan, the mistakes can aggregate and make the scientific character of the plan illusory.

Reorganisation of Technology

The common production programme advocated in the Plan-frame is viewed only from the point of employment and does not take the inevitable condition of economic equi-

brium between units of unequal economic efficiency within the same industries. It will be a great strain on the economy to force it to bear the burden of inefficient units retarding the pace of economic development. A better plan would be to disintegrate the technical side of the production of any particular commodity into various intermediate stages and determine, for the largest possible multiplier effects of income and employment generation, the appropriate nature of the size and organisation of the manufacture of the commodity at each stage. Spinning, for example, has necessarily to be done in a large scale unit, as economies of scale lead to a cheaper product. When it comes to weaving, a large size unit, as it has been noted by the Kanungo Committee Report, does not necessarily have an advantage over a smaller unit. In the match industry, too, it has been found by the Khadi and Village Industries Board that the operation can be carried on as a household industry.

In the manufacture of machinery for the production of various commodities it is worthwhile to investigate the possibility of simplification and standardisation of the various components parts. If this is done, after determining the appropriate technology and organisation suitable for an integrated development of the country as a whole, machine parts for assembling various types of machines can be produced on a large scale at a very cheap rate and the problem of capital accumulation will not then be such a difficult problem as at present. Conditions peculiar to our country will then be to our economic advantage in competition with other industrially developed countries.

Now we are thinking in terms of either village industries of primitive technology or large scale industries of the Western type. The former is economically inefficient and the latter inefficient from the point of view of employment generation. With the existing technical knowledge, either available directly with Indian technologists or imported foreign technicians, it is possible to reconstruct the appropriate quantum of a production unit optimal from the point of view of the multiplier effects of both income and employment generation by disintegrating technology into the most economic types of production. What seem to be the drawbacks for rapid development can

then be transformed into accelerators of development.

A machine is designed in America or the U. K. for the best solution of the problem of least-cost. Wages are far higher in these countries than in India. The machines, especially their speeds and labour utilisation points, are determined for the lowest labour costs. The same machine, under Indian economic conditions, can be speeded up and more labour associated with it. By a proper adaptation to Indian conditions, it is possible to have

(1) a more intensive utilisation of the machine per hour leading to greater production,

(2) larger amount of employment, and

(3) greater amount of profits at the same time.

The author has given an example

elsewhere from the textile industry. Thus it is possible for India to compete effectively with Western countries.

Conclusion

A comprehensive engineering and econometric investigation has to precede the finalisation of the second five year plan. Economists without the knowledge of statistics and technology or statisticians without the knowledge of the other two and technologists of a similar variety or a mere committee of these people cannot necessarily produce an integrated picture. People with the necessary specialised knowledge have to be relied on for the purpose and it is hoped that the Government experts will see the wisdom of bringing together various people with the necessary specialised knowledge wherever they may be found in the country.

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Inter-State Problems of Sales Tax in India

L C Gupta

IN a federal constitution, taxes levied by one state are not always confined in their effects to the boundaries of the taxing state. They may give rise to inter-state complications—fiscal, legal and administrative. The operation of the sales tax in India illustrates some of these. The situation was summed up by the Taxation Enquiry Commission as follows:

"From the point of view of industry, the main problem arises from the need to produce and sell at competitive prices. To the extent that the rates vary much between different States—if raw material, for instance, is not taxed at all in one State, but is taxed high in another—this competition may be materially affected. Since the organised industries tend individually to be made up of different concerns specialising in different processes, the total might well turn out to be high of a tax that is collected at each of the stages. Also, many industries, especially the bigger ones, are interested in buyers all over India; their special grievance is the lack of an all-India uniformity in rates and regulation. The State Governments face a problem of evasion which is seemingly intractable. The interests of States often clash and co-ordination, as we have pointed out, has become difficult. This in turn has meant new hardships for trade and industry."

Article 286 of the Constitution aimed at solving some of these problems. A legal battle has raged over the interpretation of the Article almost from the very beginning and so vague and ambiguous is its language that it has been subjected to two varying interpretations by the Supreme Court. The actual working of the Article during this short period has revealed the inadequate and unsatisfactory character of the present provisions and it has become urgently necessary to bring about a change in them. The issue is under the active consideration of the Government of India at present.

Freedom of Inter-State Trade

We propose to examine the various suggestions made in this connection, including those made by the Taxation Enquiry Commission, and to see how far they satisfy such diverse interests as those of the State gov-

ernments who are interested in their own revenues, those of the dealers who are the tax-payers, the consumers, the trade and commerce etc., etc. Before undertaking this examination, it is necessary to set out some general principles. The first, as also the most important, is the principle of freedom of inter-state trade and commerce. The expansion of our economy has in no small degree resulted from the free flow of inter-state trade and the development of a great nation-wide market for our industries. Moreover, inter-state economic ties are the strongest bonds of unity and ought to be fostered rather than weakened. The principle of freedom of trade which is accepted in all federal constitutions is laid down in Article 301 of our Constitution. It implies that the States are to be prohibited from levying taxes which burden trade and commerce in such manner as to cause obstruction in its flow.

Clause (2) of Article 286 of the Constitution states:

"Except in so far as Parliament may by law otherwise provide, no law of a State shall impose, or authorise the imposition of, a tax on the sale or purchase of any goods where such sale or purchase takes place in the course of inter-state trade or commerce."

The Clause was, however, rendered entirely inoperative as a result of the judgment of the Constitutional Bench of the Supreme Court in the case of the State of Bombay vs. the United Motors (India) Ltd., delivered on March 30, 1953. The majority of the judges held that Article 286(1) (a), read with the Explanation thereto and construed in the light of Articles 301 and 304, prohibited the taxation of sales or purchases involving interstate elements by all states except the state in which the goods were delivered for the purpose of consumption therein. The latter state was left free to tax such sales or purchases. The effect of the Explanation in regard to interstate dealings was to convert such inter-state transactions into intra-state transactions and to take them out of the operation of Clause (2) of that Article.

Th's interpretation gave to the importing state the right of imposing

a tax in respect of goods delivered in that state. It could collect either a purchase tax from the resident purchaser, or a sales tax from the out-of-state seller. Thus this interpretation not only infringed the principle of freedom of inter-state trade but also gave extra-territorial operation to the sales tax laws of the states. If the states had chosen to collect a purchase tax, it would not have affected inter-state trade so badly and would not have produced such an intolerable situation, as the collection of a sales tax from out-of-state dealers which the states found to be more profitable for them.

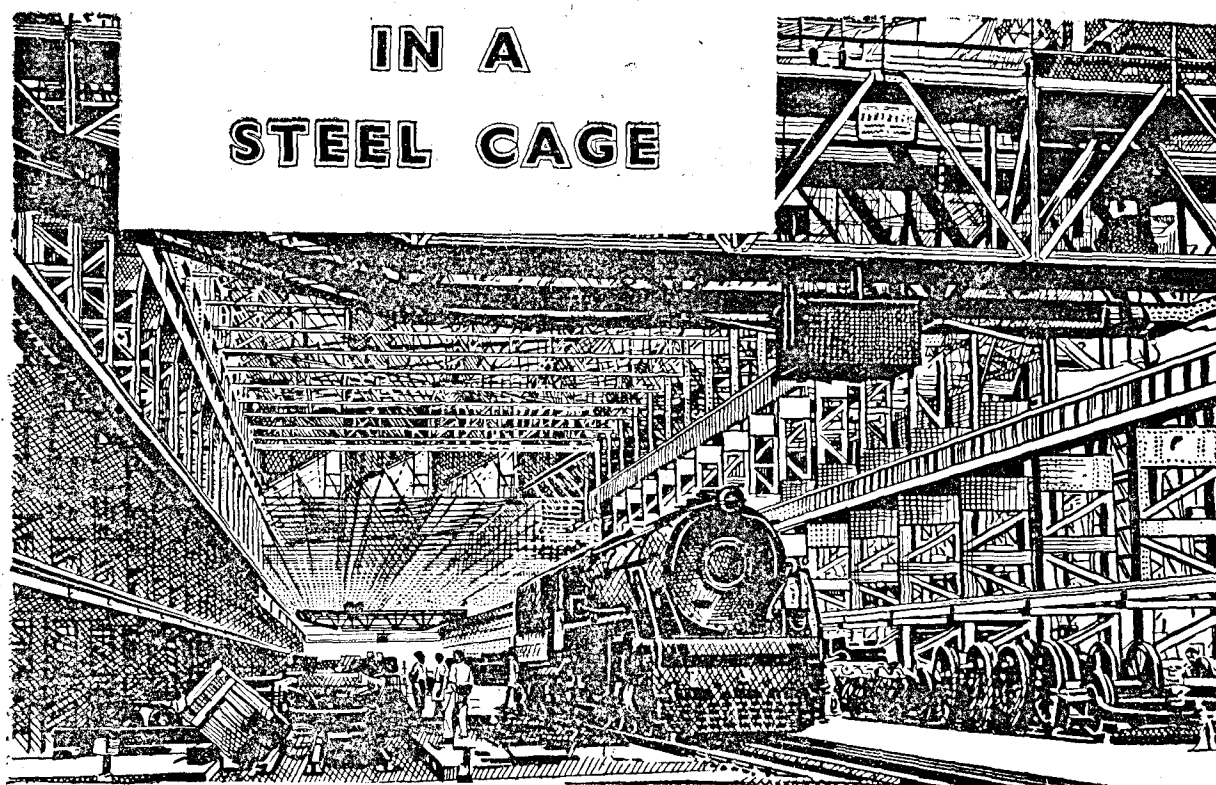
The levy of sales tax on out-of-state dealers involved, besides the direct burden of the tax, an added burden or an invisible tax, on account of the inconvenience and costs of compliance with the sales tax laws of many states. The costs of compliance are specially heavy for the out-of-state dealers. The hardest hit were dealers who sold their goods in a number of states and who had, therefore, to be conversant with the different sales tax laws of all those states, to keep separate accounts of transactions with dealers of different states, and to submit books of accounts and sometimes to appear before Sales Tax authorities in a number of states. This would have paralysed the flow of interstate trade. The Central Government had, therefore, to call a Conference of Officials in November 1953 to devise interim relief measures for the trade.

Earlier Decision Revised

Recently, the Supreme Court, in the case of the Bengal Immunity Co. Ltd. vs. the State of Bihar, re-examined the earlier decision of the Court in the Bombay appeal. In its judgment, delivered in September 1955, it gave a new and different meaning to Article 286. The majority decision was:

"We are definitely of the opinion that, until Parliament by law, made in exercise of the powers vested in it by clause (2) provides otherwise, no State can impose or authorise the imposition of any tax on sales or purchases of goods when such sales or purchases take place in the course of inter-state trade or commerce, and

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the majority decision in the State of Bombay vs. the United Motors (India) Ltd., in so far as it decides to the contrary, cannot be accepted as well-founded on principle or authority."

In view of this interpretation, the Court held that the Bihar Sales Tax Act, "in so far as it purports to tax sales or purchases that take place in the course of inter-state trade or commerce, is unconstitutional, illegal and void."

This new interpretation of Article 286 by the Supreme Court ensures complete freedom of inter-state sales or purchases. The principle of freedom of trade is thus restored. At the same time, it puts an end to the irrational system of taxing out-of-state dealers.

Scope for Evasion

The immunity of inter-state trade and commerce from state sales taxes, however, gives rise to another problem. It opens the door to avoidance of tax if consumers and unregistered dealers residing in one state are permitted to enter into direct dealings with out-of-state sellers. The possibilities of such avoidance are greater in the case of persons residing in border towns and in the case of mail-order-business. The new interpretation of Article 286 by the Supreme Court enlarges the scope for such avoidance by taking away the right to collect a tax on transactions in the course of inter-state trade or commerce from the exporting state as well as the importing state. Even before, when the prohibition operated only on the exporting state, the importing state being allowed to impose a tax on inter-state dealings, there was considerable room for avoidance and evasion of sales tax. The Taxation Enquiry Commission refer in their report to such avoidance which arose out of restrictions contained in Article 286. They observe:

"... because of these restrictions there was greater scope for avoidance of tax, entailing an indirect loss of revenue on almost all States. Traders in one State started to sell direct to unregistered dealers and consumers in another. Similarly, consumers of valuable commodities tried to get these from dealers in another State rather than buy the articles from their local dealers. The practice grew for sales of goods within a State itself to be shown in the books of accounts as having been made to fictitious deal-

ers outside the State and these goods having been resold by those dealers to consumers within the State. For valuable commodities, like motor-vehicles, jewellery, watches, etc., this practice became very common. On transactions that could be shown to be in the course of inter-state trade, the exporting State was prohibited under Article 286 from levying the sales tax, and if goods delivered as a result of these transactions were shown to be received by individual consumers or unregistered dealers, neither could any tax be levied on them by the importing State. Thus many of these transactions escaped sales tax altogether."

Lack of Uniformity

Some difficulties also arise on account of the lack of uniformity of rates and exemptions in different states. Differences in the treatment of raw materials in different states are especially open to objection. If rates of tax on raw materials are not uniform and some of the states exempt them altogether, the competitive capacity of manufacturers in different states, is affected materially. This may create an artificial advantage for industries in some states, and hence, cause diversion of industry from the most economical locations. The Essential Goods Act, 1952, enacted by the Parliament under Clause (3) of Article 286 of the Constitution, does not eliminate this lack of uniformity though almost all the important raw materials are included in the list of 'essential goods'. One reason is that the Act does not apply to rates in force in the various states before the passing of the Act. Moreover, it cannot eliminate an advantage arising to an industry located in a state which exempts raw materials from taxation altogether.

Central regulation of rates levied on raw materials is important for another reason also. The raw material may be sold within a state to the manufacturers but the manufactured product may be exported to other states. By levying a tax on the local sales or purchases of the raw material, the state will be able to transfer the fiscal burden of the tax to the residents of other states. This is undemocratic inasmuch as the residents of other states who ultimately bear the tax in this case have no voice in the legislature of the taxing state.

Finally, there is also the problem of bringing about co-ordination in the sales tax laws and administra-

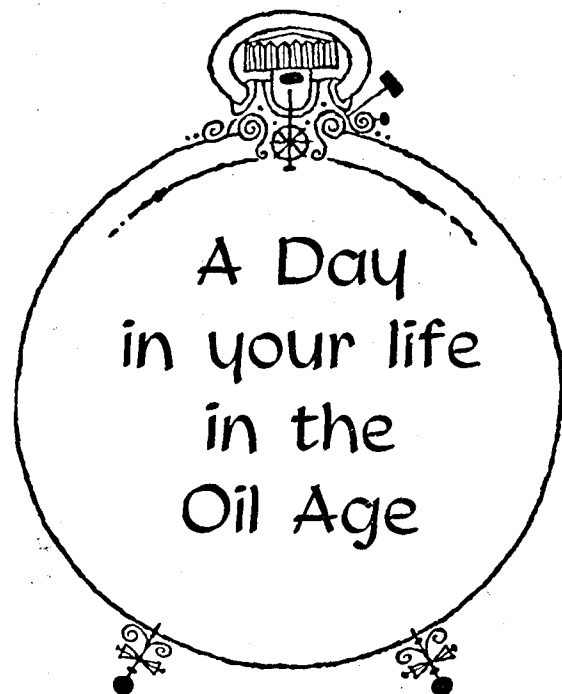
tions of different states. This is necessary so that there is no inconsistency in the sales tax laws of different states and there is a co-ordinated approach to the various inter-state problems.

We must now look for a satisfactory solution. One of the suggestions which, no doubt, has the merit of resolving all the problems discussed above, but which must, nevertheless, be dismissed, is that sales tax should be altogether abolished or replaced by other taxes such as excises, customs and octroi. Sales tax has come to occupy a place for itself from which it cannot be dislodged.

Arguments against Centralisation

Another suggestion which has been very popular among the business community is the centralisation of the tax. Perhaps the enthusiasm of the business community for centralisation has waned after the Supreme Court's new interpretation of Article 286 of the Constitution. As inter-state complications arise because the right of sales tax levy belongs to the states, they would automatically disappear on centralisation. But centralisation cannot be accepted without looking to other aspects of the levy as well. On account of the very great regional diversity of economic and social conditions in India, the pattern of production, consumption and trade differs widely from state to state. This means that the rates of tax on different articles, the list of exemptions, the class of dealers liable to pay tax, may have to be different in different states. Now, centralisation of the tax would mean uniformity of levy in all respects and this would clearly be undesirable in the conditions obtaining in the states. A sales tax which is not adapted to the local conditions of production, consumption and trade would become burdensome to the producers, consumers and traders. Moreover, a change in the local conditions of trade requires a prompt adjustment in sales tax, but such adjustment cannot be carried out if the tax is centralised.

The Taxation Enquiry Commission found that the sales tax possesses 'strong local moorings'. If one analyses the circumstances in which sales tax has developed differently in different States in India, "there can be discerned in each State a definite degree of relationship between the tax system initially adopted and certain relevant characteri-

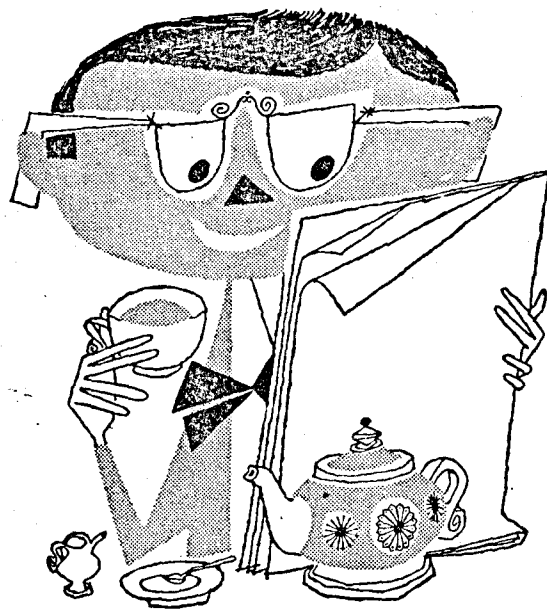


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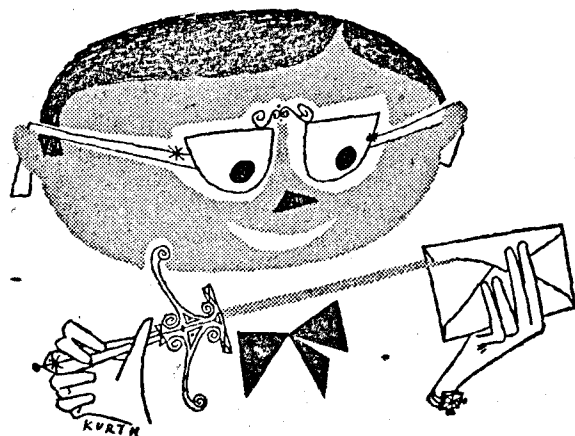
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IN INDIA'S LIFE AND PART OF IT

stics of the economy of the State." It is true that in some federations such as Australia and Canada, the sales tax is levied by the federal or central government in the form of a single point levy at the first point of sale but the same system cannot be applied to India because of the very great diversity of economic and social conditions in different states. Apart from this, there is another ground for rejecting centralisation. Sales tax is now a major source of revenue in most of the states and has become an integral part of their revenue systems, which would be dislocated if the tax is taken out of the states' jurisdiction. It may be argued that this need not be so, because the proceeds of the tax can be allocated to the states. This view ignores that the sales tax has made the state revenue systems more flexible and elastic to meet changing revenue needs and centralisation would take away this advantage. All the state governments are, therefore, opposed to centralisation.

Purchase Tax as Alternative

A simple solution which has often been suggested, especially to check avoidance of the tax without interfering seriously with freedom of inter-state trade, is a purchase tax levied by the importing state on local purchasers of outside goods. In the USA, some states levy a 'use-tax' on out-of-state purchases of goods on which a sales tax is not payable in the state. At the Conference of Officials, called by the Government of India in November 1953, to consider the difficulties of trade on account of taxing of non-resident dealers, a purchase tax was proposed as a long-term solution. The state governments, however, were not prepared to replace a sales tax on non-resident dealers by a purchase tax on local purchasers on account of the meagre revenue possibilities of the latter. It should be noted that after the decision of the Supreme Court in the Bengal Immunity Co.'s case, the states cannot levy a purchase tax even on consumers and unregistered dealers on their out-of-state purchases unless the Constitution is amended. The collection of a purchase tax is administratively feasible only in the case of a few important commodities whose purchasers or users can be easily traced, such as motor-cars, radios etc. The purchase tax would, therefore, provide a solution which would be incomplete and not very attractive from the point of revenue.

Matthal Commission Proposals

We come now to the proposals of the Taxation Enquiry Commission. The salient features of their proposals are as follows:

(1) The sphere of inter-state trade should be taken out of the purview of state taxation and placed in that of the Centre.

(2) The Central government should levy a sales tax on inter-state transactions, but the collection of the tax should be entrusted to the exporting states in order to avoid duplication of administrative machinery. Receipts should be appropriated by the exporting states.

(3) The rate of sales tax on inter-state transactions should be low. The Commission suggest a one per cent tax but when the goods have been sold to an unregistered dealer or consumer of another state, the rate of tax should be the same as for internal transactions in the exporting state. A higher rate on direct sales to consumers and unregistered dealers is necessary to check avoidance and evasion.

(4) The Central government should have the power to regulate state's sales tax on "goods of special importance in inter-state trade" which would comprise the important raw materials viz., coal, iron and steel, cotton, hides and skins, oil-seeds and jute. On these goods, the states can have only a single point levy at the last stage of sale or purchase by a registered dealer or at the point of export to other states and the maximum rate would be 3 ples per rupee or nearly 1½ per cent. No other sales tax shall be levied on them either by the exporting or the importing state.

Conflicting Demands Reconciled

It would at once be seen that the Commission's proposals are aimed at solving more than one problem. They try to secure not only that the burden of tax on inter-state trade is kept within reasonable limits, but also that there is maximum possible uniformity among states in the matter of inter-state trade. At the same time, they are calculated to combat avoidance of tax by the method of out-of-state sales or purchases. The collection of the tax at the exporting end by the exporting state is likely to prove economical in practice as it would also be convenient from the point of view of the traders. The proposals are likely to prove satisfying from another point of view also, viz., that of revenue. The proposals

seem to reconcile the interests of the States as well as the dealers. Moreover, the regulation of tax on raw materials so as to secure uniformity of their tax treatment in all the states, would eliminate difficulties due to lack of uniformity.

The Commission have also considered the question of co-ordination among the states in regard to their sales tax laws and administrative organisations. They recommend that the principles for determining whether a sale or purchase of goods takes place (i) outside the state (ii) outside the territory of India and (iii) in the course of inter-state trade and commerce, should be embodied in an all-India law enacted by the Parliament. This would remove difficulties arising from lack of consistency in the present sales tax laws. On the other hand, the Inter-State Taxation Council, proposed by them, would help to bring about greater administrative co-ordination by arranging periodical meetings of the heads of sales tax departments of all the states at least once a year to discuss questions of mutual interest.

The Rate of Tax

The proposals need modification in one respect, viz., the rate of tax proposed on inter-state transactions. The Commission propose that the rate of tax on inter-state transactions should be one per cent when the transaction is between two registered dealers. This one per cent central tax on inter-state trade is likely to prove somewhat burdensome on trade because this tax would be in addition to any single or multiple point tax leviable within the states. The Commission have recommended a rate of half per cent only for multi-point sales tax within a state. The rate at the stage of inter-state sale should not exceed half per cent because these goods would have to pay tax again at a later stage when they are finally sold to the consumer. When, according to the recommendations of the Commission, only one-half per cent should be payable at each stage of sale within a state, it is difficult to understand what prompted the Commission to recommend one per cent on inter-state sale which is in fact just one of the stages of sale till the goods reach the final consumer. However, in order to check avoidance of tax, when the purchaser in one state is a consumer or an unregistered dealer, the rate of tax should be the same as is leviable on internal transactions in the exporting state.

Constitutional Amendment Necessary

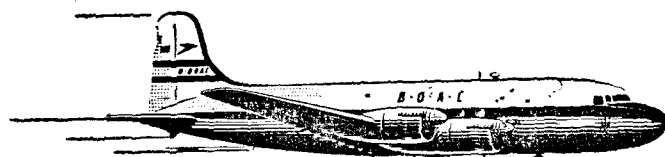
The implementation of the proposals will require amendment of the Constitution and vesting of greater powers in the Central Government. As the Commission observe:

"In the absence of more powers for the Union than now vest in it

—that is to say in Parliament and in the Central government—the inter-state sphere of sales taxation is occupied by constitutional rigidities, occasionally diversified by judicial interpretation, instead of by law and administration that can adapt themselves to changing needs."

It is to be hoped that the proposals of the Taxation Enquiry Commission can be operated with simplicity. However, the subject is such that only actual experience will show how far the proposals can solve the present problems without giving rise to new ones.

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Silver Jubilee of Bombay Co-operative Insurance

THE story of the Bombay Co-operative Insurance Society Ltd.,—which celebrated its Silver Jubilee this week—is an example, unfortunately a rare one, of what co-operation can achieve in the field of insurance.

The Society was established in 1930 by the efforts of some eminent co-operators of Bombay such as the late Hiralal Kaji, and was registered under the Co-operative Society's Act. Before the society could transact any insurance business, however, it had to deposit a sum of Rs 25,000 with the Government of India; but since the Society did not have, and even today does not have, share capital, the amount was raised by the issue of debentures carrying 6 per cent interest. These debentures have, however, since been redeemed excepting for three of the value of Rs 750 which have been retained in token of the continuity of association by those who helped to found the Society.

Since its inception, the main aim of the Society has been to reach people of small means and offer them the benefits of insurance. Accordingly, policies for as low an amount as Rs 150 were issued under the Rural Branch and for Rs 1000 and above under the ordinary branch. Even today, the Society issues policies for any amount, the minimum being Rs 200 and policies for Rs 900 and lower sums are ordinarily issued without medical examination.

Thanks to the enthusiastic efforts of the sponsors of the institution and the encouragement given by the Co-operative Department of the Bombay Government, the society made rapid strides and by 1936, its membership totalled 3,276 and it had built up a business of Rs 28.23 lakhs, from which it derived a premium income of Rs 1.57 lakhs. That the society was able to have its own building in 1937 was another indication of the rapid progress it was making.

The Society's actuarial valuations carried out in 1933 and 1936 revealed a surplus, though the second valuation yielded more satisfactory results. In 1936, the Society declared a bonus at the rate of Rs 15 per Rs 1000 sum assured on whole life policies and Rs 11 per Rs 1000 sum assured on endowment policies.

Although subsequently the Society had to face some difficulties, it resumed its thread of progress again.

The actuarial valuation for the

year ending December 31, 1954, has disclosed a handsome surplus of Rs 9.45 lakhs, which has enabled the Society to declare a bonus of Rs 14.8 per Rs 1000 on endowment policies and of Rs 17 per Rs 1000 on whole life policies.

The three main lines of activity of the Society have been

- (1) Taking insurance benefits to rural areas,
- (2) Organising textile workers under co-operative insurance, and
- (3) Financial support to the co-operative movement.

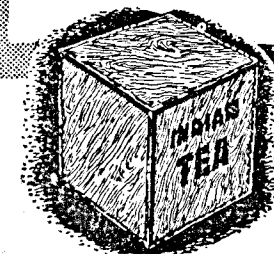
Although the Society has been issuing policies for small amounts in order to bring life insurance within the reach of the rural people, it has not been able to do any considerable business in rural areas and steps are now being taken to canvass business through rural co-operative societies in select areas in the first instance. The Society, however, has succeeded much better in extending the advantages of life insurance to workers in the textile mills, particularly in Ahmedabad, where it worked through the Textile Workers' Co-operative Bank. In Bombay City also, a number of co-operative credit societies of textile workers have popularised insurance amongst their members with the help of the Society. Every year nearly 30 per cent of the Society's business comes from low income groups in the shape of policies for less than Rs 900.

The Society has been directly assisting the co-operative movement by investing its funds in co-operative institutions. A sum of Rs 20 lakhs has been invested in debentures of Co-operative Land Mortgage Banks. The society has also invested Rs 5.25 lakhs in the shares of other co-operative societies and has lent Rs 13.5 lakhs to co-operative housing societies. In all, the Society has placed Rs 38.75 lakhs or 25 per cent of its investible funds at the disposal of co-operative institutions and thereby strengthened the movement.

Considering its record, Dr. Punjabrao Deshmukh, the Minister for Agriculture, the chief guest at the function in celebration of the silver jubilee of the Society, was on very firm ground indeed in holding up the Bombay Co-operative Insurance model when he said "Insurance has a social purpose and it cannot be given a free run by private, competitive, or profit making interests".

Co-operative insurance, he implied, could be an alternative to nationalisation. Now mutual societies have no shareholders either; there is profit motive in that whatever the benefits, they pass on automatically to policy holders. Co-operators, however, claim superiority for their particular brand on two grounds. One is that control and management in their case is really democratic, there being no vote by proxy and no polls at meeting of shareholders—one member, one vote. Agents cannot, therefore, pull the strings and control the show. Another factor in their favour is the manner in which insurance can be woven into the fabric of co-operation and its benefits passed on, through the movement, to a wider circle, particularly to men of small means like workers in factories and agriculturists in the field. To the latter, however, insurance, co-operative or commercial, has not yet been able to percolate.

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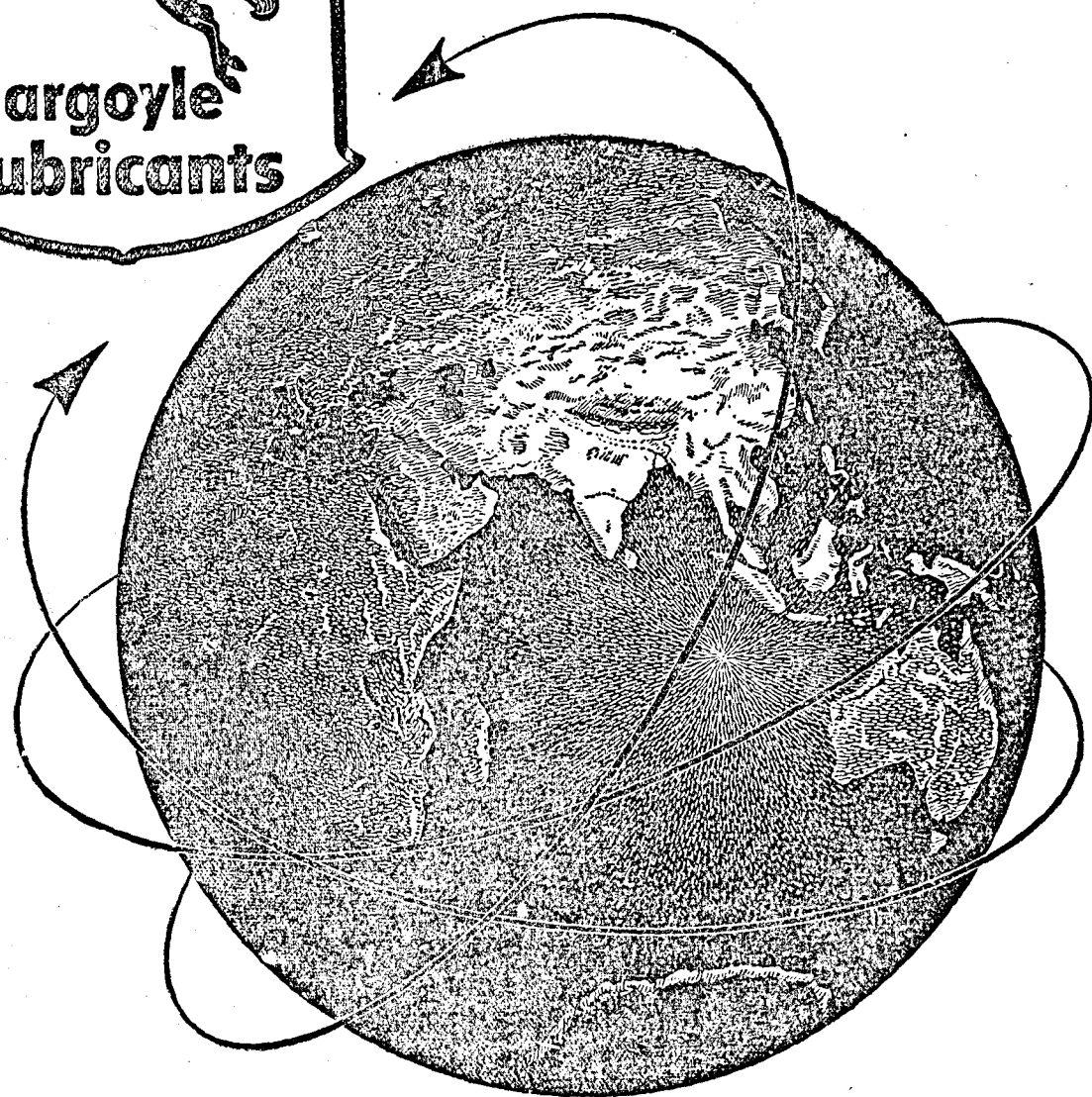
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V. 1791

India Made Typewriters

TYPEWRITERS wrought a silent social revolution in the West, being perhaps the most important single agent in drawing away women from their homes and putting them to work in offices instead of doing their domestic chores. But we forget that when the first typewriter came, women did not take to it readily as ducks take to water. To begin with, the pioneering lady typewriters—that was what they were called—needed to be sturdy women, unlike their present-day slick counterparts. To press the keys, as they then were, what was needed was a blacksmith's blow and not a delicate feminine touch. Later advances changed all this but the present ease of operation and efficiency of performance were reached only by stages.

True, one of the trio who first put the machine in the market way back in 1867—they were not the first inventors, however—could well claim that "I feel that I have done something for women who always have to work so hard". The early lady typewriters, however, had not only to be Amazons, the social stigma that attached to their profession was not easy to overcome. This was a new type of husband hunters or home breakers against whom respectable city men had to be on their guard. When in 1888 a couple of ladies were employed for the first time in the Inland Revenue Department in Britain, they had to be locked in a room and fed through a hatch!

It did not take the typewriter long, however, to spell the doom of male clerks who had hitherto been laboriously copying letters in long hand in copper plate script at the rate of 15 to 20 words a minute. But the change-over was so much in keeping with the spirit of the times that the displaced male clerks did not start a Kentish movement to burn down these infernal machines which robbed them of their jobs. Women stepped in in due course and were soon typing out 40 to 100 words a minute as against the elegant script writing which could no longer hold its own against the speed, neatness and perfected print writing of the machine.

If in the West, this innocuous, ubiquitous and now essential part of office equipment wrought a social revolution, in India it stopped the march of the Aryans into the South and initiated a reverse flow of population to the North, East and West,

the colonies of stenographers in Bombay and Calcutta, if not in Delhi, bearing eloquent testimony to this no less significant social movement in this country.

Typewriters, as already noted, did not come with a bang and conquer the world overnight. Their development was a slow process and a painful one for the early pioneers. The English engineer, Henry Mill, who took out a patent from Queen Anne in 1714 for "an artificial machine, enabling one to print or transcribe letters, one after the other, just as when writing by hand..." never got on to the stage of actual manufacture.

The next inventor was William Austin Burt of Detroit to whom an American patent was granted in 1829. After years of painstaking labour, he did actually set up a single machine. But he was no luckier than Mill. His model was destroyed by fire in the Washington Patent Office in 1836!

A cold reception was accorded to the world's first practical typewriter, made in 1867 by three citizens of Milwaukee, Christopher Lathan Sholes, Carlos Gidden and Samuel Saule. To look at, this typewriter was like a sewing machine. Ornamented with gay and flowery designs and mounted on a sewing machine stand, its treadle was geared to the carriage to effect a mechanical return. However, this was the world's first practical typewriter because it incorporated devices like the paper cylinder, line-spacing, and carriage-return mechanism, the escapement which causes letter-spacing, arrangement of type-bar so as to strike the paper at a common centre, printing through an inked ribbon and the position of the different characters on the key board conforming almost exactly to the arrangement now known as 'Universal'. In spite of these devices, only 1200 machines were sold in the first seven years. The total proceeds from patents amounted to only \$12,000, so that Sholes died almost in penury.

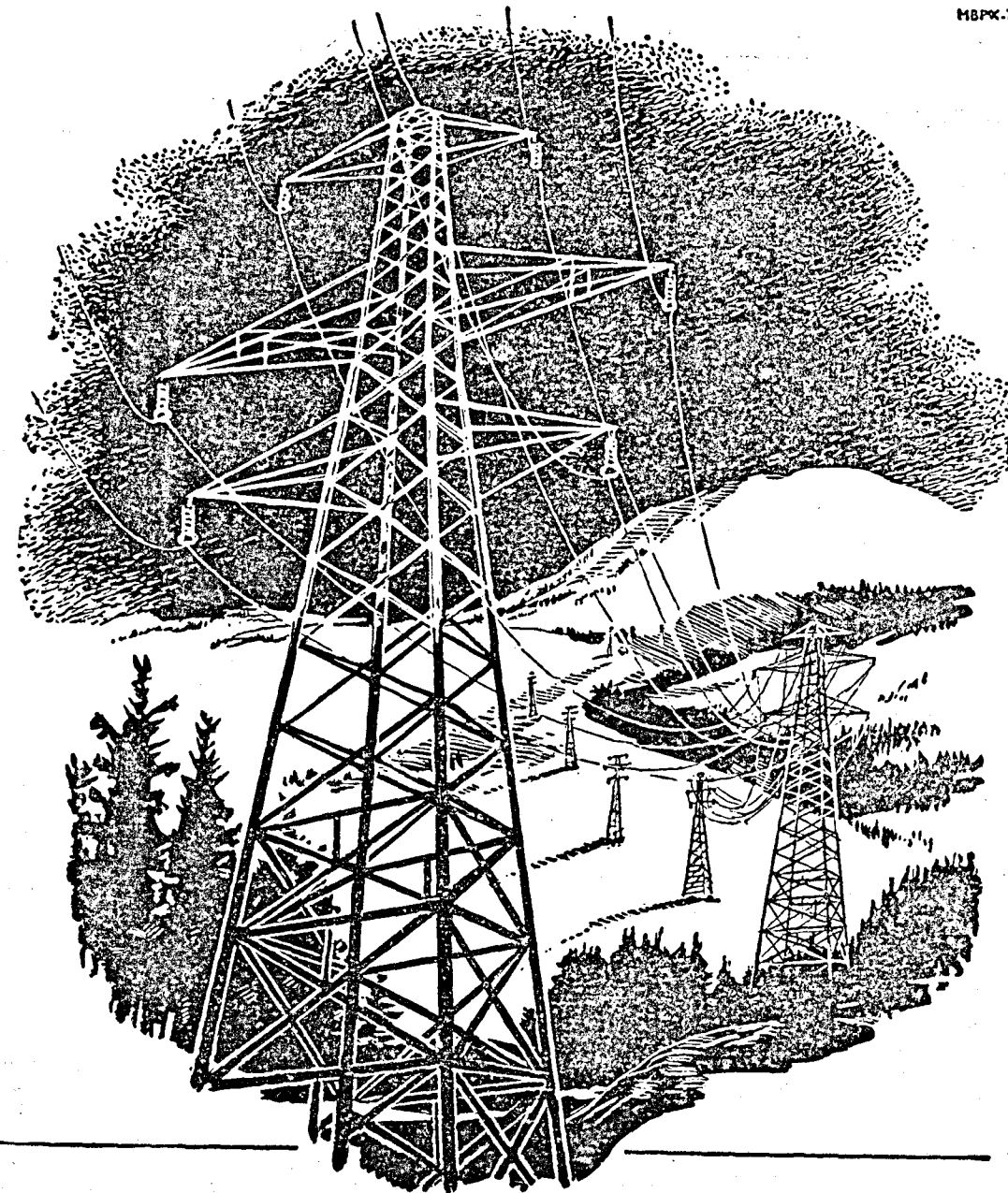
Before typewriters came to be standardised, the field was open to all comers and a number of new designs were coming up almost every year. By the beginning of this century, however, the market had been appropriated by a handful and today in the U.S., the biggest market for

typewriters in the world, there are only five manufacturers.

If the typewriters came up through many jots and jolts in the West, in India manufacturing has come up in a slow and silent way. Godrej, the makers of the first India made typewriters, did not need nor ask for Tariff protection. No Government Committee was set up to usher it in, no State assistance was asked for or given and unlike manufacture in many other lines, where a beginning is made with assembling of imported parts and industries continue in that infant stage for an indefinite period, Godrej claims that their typewriters are almost wholly made in India. Of the 1800 odd component pieces that go into their making only 5 per cent in value, amounting to less than Rs 30 for a machine costing Rs 650, have to be imported. The rest are all made in India and made by Godrej in their own factory. As the India made typewriters are sold at only half the cost of the imported machines, they need no protection.

Many of the manufacturing ventures in India have been launched in association with foreign firms who are well established in their respective lines. Many of our industrialists, probably the overwhelming majority of them, incline to the view that this is the only way of making industrial advance, that without foreign affiliation, it is not possible for industry in this country to incorporate improvements in designs and techniques which foreign manufacturers continuously carry out. In fact, some of them go further and insist on participation in the capital of the Indian companies by foreign firms in order to ensure continued and active interest of the foreign affiliates in the Indian venture. Godrej, however, have not taken this line. The model they have chosen incorporates many of the features of other standard typewriters, but it is not a foreign brand that they are putting on the Indian market.

Having developed gradually over a series of years from the manufacture of steel almirahs, office equipment and similar steel products, they were confident of working out manufacturing techniques and have often designed and constructed their own machines, in preference to importing ready made ones, while all the while training up skilled hands in their own works so that today decades of skilled formation is perhaps



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their best capital asset. This is of the highest significance, for making of typewriters calls for skilled work on the part of a wide range of operatives and this skill is not easy to import. For technical skill at the top level alone is not enough for this delicate and intricate job. Slapdash methods and extensive equipment alone do not necessarily give the best results in this particular venture which is perhaps the strongest safeguard that Godrej have against foreign manufacturers setting up production here. The fear, however, persists that they may be worsted in unequal competition with established brands, particularly in view of their experience in soap making. It will not be entirely smooth running until the present unsettled position of foreign firms engaged in manufacture side by side with Indian enterprise is straightened out and put on a sound footing. That is necessary for healthy development of Indian industries.

The manufacture of typewriter

necessitated the installation of a balanced plant and machinery involving a heavy capital outlay as also the training of mechanics both for operation of the plant and for after sale service. This skill formation is itself a valuable national asset in view of the country's shortage of skilled labour. The credit for Godrej is all the greater because India is now not only one of the countries in the world which manufacture typewriters, but she is the first in Asia to do so. This claim may appear to be excessive but is really not so, because Japan has not been able to make much headway in this direction, being handicapped by the character of her typography.

The comparatively low cost of the All-Indian Typewriter will place it within the reach of large numbers of people. As soon as a Hindi keyboard is finished by Government, the All-Indian typewriter will be available in Hindi also. Keyboards in the various regional languages will also be available.

Company Notes

Aluminium Corporation

DEMAND for aluminium depends on the development of heavy industries. In the second Plan, these industries will receive topmost priority. Though ordinary shareholders of the Aluminium Corporation of India, Ltd., have again received no dividend, they can take comfort in the knowledge that the prospects are not unencouraging. "It is, however, encouraging to notice", Shri Lakshmipat Shinghanja informs the shareholders, "that industrial uses of aluminium have started, and it is hoped that such demand will grow steadily".

Recent developments confirm Shri Shinghanja's guarded optimism about the Company's future prospects. Expansion projects at the Jaykaynagar plant are well under way. Plans are being actively implemented to double the capacity, as recommended by the Planning Commission. New Delhi has been prompt in granting the necessary licence. It is disclosed in the report on the working of the Company for the year to March last that the means for securing additional finance are under active consideration of the directors.

In making suggestions for the improvement of the aluminium industry, Shri Shinghanja is critical of

the Government's attitude and policy to the industry. In making a plea for due protection to the industry for another five years, he criticises the Government's decision to place aluminium scrap under OGL last year. This had caused dislocation and damage to the indigenous industry. Shri Shinghanja is on firm ground in his complaint that the Government has not taken steps to exploit fully the country's bauxite resources. Adequate availability of good bauxite is essential for the development of the aluminium industry. As the production of aluminium involves considerable consumption of electric power, Shri Shinghanja suggests that hydro-electric power should be made available to the industry at reasonable rates. In his speech as Chairman of Aluminium Corporation, he appeals to the Government to offer financial aid to the home producers of aluminium.

Working results of the Company are not discouraging. Arrears of preference dividends for the two years to March, 1951, have been paid. Production and sales were higher last year. Consequently, gross profits showed an increase. Higher gross profits have been utilised to raise allocations to the depreciation fund and to general reserve.

Orient Paper

THOUGH the ordinary dividend for the half-year to March last has been maintained at eight annas per share, working results of the Orient Paper Mills, Ltd., for the period under reference are satisfactory. Water shortage during the summer was considerably less, and the Company's mills worked satisfactorily during the half-year under review. Sale revenue was higher. There was a windfall income from fire insurance claims on raw material. Thus, after making incidental provisions, the net profit showed an increase.

Satisfactory progress in expansion projects is indicated in the report. Erection of the lime sludge reburning plant has been completed; soon, it will go into operation. Part consignments of machinery for extension have arrived, and the erection is being undertaken according to schedule. To increase the efficiency of the plant, orders are being placed for additional machinery.

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Around Calcutta Markets

Near-Boom Conditions

Wednesday, Evening

NEAR-BOOM conditions have prevailed on the Calcutta Stock Exchange in the last few days. Spurt in speculative scrips like Indian Iron has had a psychologically bullish effect on the market. Miscellaneous and Engineering shares continued to be steady because of consistent buying support. But despite the "bullish" atmosphere, Jute, Tea and Coal shares remained depressed. Behaviour of the stock market here conformed to the pattern discussed in these columns on earlier occasions.

Improvement in equities is somewhat surprising because of the Finance Minister's recent statement that taxation will have to be raised higher than the level suggested by the Taxation Enquiry Commission if the Plan-frame's physical targets are to be attained. This is a possibility which should have had a depressing effect on the stock market. On the contrary, equities moved up after the Finance Minister's recent Press statement in New Delhi.

"Bull" Factors

Some arguments advanced in favour of higher stock market prices are intriguing. Market circles are now recalling the Finance Minister's statement, sometime ago, that no fresh taxation will be imposed for the first year or the first two years of the Second Plan. This is interpreted to mean that the second Plan would be implemented through deficit financing at the initial stages.

Two conclusions are drawn from this inference. It is argued that initial deficit financing will have a healthy effect on stock markets. Effects of deficit financing since 1953-54 confirm this assumption. There has since been a substantial increase in money incomes and supplies. Banking resources have expanded. Improvement in the supply of investible funds is reflected in the success of the State loans floated recently.

Deficit Financing

On the assumption that the Government will rely mainly on deficit financing in the first two years of the second Plan, market circles assume that the conditions prevalent in the last two years will be re-

peated in an aggravated form. This seems to be the main reason behind the recent spurt in equities. Once the assumption is conceded, the reasoning cannot be seriously questioned. Even so, there is one aspect of the problem which may be emphasised here.

New Delhi may rely on deficit financing to finance the second Plan at the initial stage. This may augment money incomes and money supplies. But it does not necessarily follow that funds available for speculation in stock markets will increase correspondingly. There is, indeed, a case for the Government to adopt a more aggressive borrowing policy in order to mark up funds released through enlarged deficit financing. Such a policy will be justified in order to minimise the inflationary pressure to the minimum.

Prohibition

Postponement, if true, of fresh taxation for a year or two is a possible "bullish" development. But since the Finance Minister's earlier statement, the recommendations of the Prohibition Committee have been published. These suggestions may upset the Finance Minister's earlier calculations. But market circles interpret the Finance Minister's observations during the recent Press Conference in New Delhi to mean that he is opposed to implementing the suggestions of the Prohibition Committee as it will involve a loss of Rs 125 crores during the second Plan period.

This is the broader background against which recent movements in equity prices have to be assessed. Those who apprehend that the stock market boom may get out of control need the reminder that speculative investors are selective in their support to equities. Take, for instance, Tea shares. In his recent Press statement in New Delhi, the Finance Minister was emphatic that nationalisation of the tea industry was not under contemplation by the Government. And yet, Tea shares did not move up after this assurance.

Why Hesitant

This week's auction results explain, as well as emphasise, why investors are hesitant about Tea

shares. Export demand was less active. Export auction prices were lower. So were internal sale prices for tea. Investors are not optimistic about the dividend outlook for Tea shares this year. Developments to date confirm their apprehensions. This illustrates that speculators are not pushing equities up without any rhyme or reason.

Consider, again, the depression in Jute shares. Stock figures, released by IJMA on Tuesday, are highly satisfactory. Stocks of jute goods with the mills are now lowest in the last few years. And this, despite a year of increased working hours. This is positive proof that sale of jute goods are outpacing the rising production. Even so, Jute shares are not moving up. This is another illustration that speculators are not blind in their activities.

Engineering Shares

Only those shares or groups of shares are moving up which have good prospects. Engineering and Miscellaneous shares are booming. Paper shares are gradually creeping up. It is common ground that paper, miscellaneous and engineering industries are doing well, and that these industries would be faring better during the second Plan period. Recent company reports justify the spurt in these groups of shares. Many companies in these groups are paying higher dividends, and are increasing their capital structure.

Sudden spurts in Indian Copper and Indian Iron were features of stock market movements during this week. Rise in Indian Copper is justified by the announcement of an interim dividend of ten per cent. Improvement in Indian Iron is less justifiable. It is partly due to the consistent rise in the Tata Steel. To some extent, it is due to expectations that the Company will issue right shares. Only after the announcement of steel retention prices by the Government will it be known whether the Company will issue right or bonus shares. Meanwhile, it may be of interest to note that both Indian Copper and Iron are well below the peak levels touched during the week at the time of this writing.

Diwali Prospects Brighter Than Ever

Thursday, Morning

WHAT prospects does Diwali hold for the stock exchange? The economy in general has shown remarkable buoyancy and bright Moorat is expected on all hands. The basis of the optimism that is in the air lies, of course, in the substantial improvement in agricultural and industrial production that has taken place. Indeed, both these have exceeded the most optimistic expectations. Despite floods in Delhi and Punjab and the earlier flood damage in Orissa and elsewhere the food position has been assessed by Government experts as satisfactory enough to ensure sufficiency without imports. To the continuous improvement of industrial production there are no impediments in sight. Falling food prices, which caused concern at one stage, are now a thing of the past.

What is most encouraging is that pessimists who had predicted dire consequences following the decline in the purchasing power of agriculturists have been proved to be in the wrong. Lower agricultural prices have not affected sales of industrial products nor given rise to unsold stocks, or interfered with the steady expansion of industrial or agricultural production. On the contrary, at the moment, alarming reduction of stocks of mill cloth appears to be the problem. Mills' stocks of cloth, as far as can be gathered, are low by all counts. But there does not seem to be a corresponding activity in the cloth market which suggests brisk transfer of stocks from the mills to the hands of dealers. Now dealers would not be interested in acquiring stocks nor would the mills be able to make forward sales right upto January, unless market anticipation of demand was sufficiently encouraging. So, from the stock market angle the indicators are almost all favourable.

The Second Plan

On the top of it there is the ambitious programme for industries in the second Plan. What does it all add up to? But what the stock market has to consider carefully, however, is not the general prospects of the economy; even the ambitious programme for industries would not by itself be an unmixed benefit for

the stock exchange, until the role of the private sector and prospects for taxation become less obscure than they are today.

There's the rub. But the prevailing optimism is so infectious that the market is much less worried about possible bear factors than it was at the time of last Diwali, though for the better part of the year it has been trying to pull itself together, after the shake up given to it by the Avadi resolution. Besides, last year at this time Dalal Street made no secret of its apprehensions. Its performance during the year, however, had been impressive, reflecting the growing strength in the Indian economy under the impact of larger development expenditure. It was the commodity markets which were less buoyant, under the impact of a larger agricultural output in India and fall in speculative demand overseas, following relaxation of international tensions. Well, there has been another year of bumper crops and international tensions are further eased but agriculture has not held up improvement in industry; things have worked the other way round.

Diwali to Diwali

A straight comparison of the quotations of the leading scrips over the last 12 months will show that

Diwali to Diwali Price Range on Bombay Stock Exchange

	Moorat 1954	Highest	Lowest	Nov 10, 1955
Tata Ordinary	223- 8- 0	270-12- 0	222- 8- 0	267- 8- 0
Indian Iron	34- 4- 0	42- 8- 6	32- 9- 0	41-14- 3
Bombay Dyeing	498- 2- 0	596- 4- 0	452- 8- 0	575-10- 0
Central India	180- 0- 0	180- 0- 0	111-12- 0	158- 8- 0
Century	331- 0- 0	495- 0- 0	263- 0- 0	480- 4- 0
Kohinoor	341- 0- 0	363- 8- 0	303-12- 0	300- 0- 0
Simplex	171- 0- 0	217- 8- 0	144- 8- 0	208- 8- 0
Swadeshi	249- 8- 0	249- 8- 0	182- 0- 0	233- 0- 0
Central Bank	54- 4- 0	56- 0- 0	47- 8- 0	53-12- 0
Bank of India	146- 0- 0	172- 0- 0	145- 0- 0	163- 0- 0
Ahmedabad Electric	111-14- 0	113- 4- 0	101-14- 0	109- 1- 0
Tata Hydro	150- 0- 0	157- 0- 0	141- 0- 0	153- 0- 0
ACC	182- 4- 0	222- 8- 0	173-12- 0	214-12- 0
Belapur	298- 0- 0	388- 0- 0	299- 0- 0	383- 0- 0
Bombay Burmah old	463-12- 0	712- 8- 0	452- 8- 0	609- 6- 0
National Rayon	211- 8- 0	248- 4- 0	195- 8- 0	244- 0- 0
Premier Construction	162- 0- 0	194- 0- 0	140-12- 0	186- 0- 0
Scndias	17-11- 0	19- 1- 0	14- 7- 0	17-10- 0
Tata Chemicals	19- 3- 0	20- 8- 0	12-15- 0	19- 1- 0

despite the uncertain future of the private sector, the threat of higher and new taxation, for instance taxation of capital gains that is to come some time or other, the market leaders have forged ahead. And what the quotations do not show are perhaps even more significant—definite pressure of investible funds seeking an outlet, which has widened investment activity, though it has not yet led to floatations of many new issues, and consolidation of gains that cannot be dismissed as purely speculative.

Growing Strength of Economy

The year opened with some uncertainties for the stock markets, for the Avadi resolution accepted by Government meant, or was expected to mean, a shift in emphasis in economic policy in favour of a socialistic pattern of society. In the Draft Plan-frame for the Second Five Year Plan submitted later, which was accepted by the National Development Council, the highest political body in the country, the aim was defined not even as "socialistic" but as that of a socialist pattern of society. This shift in emphasis raised a host of questions and doubts about nationalisation, and rationalisation of jute and cotton industries, not to mention higher tax burdens and particularly the taxation of bonus issues. At last

one of these uncertainties, namely the last one, was removed by the Finance Minister. But the others, though they continue to crop up now and again, have not prevented the stock market from responding, and responding in an enthusiastic manner, to the growing strength of the domestic economy.

Signs of returning confidence could no longer be left in doubt. And Dalal Street, despite the introduction of Security Contracts (Regulation) Bill late in December, welcomed the new year on a markedly bullish note. Helped by a good start, the market has gone up by leaps and bounds through the rest of the year, though there were the usual occasional reactions and recessions. The second quarter of the year did not record a speculative rise in values but the trend remained predominantly bullish. Lack of animation in this quarter was more than made good in the months of April, May and June and the end of the second quarter saw equities at the highest level for the quarter. Again in the third quarter of September, the generally bullish pattern of trading

was evident, reflecting the inherent strength of the market.

Again in the third quarter ending with September, there was a further extension of the bullish pattern of trading. This was sufficiently impressive to bring out the inherent strength of the market. Along with genuine investment, there was also a spate of speculative activity and an attempted corner, by a single bull operator, of some of the leading scrips. This resulted in heavy deliveries on the settlement day on September 1. Matters, by then, had gone too far and in order to cry a halt to unhealthy speculation, the Stock Exchange authorities decided to impose twin curbs on individual margins and budla charges, as also a ban on option business. The measures had the intended effect and the tempo of speculative activity slackened perceptibly. But this did not prevent the market from reaching new peaks, which were, in some cases, the highest for the year.

Sustained Bullish Under-tone

The working results of the companies themselves have contributed

no little to restore the confidence of investors and also to strengthen it. Most of the company results gave eloquent testimony to the growing strength of the economy; higher dividends and large bonuses helped further to attract investment enquiry. As a result, throughout last month, and in the first ten days of this month, the stock market displayed a substantial bullish undertone.

Tata Ordinary, which quoted Rs 214-4 on December 2, last year, reached the year's peak and the highest level in its career on November 9 at Rs 270-12, closing steady at the time of writing at Rs 267-4. Indian Iron, which quoted Rs 33-15 towards the end of November last year, moved up to the record level of Rs 42-8-6 to close at Rs 42-5.

As a matter of fact, October was the month which brought about a near-boom condition in the market, with prices shooting up in a manner that had not been witnessed for many years. In this month, Tata Ordinary registered a rise of Rs 20. Bombay Burmah (Old), which declared a final dividend of Rs 26-4

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per share, making a total of Rs 37-8 on the ordinary share of Rs 125, rose from Rs 586 to Rs 710. Scindia also returned to favour after the increase of 5 per cent in coastal freight rate and reports of firmer conditions in the freight market. They improved from Rs 16-4-0 to Rs 19 in the course of October. Bombay Dyeing and Century recorded gains no less spectacular, Dyeing moving up from Rs 538-0 to Rs 596-4 and Century from Rs 435 to Rs 486-8. Thanks to their excellent working results and possibility of higher dividend, ACC made a gain of Rs 21 at Rs 220 on October 31, and moved further up to Rs 222-8 in the first week of this month.

Rise Broad Based

Even in the semi-gilts, which do not normally attract much speculative activity, some of the gains recorded last month were striking, if not spectacular. Thus, Bank of Ind'a, which quoted Rs 154 on October 3, rose as high as Rs 171, recording a rise of Rs 14. Bombay Burma (New) improved from Rs 209 to Rs 250 while Phaltan Sugar gained over thirty rupees, going up to Rs 172. It will be thus seen that the rise has been fairly broad-based, and that striking advances have been recorded alike in speculative and non-speculative counters.

Among the small priced shares, B B Petrol, BIC and Indian Copper met with considerable speculative as well as investment buying towards the end of the year. Higher dividends and possibilities of the issue of bonus shares were the main factors responsible for a substantial rise in the quotations for these shares.

A Technical factor—A Surprise Packet?

Though there have been factors enough in operation which indicate the inherent strength of the market, some of which have been cited above to support the view that the improvement recorded has a firm basis in expanding investment demand, the part played by speculation, however, cannot be distinguished so easily nor can the operation of speculative factors set out precisely as against genuine investment activity.

A notable feature of the stock market during last month was the steady rise in the carry-over charges at successive settlements. This indicates a heavily overbought position, and it is not conducive to mar-

ket health. One cannot, therefore, rule out the possibility of a technical correction, in the near future. In the light of this, it is quite on the cards that the Moorat night may present the operators with a surprise packet.

Bullion

NARROW MARKET INVITES MANIPULATION

THE bullion market has finished the year with moderate gains. As compared to last Diwali, gold has gone up by about Rs. 9 per tola at Rs. 96-4 while silver at Rs. 171-4 is higher by Rs. 11 per 100 tolas. It is of some significance, however, that silver is now practically at the highest level of the year. The lowest rate recorded for silver was Rs. 152-1 in December from which the market gradually moved up to Rs. 171-2 in April. By June, silver again slipped back to Rs. 154-12 but from this level, the market started moving up once again.

In gold, the lowest rate recorded for spot during the year was Rs. 85-12 and as in the case of silver, the rate moved up to Rs. 98-14 in April but slipped back to Rs. 89-6 in May. Thereafter movements in gold have been comparatively narrow but the undertone has remained steady.

Bullish Trend

The early weakness of the bullion market is to be attributed to the sharp fall in commodity markets before Diwali last year as a result of bumper crops. The market thereafter recovered, partly in response to the seasonal demand and partly as a result of check to smuggling, following the developments in Goa and keener vigilance by the authorities.

The bullion market has not, however, been immune to manipulations by professional operators who seem to have tightened their hold, taking full advantage of limited floating supplies and virtually complete absence of imports. These manipulations led to recurrent crises and squeezes. One operator was credited with having commandeered all the floating supplies and forward trading had to be suspended from July 12 onwards. The by-laws were again amended to meet the new situation and only three weeks ago, forward trading was resumed in bullion after the market had remained closed for more than three weeks.

In view of the prevailing inflationary psychology, limited stocks and higher purchasing power, the outlook for both silver and gold at Rs.

171 and Rs 96 respectively appear to be somewhat bullish.

Cotton

DAMAGE TO BUMPER CROP

THE output of Indian cotton has steadily gone ahead and the cotton textile industry has been relieved of its major headache. The supply position has become comfortable after remaining on a subsistence level where production was chasing consumption and consumption in turn, chasing production, right from the partition in 1947-48 to 1952-53. From 1952-53, the tide turned and in 1953-54 control on cotton was released. In 1954-55 season, the supply position became so very easy as to induce the Government to reduce the floor prices by Rs. 50/- per candy. Measures had also to be devised to prevent prices from possible collapse and the Government of India announced on February 8 its decision to suspend, with immediate effect, the quota system of allocation of Indian cotton to mills.

Comfortable Supply

In terms of the new order, mills are even permitted to seal cotton freely and exports have been encouraged by suitable reduction in export duties from time to time as well as by grant of liberal export quotas. In view of the record world production of cotton during the current season, the anxiety of exporting countries in general to boost exports and of U S in particular to liquidate its surplus stocks, the prospects for fresh export of Indian cotton has become somewhat dim. Government, however, is alive to the situation and it may be hoped that the remaining export duty will be removed in case it is found to hamper exports.

Changed Basis for New Contract

Though the official estimate of acreage as well as production were placed at 18.3 million acres and 43 lakh bales for the year 1954-55, trade estimate of the crop was 53 lakh bales, including 2.7 lakh bales for extra mill consumption. The target for cotton has been fixed provisionally for the Second Five Year Plan at 20.42 million acres and 55.86 lakhs bales. The preliminary trade estimate of the crop at 53 lakh bales for the season has been lately revised downward to about 47 lakh, after the recent heavy untimely rains in several cotton growing tracts.

The quality of the first arrivals of the new crop has not been upto

standard. All factors have resulted in an appreciable recovery in prices. The I C C Feb. 1956 delivery contract, which was sold down to Rs. 610 by the end of September from its earlier high level of Rs. 641-8 towards the close of August, was boosted up to Rs. 669-8 and closed around Rs. 656 on the 9th. It is to be noted that the basis of the Hedge Contract for the current season has been changed from M G Jarilla 25/32" to M G Jarilla (A) Staple 13/16", tenderable up to 2/32" 'on' and 1/32" 'off'.

As cotton has been brought under the provision of the Forward Contracts (Regulation) Act, 1952, the by-laws of the East India Cotton Association had to be amended in deference to the wishes of the Forward Markets Commission. A system of graded margins has been introduced, while the controversial Section 55 has been amended with a view to reflect fully the spot prices while fixing price differentials.

With regard to price movements during the year, it may be noted that at the time of last Diwali, ICC February 1955 was quoting at Rs. 619-8. The lowest rate touched was Rs. 543-12 for I C C May 1955 delivery on April 13, and the highest rate recorded was Rs. 700 for I C C April 1955 when that contract went off the board on August 25.

Damage has been done to the cotton crop this year, and both the quantity and the quality of the crop have been affected. Hence the tendency of cotton prices to firm up. The crop has still to pass the crucial winter season and therefore it is not possible to be dogmatic about the eventual outcome. Moreover U S export policy is to be reckoned with. In view of these uncertain factors, it is difficult to forecast price outlook. But even so, one would not be rash in suggesting that the likelihood of decline from the present rate of Rs. 656 per bale is limited.

Oilseeds

INDIA EMERGES AS SUBSTANTIAL EXPORTER

THE oilseed crop year 1954-55 has been remarkable in many respects. The total oilseed output of over 57,00,000 tons was an all time record and the target laid down in the First Five Year Plan of 55,00,000 tons was exceeded. India re-entered the world export trade in oilseeds and oilseeds products in a real big way first time since World War II. Exports of oilcakes have begun and new markets for cottonseed oil and

Vanaspati have been established. Yet manufacturers of Vanaspati have found internal prices reasonably steady and thank the Government for its handling of the export policy.

At the beginning of the 1954-55 season, oilseed and oil prices were declining at a rate which created considerable anxiety to Government, farmers and traders alike. The primary reasons were:

- (1) a good crop in the previous year,
- (2) little exports to remove the marginal surplus,
- (3) general deflationary trend in all commodity prices resulting from higher production,
- (4) the decline in world prices of oils and fats due to their adequate supplies and
- (5) the anticipation of a good crop in the new season.

The price of ready groundnut oil in Bombay on 1st November 1954 was Rs. 1,000 and, despite Government efforts to maintain prices at about this level through reduction in export duty and grant of liberal export quotas, the price level continued to decline and reached a level of Rs. 805 in February. A very large export quota in February and increasing consumption of oil by Vanaspati and other industries had a tonic effect on the market and the price stabilised around Rs. 900 until June. It spurted to a high level of Rs. 1,040 in July due to late rains but since then has been fluctuating between Rs. 870 and Rs. 1,000.

The trend in industrial oils like castor and linseed was similar. Linseed oil prices began to rise rapidly in the second quarter of the year when it became apparent that Argentina would not be a serious competitor and the demand for Europe increased. Similarly castor oil prices improved in the second half of the year when prospects of exports to USA improved owing to reduced competition from Brazil.

Oilseed output in 1953-54 was very satisfactory but as prices continued to be on the high side, Government did not permit any exports until the prices continued to be on the high side. Government did not permit any exports until the prices began to decline rapidly with the onset of the monsoon. Government announced export quotas in August 1954 to stabilise prices but as the new crop was expected to be better, prices continued to fall. Government followed a very liberal export policy announcing export quotas at fre-

quent intervals and varying export duties with an eye on the domestic and foreign price levels. This had a healthy effect on the market and prices achieved a measure of stability unknown in this field for years.

The surplus from two crops helped to achieve a sizable improvement in exports. In the first 9 months of 1955 India exported nearly 180,000 tons of vegetable oils from Bombay and Madras, besides 47,000 tons of oilseeds and 105,000 tons of oilcakes. Among the oils, groundnut oil accounts for nearly 60% of the total exports, but castor and linseed oils with figures of 29,000 and 28,000 tons also indicate a remarkable improvement after having lost the markets to Brazil and Argentina for some years through higher prices.

An encouraging feature of the export trade has been the beginning of exports of cottonseed oil and its cake. It is a pity that while oil mills are lying idle in large numbers, the increasing output of cottonseed, which can easily yield one to one and half lakh tons of good edible oil, besides yielding other valuable by-products, continues to be wasted. Free exports of cottonseed oil and its cake have given good impetus to cottonseed crushing. To expand output rapidly, however, Government must help to spread the technical know how specially required for cottonseed crushing.

Similarly low groundnut oil prices and free exports have helped to increase Vanaspati exports to over 10,000 tons in 1955. Shri K D Malaviya rightly suggested in his speech at the recent Oil Symposium in Bombay that India must endeavour to export more processed articles than raw materials to encourage employment and earn larger foreign exchange from the same exportable surplus.

One familiar with the oil and oilseed industry and trade must often wonder whether there has been any effective effort to develop this aspect of our economy along with the others. The increase in oilseed output has been almost entirely due to good rains and increased acreage. Improved methods of cultivation have yet to reach farmers. The oilseed crushing industry remains neglected being caught in the ideological controversy of the cottage vs. modern methods of production. Let us hope the Oilseeds Crushing Industry Inquiry Committee will show Government how to obtain more oil at lower cost for Indian consumers, the forgotten factor in Indian planning, and for exports.

CURRENT STATISTICS

BANKING RETURNS					WORKING OF COTTON MILLS BY SHIFTS						
Reserve Bank	Rs Crores				Year	Month	No. of mills which during the month				Total
	Latest Week†	Week Ago	Month Ago	Year Ago			Remained closed	worked 1 shift	worked 2 shifts	worked 3 shifts	
1. Note circulation	1317.54	1305.86	1301.45	1168.62	1949	(Average)	23	31	163	144	361
2. Rupee Coin	109.86	111.14	110.55	105.33	1950	"	29	33	182	115	359
3. Deposits					1951	"	19	27	186	141	373
a) Central Government's	54.69	49.33	51.15	93.17	1952	"	13	25	193	153	384
b) Banks'	59.05	51.71	67.25	68.77	1953	"	17	31	186	158	392
c) Other Governments'	18.83	30.23	9.58	17.93	1954	"	25	27	173	174	399
d) Others'	15.46	15.79	16.35	34.00	1954	June	26	27	170	175	399
4. Foreign Securities	627.09	627.10	646.97	623.15		July	28	26	174	171	399
5. Balances held abroad	81.93	85.27	69.43	103.16		August	27	25	173	175	400
6. Rupee Securities	553.54	543.60	513.79	417.74		September	27	25	172	176	400
7. Investments	50.26	50.33	50.10	94.70		October	26	24	168	182	400
8. Loans and advances to Governments	1.04	0.02	2.67	0.59		November	23	24	173	178	398
						December	24	28	175	174	401
Scheduled Banks					1955	January	26	25	174	176	403
1. Demand liabilities (net)	601.81	602.28	588.27	551.45		February	26	25	174	177	403
2. Time Liabilities	424.38	423.93	417.58	355.79		March	25	23	174	180	402
3. Cash on hand	36.97	33.47	32.34	35.98		April	27	25	166	186	404
4. Borrowings from Reserve Bank of which against Usance Bills	5.55	5.39	9.18	6.36		May	28	26	168	184	406
	4.16	4.15	7.80	2.42		June	25	28	161	191	405
5. Advances and Bills discounted of which State Bank's	547.09	542.81	547.73	497.49		State-wise (as in June 1955)					
6. Investments of which State Bank's	392.34	392.96	384.51	349.76		Andhra	—	3	3	1	7
Cheque Clearance	137.98	99.27	148.57	144.65		Bombay	9	9	72	90	180
						Bihar	1	—	1	—	2
†For Reserve Bank and Cheque Clearance week ended 4-11-55. Scheduled Banks week ended 28-10-55.						Madhya Pradesh	—	1	6	4	11
						Madras	1	1	33	46	81
Bombay Money Rates 4-11-55 28-10-55 7-10-55 5-11-54						Orissa	—	1	—	1	2
Inter-Bank Call Rate 2½ 1½ 2½ 1½						Punjab	1	—	—	2	3
3 months deposits 3 2½ 2½ 2½						Uttar Pradesh	6	5	7	4	22
6 months deposits 3 3 3 3½						West Bengal	3	2	4	17	26
						Hyderabad	1	—	1	4	6
Bombay Bullion In Rupees and Annas						Madhya Bharat	1	1	12	2	16
10-11-55 Week Ago Month Ago Year Ago						Mysore	—	1	5	3	9
Gold (per fine tola)						PEPSU	—	—	—	1	1
Spot 95-9 95-3 94-2 87-9						Rajasthan	1	—	3	3	7
Forward 95-15 95-11 † 87-7						Saurashtra	1	1	8	—	10
Silver (per 100 tolas)						Travancore-Cochin	—	—	2	8	10
Spot 170-3 163-7 167-14 158-0						Ajmer	—	—	4	—	4
Forward 170-15 169-5 † 158-10						Bhopal	—	—	—	1	1
† no trading						Delhi	—	—	—	3	3
						Kutch	—	1	—	—	1
						Pondicherry	—	2	—	1	3
						TOTAL	25	28	161	191	405

Source : Ministry of Commerce and Industry

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-Group	Week ending 22-10-55	Week Ago	Month Ago	Year Ago
I Food Articles:	320.4	319.4	306.5	355.8
Cereals	338	392	375	391
Pulses	308	293	264	284
Others	230	226	222	317
II Industrial Raw Materials:	408.7	408.2	397.5	434.3
Fibres	414	416	406	462
Oilseeds	390	385	373	406
Minerals	431	431	413	393
Others	423	421	423	423
III Semi-Manufactures:	332.2	320.0	325.0	351.3
Leather	338	335	338	362
Mineral Oils	202	202	202	221
Vegetable Oils	379	369	362	434
Cotton Yarn	409	408	407	455
Metals	276	276	258	241
Oilcakes	357	350	344	416
Others	330	330	330	306
IV Manufactures:	370.9	370.2	368.6	375.9
Textiles	401	400	403	419
Jute	397	391	396	447
Cotton	399	399	402	415
Rayon & Silk	479	479	474	445
Woollen	278	278	278	310
Metal Products	371	371	352	340
Others	285	285	286	285
V Miscellaneous:	559.4	559.0	554.9	606.3
All Commodities:	359.8	358.8	351.1	382.3

INDUSTRIAL DISPUTES

(Resulting in work-stoppages involving 10 workers or more)

Year/Month	No. of disputes		No. of workers involved		Total No. of man-days lost
	Start-ing	In Pro-gress	Start-ing	In Pro-gress	
1947	—	1,811	—	1,840,784	16,562,666
1951	—	1,071	—	691,321	3,818,928
1952	—	963	—	809,242	3,336,961
1953	—	772	—	466,607	3,382,608
1954	—	840	—	477,138	3,372,130
1954 :					
July	106	122	22,547	30,189	277,492
August	59	79	36,262	51,090	322,887
Sept.	77	97	35,162	50,414	363,878
Oct.	66	88	30,678	41,724	276,294
Nov.	48	62	16,244	25,115	239,701
Dec.	75	101	44,124	54,455	262,763
1955 :					
January	72	95	38,430	49,038	322,807
February	68	91	31,853	38,370	144,302
March	86	111	63,091	69,925	353,091
April	68	98	19,525	29,525	301,258
May	91	118	52,683	63,332	834,999
June	117	149	55,324	85,467	10,29,274
July	55	90	10,186(a)	53,988(a)	660,709(b)

N. B.:—Figures for 1955 are provisional

(a) Not known in 5 cases

(b) Not known in 6 cases

Source: Labour Bureau

INDUSTRIAL PRODUCTION

	Units	1955					1954		Monthly Average		
		Aug.	July	June	May	Apr.	Mar.	July	1954	1953	1952
I Consumer goods											
1) Cotton Textiles	Crоре yds	—	44.60	41.80	40.10	41.80	42.9	43.95	41.65	40.65	38.3
2) Woollen Manufactures	lakh lbs	—	18.78	17.44	15.54	50.40	48.5	18.64	15.63	16.04	13.82
3) Matches	'000 cases	—	—	50.10	50.10	24.67	26.56	44.6	45.0	51.5	51.6
4) Sewing Machines	Nos	9,132	8,536	8,200	8,401	8,207	8,087	7,105	6,683	5,202	4,170
5) Vegetable oil products	'000 tons	—	—	24.02	24.23	18.93	21.79	16.74	19.23	15.97	15.90
II Raw Materials or Intermediate goods											
1) Cement	'000 tons	373.7	—	329.5	375.4	364.8	380.3	365.1	366.5	315.0	294.8
2) Chemicals:											
a) Sulphuric Acid	tons	—	—	10,793	11,302	13,255	14,350	13,349	12,573	9,091	8,007
b) Caustic Soda	"	—	—	2,806	2,603	2,682	2,992	2,337	2,442	1,909	1,422
c) Soda Ash	"	5,367	7,193	6,768	5,509	6,570	6,955	3,132	4,024	4,739	3,694
3) Coal	lakh tons	—	29.56	30.75	31.75	32.33	33.04	29.66	30.64	29.87	30.19
4) Cotton Yarn	lakh lbs	—	1,440	1,330	1,250	1,300	1,350	1,357	1,301	1,255	1,208
5) Jute Manufactures	'000 tons	81.4	84.1	85.7	81.7	85.7	88.9	80.7	77.3	72.4	79.3
6) Non-ferrous Metals:											
a) Copper	tons	582	620	620	635.0	674.2	674.0	623.4	597.6	410.0	506.6
b) Aluminium	"	630.5	610.8	613	653.2	599.3	627.5	438.6	407.2	313.2	297.2
c) Lead	"	161.0	—	174	170.7	222.4	211.3	150.0	149.0	141.2	94.3
d) Antimony	"	40.0	36.0	50	75.0	80.0	80.0	5.8	44.9	10.9	15.1
7) Paints & Varnishes	"	—	2,671	2,396	2,104	2,373	2,623	3,102	3,068	2,671	2,681
8) Paper & Paper Boards	'000 tons	—	—	15.08	13.9	15.07	15.04	13.35	12.94	11.64	11.46
9) Iron & Steel:											
a) Pig Iron	'000 tons	—	148.2	144.5	150.9	152.7	150.2	146.0	149.4	137.9	140.4
b) Steel ingots & castings	"	—	—	133.1	143.0	144.6	149.1	141.4	140.4	125.6	131.5
c) Semi-finished Steel	"	—	—	117.5	123.7	124.0	129.5	122.5	121.0	102.5	109.0
d) Finished Steel	"	—	—	103.7	106.3	106.6	115.3	102.9	103.6	85.3	91.9
III Capital goods											
1) Machine Tools	'000 Rs.	—	—	718.2	598.8	381.2	432.8	581.1	416.9	367.3	369.8
2) Diesel Engines	Nos	—	—	795	801	893	914	704	721	310	354
3) Electric Motors	'000 HP	21.8	16.8	20.7	19.4	20.7	20.6	17.6	15.6	13.5	13.1
4) Power Transformers	'000 KVA	42.6	46.6	47.2	41.5	40.0	42.1	39.4	33.3	25.7	17.9
IV Transport Equipment											
1) Bicycles	'000 Nos	—	—	42.8	41.04	39.11	38.99	31.5	31.03	22.01	16.41
2) Automobiles	Nos	2,061	1,865	2,083	1,953	1,607	2,272	996	1,205	1,160	1,274

Source: (i) Directorate of Industrial Statistics
(ii) Indian Trade Journal

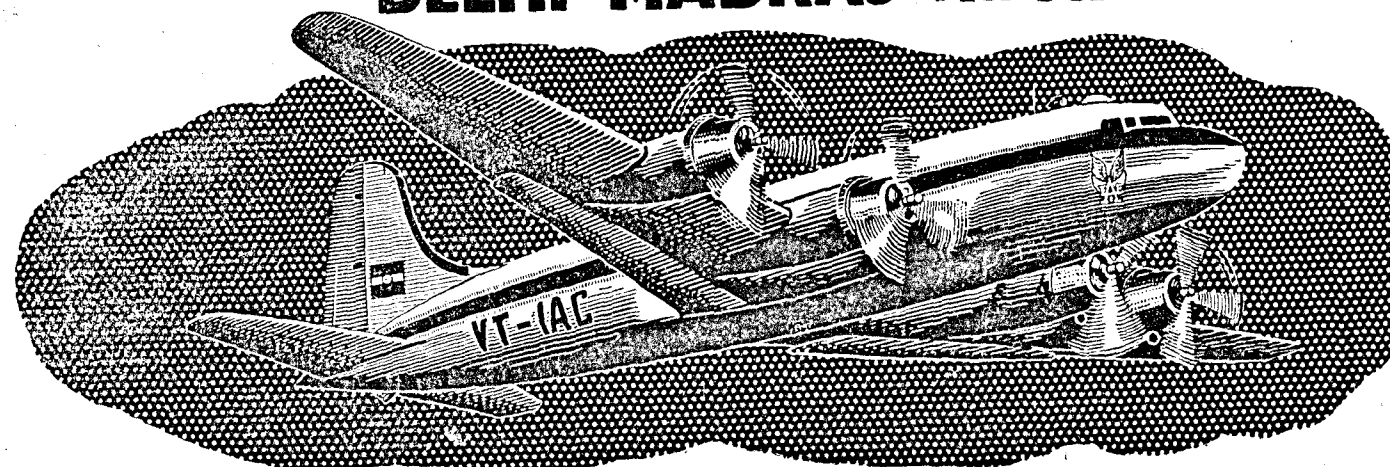
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Deshmukh on the Draft Plan

ACCORDING to Shri Chintaman Deshmukh, the draft Second Plan is expected to be placed before Parliament in the early part of the next budget session and finalised before the end of the financial year. For a document of such importance, the period allowed for discussion is so short that it makes one wonder whether presentation to Parliament is being viewed as a mere matter of routine unavoidable in the present system of Government. It is possible that the draft could have been tabled in the current session of Parliament had the States' Reorganisation business not intervened. But as things have turned out, it has to wait until a clearer picture of the federating states emerges, so that the details may be reshuffled to suit the revised State boundaries. There is, therefore, a very valid excuse for the delay in submitting the draft Plan.

This would not have been a matter for grave concern if the details had been worked out and kept ready for revision. But from what Shri Deshmukh said the other day, it would seem that the Planners have not yet got to that position. Indeed, it is not even clear now whether the draft Plan to be presented to Parliament will be substantially the same as the Draft Plan-Frame that has been under discussion during the past six months or more. In this situation, it seems certain that the Planning Commission and the Government and the legislatures will find it a colossal task to complete their work according to schedule.

Shri Deshmukh indicated that the public sector's outlay under the Second Plan would be more than Rs 4,800 crores. Assuming that this covers both the 'investment' and 'current' expenditures set out in the Draft Plan-Frame, there is thus already an addition of over Rs. 500 crores to projected expenditure. The Finance Minister did not disclose why this addition has been made, and which sectors benefit from it. Maybe the Planning Commission has been persuaded by the Railways that the provision for transport in the Plan-Frame was woefully inadequate for moving the additional output. Or the Commission might have considered it essential to step up the outlay on "social overheads". Or, again, the acute shortage of steel now being experienced may have led to a revision of the steel target.

One may go on in this vein and speculate on the possible reasons for the enlarged outlay in the public sector. But there is little doubt that this increase is not due to any single item. Nor is it conceived as a means of raising the employment target. The Finance Minister apparently felt that during the Second Plan period, additional jobs created would be of the order of eight million as compared to the target of 10 to 12 million jobs in the Draft Plan-Frame. This must cause great surprise and even greater debate, since the targets for outlay and employment have tended to move in opposite directions. Does this mean that in the process of revision, emphasis has been mainly on the capital-intensive projects? Or is it merely a re-appraisal of the employment effect of the projects originally included in the Draft Plan-Frame? There is little doubt that Parliament will pay special attention to this aspect; and if the House feels that the employment target must not be reduced on any account, either the size or the pattern of investment or both may have to be altered again.

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This question of balance between the investment and employment targets is not the only one in doubt. Even more nebulous is the relationship between projected outlay in the public sector and expected or planned resources. The Draft Plan-Frame found it difficult to pinpoint the sources of finance for the outlay of Rs 4,300 crores envisaged therein. Many have questioned the feasibility of covering an outlay of that order, with deficit financing confined to about Rs 1,200 crores. How then will the additional Rs 500 crores be found? Very little light was thrown on this by the Finance Minister. In fact, he has confessed that nationalisation as a means of augmenting the public sector's resources has not been seriously or precisely thought out. Not that nationalisation, undertaken on a scale or form hitherto contemplated, would have added in any significant measure to the public sector's resources. But even the little that could have been so garnered is an uncertain quantity. Apparently, Shri Deshmukh and his colleagues hope that taxation and borrowing can be stepped up sufficiently, and that deficit-financing will take care of the rest.

So much has already been said about the taxation and borrowing targets in the Draft Plan-Frame that there is little point in discussing it here in detail. There is, however, one aspect to all this which is of some importance. If we assume that substantial deficit-financing will be resorted to, how is that likely to affect the taxation and borrowing prospects? So far, it has been the practice to look at the likely increase in national income over the period and relate the taxation receipts to the aggregate. This has been criticised on the ground that much of the increase in income will be in spheres like agriculture and household and hand industries, which do not attract much tax. But there is the other question, viz., the secondary effects of government expenditure—deficit financed or otherwise—on the money incomes from which larger taxes or loans may be expected. It would be worthwhile looking a little more closely into the money-flows during the period of the Plan, in addition to the pattern of national income at the end of the Plan period, in order to facilitate an appraisal of the movement of funds between the public and private sectors all along the line.

In the meantime, one has to recognise the shifts that have occurred during the past few months in the

background. The short-supply in respect of steel has turned out to be larger than had been believed, so that we have not only had to reimpose controls on that commodity but to plan for much larger imports as well. The position in regard to agricultural commodities—food and non-food—is still comfortable, but only just so. On the stock exchanges and organised markets, the general tone is one of bullishness—reflecting to some extent the optimistic expectations regarding the scope for private initiative and enterprise. The position is, in other words, not one in which the attitude to the magnitude of deficit-financing can be one of, so to speak, 'more or less'. On the other hand, all these indicate an in-

tensification of economic activity which, while limiting somewhat the scope for deficit-financing, might itself contribute more to the fisc in the form of taxes and loans. The Finance Minister can, to some extent, feel more confident in his expectations regarding the usual sources of revenue and the ability of the market to stand increased government flotation of loans. He will perhaps get a clearer picture of the position by the time Parliament meets for discussing the draft Plan and the budget for the next year. But with all that, one still wonders how and where he is going to find the money for balancing the additional outlay of Rs. 500 crores or more now being envisaged in the public sector.

Diplomatic Bankruptcy

LACK of imagination and statesmanship has been distressingly evident during the three weeks of bargaining and counter-bargaining by the four Foreign Ministers at Geneva. It is not their fault that they have failed to reach agreement on any of the specific issues under discussion. But it is a reflection of their diplomatic bankruptcy that they have miserably failed to recapture the Geneva spirit. It is clear that the four Foreign Ministers lack the vision of the four Heads of State. It will be argued that the four Foreign Ministers assembled at Geneva to explore whether the specific directives of their Heads could be implemented. This limitation, under which the four Foreign Ministers deliberated at Geneva should not be minimised. But they cannot escape the accusation that, failing to reach agreement on specific issues, they had not the wisdom even to explore the prospects of carrying the achievement of the four Heads of State a step further.

Much has been sought to be made of the achievements of the conference 'at the summit'. It would be uncharitable to belittle the success of the July talks at Geneva among the four Heads of State. But it would be appropriate to analyse the 'summit' conference in its proper perspective for a realistic appreciation of its attainments and of what it failed to achieve. It was not the immediate objective of the four Heads of State to reconcile the world issues in dispute. Their aim was to discover whether both sides were willing to negotiate the issues in dispute in or-

der to ensure peaceful co-existence. They did not, though it is not widely realised, reach agreement on the principle of peaceful co-existence in all its wider implications. But they succeeded in reaching an agreement that negotiations should start on the issues in dispute. This was no mean achievement. But this achievement was possible because of a negative influence. Both sides understood that each side had realised that an atomic war could not be waged as such a war would destroy civilisation.

What in July last was widely applauded as the Geneva spirit of peace has since degenerated into a "hydrogen stalemate". Russia and the Western Powers mutually agreed that neither side would start an atomic war. This did not mean that there was any agreement to ban war, or to ban atomic weapons. It has since been argued that an atomic balance of power is the most sure deterrent to war. It would, thus, be arguable that the four Heads of State arrived at an agreement not to start an atomic war, but they did not agree not to wage war. This was the state of world affairs as the four Foreign Ministers assembled at Geneva. Even at the early stages of their deliberations, it became evident that both sides were talking at each other. To avert failure and disappointment, the four Foreign Ministers should have reversed their strategy. They should have soared above quarrelsome issues to concentrate their attention on principles. It was within their power to project the earlier understanding in relation to atomic warfare on a wider sphere.

It should not have been difficult for the four Foreign Ministers to issue a joint declaration by the four Powers to renounce the use of force. By such an agreed statement of policy, they could have perpetuated the Geneva spirit.

As members of the United Nations, Russia and the three Western Powers are committed to renounce the use of force in settling disputes. And again, Washington demanded such an undertaking in Moscow. Over and over again,

US Secretary of State has insisted on an assurance from Communist China that Peking must make clear beyond the shadow of a doubt that it has no intention to use force in settling disputes in the Far East. NATO and many other similar military alliances have been created by the Western Powers. These military pacts have provoked counter-alliances by Communist States. But both sides have repeatedly affirmed that their respective military pacts are defensive in nature and purpose. As the ostensible policy of both sides is not to

start an aggressive war, there would have been no difficulty for the four Foreign Ministers to issue a joint declaration renouncing the use of force. Such a declaration alone could not have resolved all the world issues in dispute. But after the understanding among the four Heads of States about atomic warfare, it would have helped further the establishment of an atmosphere in which the disputed issues could be discussed more calmly and objectively.

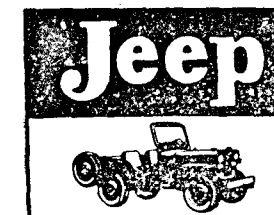
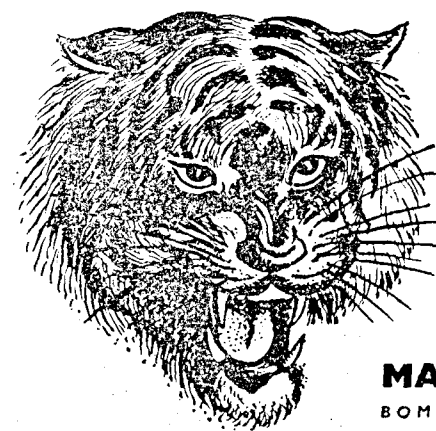
It would be idle to pretend that the specific issues which were under discussion by the four Foreign Ministers were not complex. But it is clear from the deliberations of the four Foreign Ministers that mutual suspicion and fear have introduced additional complications into each and all of the disputed issues. It is difficult to appreciate the allegation that in insisting on European security first, Russia has violated the directive of the four Heads of State. In their emphasis on German reunification first, the Western Powers are liable to a similar accusation.

If the Western Powers suspect that Russia's ulterior motive is to establish a Communist State in a future, unified Germany, Russia is equally suspicious that the Western Powers' design is to create an armed, unified Germany as a NATO partner.

As on Germany, so on disarmament, the approaches of both sides are vitiated by mutual fear. It is clear that the Eisenhower plan for 'open skies' and inspection of ground forces and armaments is based on the Western Powers' reluctance to accept Russia's good faith. Russia's proposal to ban atomic weapons reflects the Western Powers' superiority in nuclear weapons of warfare. Her plan for reduction of armaments is not accepted by the Western Powers as they suspect that they are not fully aware of Russia's present strength in armed forces and armaments. Each of the four Foreign Ministers is now a sadder, but not a wiser, man after their wranglings for three weeks. Far more disquieting is the common man's disappointment over the diplomatic bankruptcy of the major Powers.

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Weekly Notes

U S Loan for Tata Steel

SHRI J R D TATA'S cryptic statement on his return from New York this week that the planned expansion programme of the Tata Iron and Steel Company would be gone through and that the necessary finance would be obtained from the Export-Import Bank will set at rest doubts on that score which have been current for some time.

It was known that Shri Tata's mission to the United States was concerned among other things with the obtaining of financial accommodation on a fairly substantial scale. Preliminary reports had not been very reassuring about the possibility of success. Shri Tata gave no details of his deal with the Export-Import Bank, but it is to be presumed that these will be made available in an official statement from Bombay House soon.

Reequipment in the Air

SHRI TATA, who attended a meeting of the International Air Transport Association in New York, made a pointed reference to the tremendous developments that were taking place in aviation in Europe and America. His reference to the superiority of the DC-8 pure jet aeroplanes over the Super-Constellations, with which Air-India International is equipped at present, only serves to emphasise the ever-present problem of keeping up with the latest developments faced by any international air carrier.

While not replying directly to the question whether the Air-India International Corporation intended to purchase these planes, J R D indicated his interest in them and added that "the Corporation always stood in the forefront of technical development in aviation." If this position is to be maintained, however, the Corporation will have to make up its mind soon, for a major process of re-equipment seems to have started in the air transport industry. Shri Tata himself referred to an American airline company which had already placed an order for 45 DC-8s with the manufacturers. If Shri Tata was referring to Pan-American Airways, which has in fact placed an order for 45 new large long-distance planes, other information suggests that his statement must be subjected to a correction. Only 25 of the new planes ordered by Pan-American are to be the new Douglas DC-8, the other 20 being the Boeing

707, which is also a pure jet airliner. The value of the combined order runs to £96 million, which should give some idea of the magnitudes involved.

Though Shri Tata did not mention the fact, the jet planes are not the only planes in the field for long-distance flying with particularly the North Atlantic or the Pacific runs in mind. The Bristol Britannia, a long-range turbo-prop received an order for three planes with an option for a further five from Canadian Pacific Airlines at a value of £3½ million (without options). These planes are evidently cheaper, though of the same size. These are British planes, while both the jet aircraft are of American manufacture. Obviously also, these planes are cheaper than the jet planes though their capabilities and operational economies might well be different.

Planes on Paper

IT may be noted that all these three types of planes—the two jets and the turbo-prop—have not yet been flown, tested or for the matter of that, even built. Even the various features that are to go into them have not been finalised, though of course the broad outlines are apparent. It follows from this that the many claims made on their behalf may not necessarily be substantiated. All the three planes are to be giants, capable of carrying a hundred to a hundred and fifty passengers over long distances, the Atlantic passage non-stop being the measure of their range. They are expected to differ radically from earlier types in many salient features and in their equipment, and, most important, they are expected to become available only from 1960. The many orders already placed for them indicate that unless Air-India places an order at an early date, it may not obtain delivery until much later.

In the medium-range of up to 2,500 miles also a large number of new orders have been placed, mainly for turbo-props. Two American operators, Eastern Airlines and American Airlines, have ordered a total of 73 Lockheed Electrics for £20 million. The Air-India International might perhaps gain more by thinking of these planes than of the long-range jets or even the long-range turbo-props since it does not have to plan for non-stop North Atlantic flights at least as yet. Of course, if its competitors use the longer-range and

presumably faster aircraft on the same routes as the Air-India International, it might not be left with much choice.

Steel Imports

SINCE the domestic output of Steel cannot be increased until the Rourkela and Bhilai plants go into operation, the rising demand for steel in both the public and private sectors has, of necessity, to be matched by additional imports—or left unsatisfied. The gap in availabilities is estimated at over a million tons, which is by all accounts a substantial amount for any one country to supply at short notice. The frantic efforts now being made by the Government of India to procure whatever steel is available in any part of the world will, therefore, cause no surprise. With limited supplies available in the United Kingdom, and with dollar considerations imposing restrictions on increases in imports from the USA, India has started tapping other sources. Besides the 40,000 tons of finished steel already obtained from the USSR, orders for another 60,000 tons are to be placed with that country. Czechoslovakia and Japan are other likely suppliers, should the prices and terms of offer prove acceptable. It is reported that India might even purchase on a barter basis about 30,000 tons from the People's Republic of China. All of this will, however, cover only part of the requirements, and it is more than certain that steel will be very much of a bottleneck commodity in the months to come.

Obviously, this shortage will persist through the greater part of the second Five-Year Plan. And by the time the new steel plants supplying the domestic market, demand may well have taken a further jump. Against this background, there can be no question about the rightness of the emphasis on steel in the Second Plan. Indeed, one might now wonder if we are not going too slow in the matter of steel production. On the other side, the acute shortage in steel supply today will mean a recasting of the foreign exchange budget for the Second Plan. We have now to pray for a succession of good monsoons, so that our foreign exchange resources could be made available for steel without our having to starve ourselves to death.

Bombay's Future

THE decision of the Congress Working Committee on the future of Bombay City, though inevitable in the circumstances, has, far from giving any special cause for satisfaction in any quarter, had a somewhat chilling effect on all the parties concerned. Though for the cosmopolitan-minded people of the City as such, there can be some immediate negative solace in the fact that the metropolis, the scene of their endeavours and a perennial source of inspiration and pride, does not go to any particular unilingual territory for the time being, the possibility of the present decision being reversed five years hence, is a disturbing factor. That can only mean that the battle for Bombay, as it has come to be picturesquely described in certain quarters, will continue during the five-year period, possibly with increasing intensity and bitterness, imparting a sense of uncertainty and unreality to all the doings of the City. And that is not to speak of the very real danger of the coming elections in the City being fought on the question of Bombay's future and a bloc being formed in the would-be legislature of Bombay City to carry on the campaign in the legislative arena through every means known to parliamentary obstruction. In fact, the crucial battle for Bombay will be fought, not five years hence, but in the very next elections, and the pattern of political alignment that emerges then will show whether the experiment of a separate City State can work or not.

The policy of leaving an issue open has little to commend it—except perhaps political expediency. The Working Committee has been wise in deciding to do away with the five-year period of uncertainty visualised by the States Reorganisation Commission for Telengana. That it has not been able to apply the same consideration to Bombay is a matter for regret. With no possibility of the differences among the various claimants to Bombay City being reconciled, the Working Committee was fully justified in recommending that the City be formed into a separate State. Having been forced to that conclusion, the Committee could well have made its decision final—in the sense of its not being open to reconsideration at all. If a showdown was unavoidable, the present was the best time to face it along with the innumerable other minor crises brewing in other parts of the country over the linguistic question. The bad pre-

cedent set in the case of Bombay is only too likely to encourage hopes of reconsideration and revision in other quarters too. That way, the problem of linguistic reorganisation will never come to be settled. And as long as it continues to be a live issue, the nation's attention and energy will be diverted from more important national tasks and frittered away on futile rivalries and bickerings.

Only Solution

SHRI S K PATIL, who, more than others, has tried to emphasise the special status of Bombay in the country and secure recognition for it too, is himself not very happy about the decision of the Working Committee. But he has sought to hug the hope that an earnest effort would be made to give the Working Committee's solution a fair trial and that meanwhile all controversy and agitation over the future of the City would be set aside. At least, that is the essence of his appeal to the people of Bombay; and though there are large sections who are one with Shri Patil in seeking enthusiastic response to his appeal and fulfilment for his hope, the fact cannot be overlooked that in such matters a determined, fanatically-inclined group, though not numerically overwhelming, could nevertheless cause considerable embarrassment and even hindrance to the smooth working of the administration. Indeed, in retrospect, it seems as though the proposal made by the States Reorganisation Commission for a bilingual State with Bombay as the capital was not only fair and practicable, but also highly conducive to the progress and prosperity of this part of the country. It is doubtful, at this stage, whether there can be any return to that proposal except on a basis which cannot be fair to all the parties concerned. And so the only way out is the Working Committee's recommendation to make Bombay City a separate State which, if accepted in grace and sportsmanship by all the disputants, could yet guarantee the importance of Western India and ensure the smooth progress of the proposed three States, Maharashtra, Gujarat and Bombay.

It is not only in the negative sense of a way out of a difficult situation that the Working Committee's proposal, preferably without the five-year period of trial, demands attention. There is a positive aspect to it too. Bombay City has the resource, talent, strength and, more than all, the will to be a State in it-

self, however small in area. It could be a model State—and a compact, congenial laboratory for experimenting with political ideas and ways of progress and applying them to the rest of the country. And it has evolved, and it could continue to evolve, a way of life—broad, tolerant, harmonious and forward-looking—a contribution of the highest significance to free India. Bombay is miniature India, representative of every nook and corner of the country and capable of imparting its impulses to the remotest parts. And though in certain respects, it might have lost some of its former importance to Delhi, it still continues to be the soul of modern India. And to give it a habitat and a field of expression of its own is in itself a desirable end, even apart from considerations connected with the linguistic reorganisation of States. That is all the more reason why the Working Committee, coming to an unavoidable decision on its future, should have put on it the seal of finality.

Arabs and Jews

AS the border tension mounts, both Israel and Egypt seem determined to have a show-down. Israel has been too hasty in rejecting Sir Anthony Eden's proposal. Britain is prepared to act as mediator to settle the dispute between Israel and Arab States under certain conditions. Colonel Nasser, Egypt's Prime Minister, is no less adamant in his threat that Syria and Egypt, "now united, would drive out and free the Islamic world of Zionism".

Both the British Prime Minister and the President of the United States have stressed the sinister implications of an "arms race" in West Asia. Even if Sir Anthony's accusation be conceded that Russia has made the move to gain popularity among Arab States, it would be wrong to conclude that the supply of arms and technicians by Czechoslovakia to Egypt has created the frontier disturbances between Israel and Egypt. This is not to deny that the race for armaments in West Asia is a deplorable development.

While the U S State Department is diplomatic in warning Israel and Arab States that America will be "strongly opposed to the side which starts a war", Sir Anthony's proposal to end the dispute has certain constructive aspects. No impartial observer can endorse Arab States' stubborn refusal to recognise Israel. But their claim for frontier readjustments will have to be considered in

any serious negotiation for a peaceful settlement of the dispute between them and Israel.

In the Mansion House speech, Sir Anthony made the suggestion that Israel and Arab States should start discussions for a negotiated settlement of the dispute in order to reach a compromise agreement on the issue of frontiers, proposed in the U N resolution in 1947 and those delimited in the armistice agreement of 1949. On behalf of Israel, Mr Sharett has rejected this suggestion, though he has expressed Israel's willingness to make "minor concessions" in relation to the existing boundaries.

M Sharett has enumerated reasons for Israel's reluctance to accept Sir Anthony's proposal. Arabs had not only rejected the original 1947 resolution of the United Nations, they started an aggressive war against Israel. Mr. Sharett implies that Israel is entitled to the boundaries fixed by the armistice agreement in 1949 by right of occupation. Under the armistice agreement, Jordan and Egypt held territories in the former central Palestine and the Gaza strip to which they are not entitled under the 1947 U N resolution. M Sharett is emphatic that Israel will not cede territory, though she is prepared to make minor concessions in the interests of a peaceful settlement. It will be recalled that Egypt ignored Mr Ben Gurion's recent offer at peaceful negotiation "without prior conditions" on the argument that there could be no peaceful settlement without an agreement on these "prior conditions".

This is the immediate cause of the border tension between Israel and Egypt. One vital fact emerges out of the developing situation in West Asia. It is clear that Arab States will insist on a readjustment of frontiers, as indicated in the 1947 UN resolution. This makes it all the more imperative that the United Nations should act promptly. There is urgent need for the United Nations either to reiterate, or to suggest amendments to, the original 1947 resolution.

There is another reason why the dispute between Israel and Arab States should be immediately considered by the United Nations. Despite the 1950 Agreement, whereby America, Britain and France undertake to guarantee the frontiers between Israel and Arab States, it is necessary for the United Nations to initiate fresh discussions on a plan

for a guarantee of mutually agreed frontiers by the major powers under the direct auspices of the United Nations.

Korea

MANY attempts have been made to solve the Korean problem, but no tangible progress has yet been achieved. At Geneva last year, Western Powers and Communist States succeeded in reaching an agreement on Indo-China. But both sides admitted failure in their efforts to arrive at an agreed solution of the Korean problem. Korea still remains divided. Deeper reasons and motives which explain the failure of repeated attempts to arrive at a lasting solution of the Korean problem are reflected in the recent acrimonious debate on Korea in the Political Committee of the United Nations.

Two separate issues emerged as the Political Committee continued the debate on Korea. America proposed that a representative of South Korea should participate in the debate, but he should not have the right to vote. Syria proposed that representatives from both south and north Korea should be invited to take part in the debate. Shri Krishna Menon, on behalf of India, was logical in his amendments to both the American and the Syrian proposals. He argued that, as parties to the dispute, representatives of north and south Korea should not be allowed to participate in discussions on India's report on behalf of the Neutral Nations' Repatriation Commission. He, however, insisted that representatives of both north and south Korea should be invited to attend the debate, as non-voting observers, on the U N Commission's report on unification and rehabilitation of Korea.

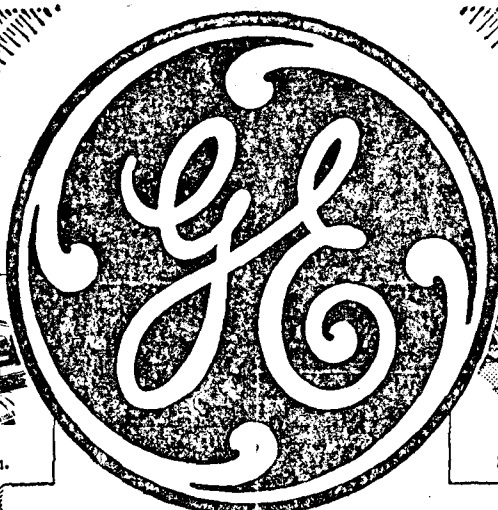
Syria accepted the amendment proposed by the Indian delegate, but the U S delegate refused to withdraw his original motion to invite a representative of south Korea, but to deny any such invitation to a representative of north Korea. Reunification of Korea is the avowed aim of the United Nations. This is an objective which cannot be achieved without a mutual agreement between north and south Korea on arrangements for uniting the divided country. It stands to reason that the representatives of both north and south Korea should be invited to the debate by the United Nations on unification and rehabilitation of Korea.

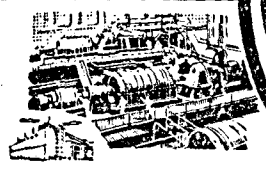
To such a demand, the American delegate retorted by informing the United Nations that Washington believes that it would be "unthinkable" to extend any such invitation to any representative from north Korea. In discussions in the United Nations, America has, over and over again, pursued a policy which militates against the fundamental aims of the United Nations. Washington needs the Syrian delegate's dignified reminder that the United Nations' aim is not to create a new State in Korea, but to ensure reunification of Korea in peace.

Employees' Insurance

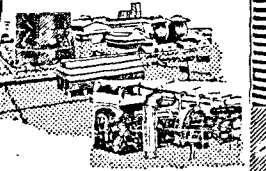
THE Employees' State Insurance Scheme, which was started some three years back, is to be extended to the city of Madras from November 20, 1955. With this extension, the Scheme will cover around a million workers and their families, but this fact is unfortunately not as well known as it should be. Framed along the lines of the UK National Health Scheme, it seeks to offer wider and better medical facilities to industrial workers. The cost of these facilities is to be borne partly by the workers themselves and partly by employers and Government. It also needs whole-hearted co-operation from the medical profession for its success. There have, in the past few years, been difficulties in working out a formula acceptable to all the parties involved. However, the fact that the Scheme has been adopted in several large industrial agglomerations indicates that slowly but surely the idea is gaining support.

As at present, the Scheme applies only to industrial workers. It is expected that in the Madras City area, about 50,000 workers—manual, clerical and supervisory—drawing monthly salaries up to Rs 400 will benefit from the Scheme. These are all employed in perennial factories using power and having a labour complement of 20 persons or more. That at this stage the Scheme should be restricted to the organised section of non-agricultural labour is inevitable. But when enough experience is gained, it should be possible to devise ways of extending it to the large number of workers outside the organised industries. Otherwise, it may well come in for criticism on grounds of equity, since the workers in organised industries constitute, so to speak, the 'better-off' class amongst labourers.





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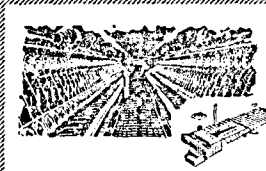


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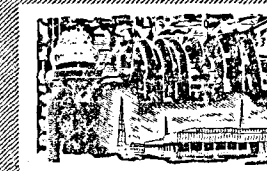
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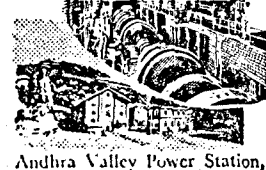


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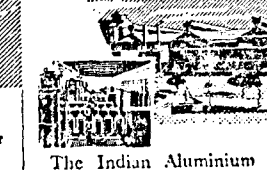


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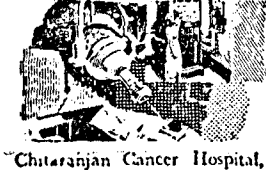


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The State of the French Economy

AS a contrast, the French economy has reached a particularly interesting stage. Unlike that of her neighbours, French economic policy continues to be expansionist and most remarkable of all, and the country is currently enjoying its first postwar surplus in the balance of payments. The change in the economic situation is variously interpreted by French commentators—the most interesting of these is that relating to the ending of the war burden in Indo-China; these same spokesmen claim that more of France's ills will be remedied if appropriate measures for the pacification of North African problems are adopted forthwith.

Early in September, the Minister of Finance announced a "progressive reduction in the cost of money"—a reduction from 7 to 6½ per cent in the interest rate for long term loans by the Credit National. More than that, the Minister announced a new but peculiar French measure—where the loans required offered some "benefits to the National economy", they could be underwritten in large proportion by the French Treasury. Finally, as the British Chancellor of Exchequer was toying with the idea of reconstituting the British Capital Issue Committee, M. Pinillon, the Finance Minister, announced a "return to complete freedom" for new private share and bond issues which would no longer require prior authorization of the State.

These measures reflect fully the policies which M. Mendes-France had conceived and spoke about but did not have the opportunity to put into effect. The need for considerable internal investment in France was also prescribed by the various Organs of the OEEC and the UN Economic Commission for Europe. Earlier than that the Monnet Plan for Industrial Modernisation was based on the understanding that something like 15 per cent of the national income would be devoted to industrial re-equipment and investment. The Monnet Plan was, however, largely sacrificed by the exigencies of the times and in particular by the Colonial wars which have been France's unfortunate lot in the whole of the post-war years. More fundamentally, however, the difficulties which

make a sustained level of industrial expansion a virtual impossibility are two in number: first, the limited mobility in manpower and secondly, the definite attitude favouring restrictionism fostered largely by almost a whole decade of industrial stagnation.

There is now little doubt that the bias in favour of protection largely contributed to the stagnation of industry. The cost structure of industry was so burdened by taxes imposed as it was on the most efficient enterprises and branches of the economy to the benefit of the less efficient ones. The tax burden on French industry becomes very heavy because of the exceptionally large fiscal privileges granted to French agriculture. The odium with which French farmers regarded M. Mendes-France can well be imagined when he commenced his anti-alcoholic campaign. In fact French farmers pay very low tax while at the same time receiving state subsidies in varying amounts.

The Faure regime has wisely found that any tampering with the agricultural sector is politically too dangerous. It has, however, encouraged industrial investment through an expansionist monetary policy with little regard to its inflationary consequences. France is fortunate, however, in being able to achieve, for the first time, a balance of payments surplus—and French economic thinking no doubt works on the lines that as long as this surplus is maintained, a parallel investment programme can be pursued.

In the first nine months of 1955, the balance of trade reflected an export surplus of \$5 million. For the same period a year before, the country had a deficit of \$154 million. This remarkable change has been explained not in terms of a fall in imports but rather in terms of a "sharp rise in exports". As for the balance of payments, French statistics which are available for only 1954 show a dramatic rise in invisible income (including US aid) between 1953 and 1954, thus converting the regular deficit of over \$500 million into the first post-war surplus of \$194 million.

By all assessments, however, the external surplus must be regarded as "irregular". The unfavourable

composition of French exports leaps to the eye when compared with that of Western Germany and Britain. While French exports of fuel and raw materials are roughly of the same magnitude as, and food exports larger than, those of the two countries, French exports of manufactured goods are far smaller. The structure of French exports thus presents the picture typical of a half-industrialized country in its heavy dependence on the export of raw materials and food.

In spite of the foregoing, French economy has enjoyed a boom in common with the rest of Western Europe. Since 1950, French production has risen by 40 per cent—less than that of Germany or Italy but more than either of Belgium, United States or Britain. In the last 12 months alone there has been a 11 per cent increase in output. This favourable picture has thus caused the French Finance Minister to declare:

"There is at the moment no question in France of anti-inflationary measures liable to put a brake on the increase in production—France's rising output guaranteed against imbalance between supply and demand".

This "rising output" has been achieved at a tremendous cost—considerable subsidies to a basically inefficient agriculture. It is difficult to see how monetary policy by itself, will, even in the long run, be able to straighten out what is basically a lop-sided economy, and more particularly so, for a country that claims to be industrialized.

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Colombo Plan: A Recherche

P K Basu

A MEETING of the ministerial committee of the Colombo Plan for the economic development of South and South-East Asia was in session at Singapore last month to draw up the fourth annual report, leaving two more to follow in due course to complete the balance sheet. One initial trouble is, of course, that South-East Asia is not a precise concept. In 1951, countries which joined the Colombo Plan, namely Ceylon, India, Pakistan, British territory of Malaya, Borneo and Vietnam, were all of them members in a world of similar ideologies and even political institutions. Gradually, countries outside the sterling area were invited; and this year the meeting was attended by representatives of twenty member countries: India, Pakistan, Ceylon, Malaya, Singapore, British North Borneo, Sarawak, Burma, Cambodia, Nepal, Indonesia, Laos, South Vietnam, Thailand, Japan, the Philippines, Australia, Canada, New Zealand and U. S. A. Indeed, Japan's membership of the Colombo Plan is perhaps the most significant feature of economic development of the South-East Asia concept.

The working of the Colombo Plan during the last four years provokes a critic to remark that perhaps it has disappointed its prophets. It has not yet laid the foundation of the "regional" pattern of economic development of the countries in the South-East Asia taken together. And it has yet to provide a blueprint of economic progress in individual countries with their respective problems of poverty and backwardness. The three published reports of the Consultative Committee provides us with nothing more than a balance-sheet of money spent on various items, when directly or indirectly influence the economic development in some of the countries in the region. But how the money is spent, where it is spent are no less important issues than why it is spent; and also where the money comes from. Perhaps, the time for revising our thoughts is opportune now when world conditions permit consolidation of ground, already covered or even lost. In 1951-52 with the outbreak of the Korean War and substantial improvement of the terms of trade in favour of Colombo Plan countries, self-financing of the plan was made considerably easier. But

the decumulation of stocks and the slump in agricultural prices which followed was a severe test for the countries to stick to their last; and the second annual report testifies to the successes of their attempt. The third annual report published last October from Ottawa has a tone of complacency, though it ignores grave policy decisions and reappraisal of priorities needed to fulfil the objectives of the plan.

The three main themes of the Ottawa Report, which require further analysis, are: (i) the dependence on imports has diminished; (ii) the rate of growth of expenditure on the public sector is an adequate measure of the economic progress already achieved in the region, and (iii) the idea of self-help has been substantiated by the effects of the internal transfer of capital and know-how within the Colombo Plan countries.

The plan's basic target was to reach self-sufficiency in food. In 1954, the total rice crop was higher than the record level of 1953. Production of sugar, vegetable oils and seeds also showed an increase. But while food production per capita remained still below the pre-war level, falling prices of rice during the last 12 months or more stressed the need for avoidance of complacency. The excess of exportable surplus over the world demand for rice adversely affected the balance of payments of two main rice exporting countries of the area, namely Burma and Thailand. The importance of a stable market was reaffirmed, when a serious recession following a mild drop in U. S. production in the third quarter of '53 to the first quarter of '54 was precariously avoided by increased demand from the industrial nations of the non-dollar world. In point of fact, in contrast to the ups and downs of the preceding years, export-import prices have remained relatively stable this year; tea prices had a steady boom, rubber prices have fallen a little; while cotton and jute remained practically unchanged. But the report has regrettedly slipped up in not substantiating its programme of reducing imports with the expansion of exports, since the importance of export earnings is tied up with the whole question of "regional" planning. Since international specialisation of the world economy is not to be based on the neo-classical dichotomy of indus-

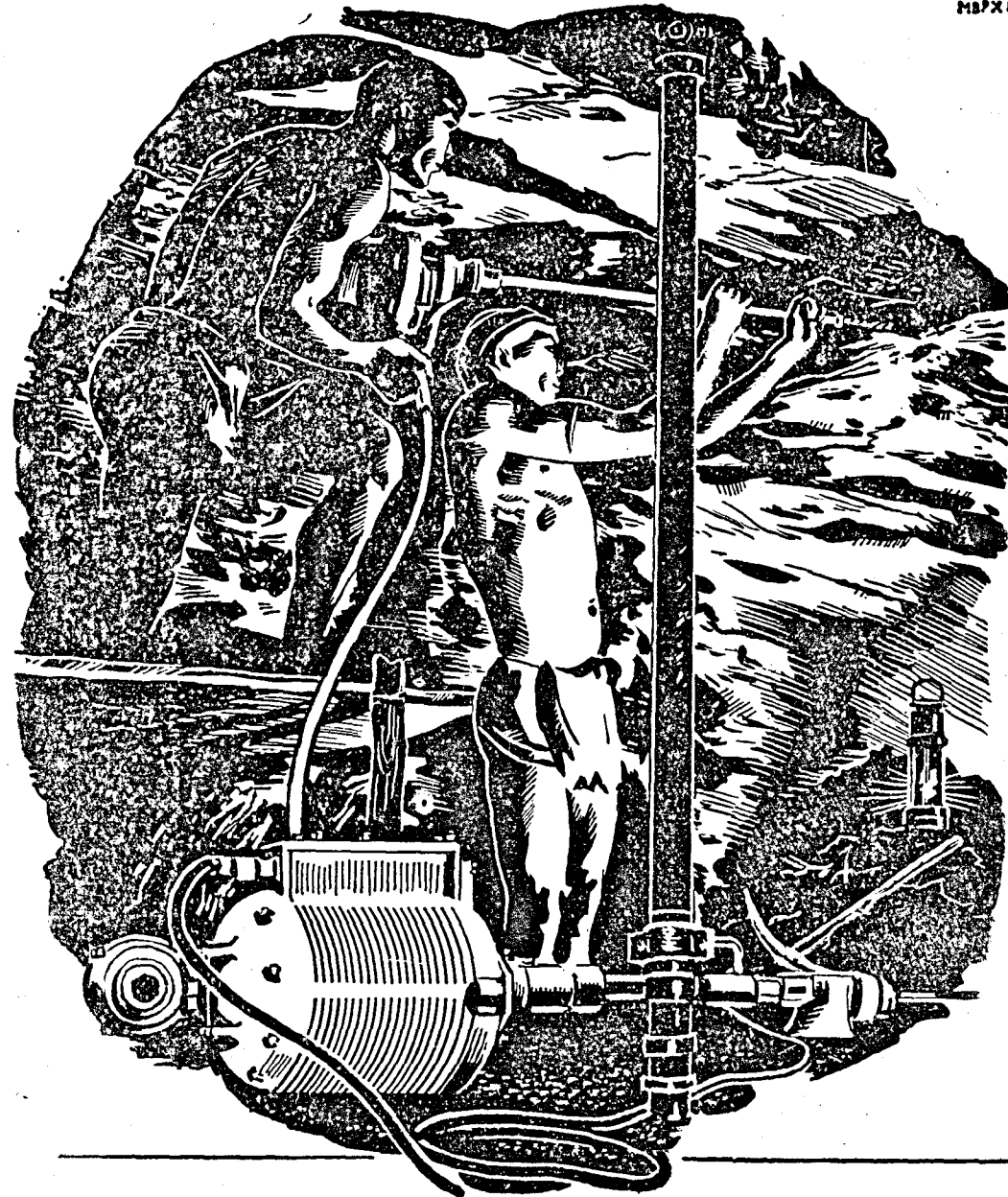
try and agriculture, industrialisation of agricultural economies must follow a pattern, which should be both trade-creating as well as trade-diverting. Empirically speaking, with the imposition of quantitative restrictions and the adoption of anti-inflationary policies, while the total value of imports by all countries in the area in 1953 was reduced by 30 per cent below the 1952 level, the value of exports declined by 20 per cent. The relative changes in prices can be explained by the price-elasticity of supply of the manufactured goods vis-a-vis primary products. Most of the countries in the region export mainly one or two staple commodities. Hence, while price-adjustments can be avoided by taking recourse to barter agreements, multilateral bulk purchase and buffer-stocks schemes, the composition of exports must gradually change in favour of manufactured articles and processed metals.

To what extent the expenditure on the public sector is a sound measure of economic development, depends not only on the composition of investments in various countries i.e. the relative importance of the public vis-a-vis private sectors of the economy, but also on the soundness of the projects in the public sector. Of course in public utility investments, which has so far been the main item of expenditure, there is very little problem of coordination, but now that we have passed that stage, economic planning would be necessary in drawing up a priority list of feeder industries on a "regional" basis. The target is twofold: first, to meet the 'regional' demand for products, in which the countries in question have the maximum possible advantage; and secondly, to create a 'regional' market for import-substitutes in products in which the countries in question have the maximum potential advantage.

Regional Planning or Self-Sufficiency?

Despite great hopes expressed at the Singapore Conference as well as in the Ottawa Report, only a beginning has been made in the idea of economic development through self-help within the framework of public planning on an individual-country basis. India is the only country in the area to have established a Planning Commission and to have launched a

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five year plan as early as 1951. Pakistan established a Planning Board in 1953 and is still in the stage of drafting the first plan. In Indonesia, where the Planning Board advises on current projects, this is still in the stage of drawing up a long-term programme. If the economic development of each individual country is to be dovetailed within the framework of the regional economic development of South-East Asia, not only the administrative boundaries between the policy decisions of the Colombo Plan Secretariat and those of the Planning Commission of member-countries must be clarified but also the arguments in favour of economic planning in a closed economy must be weighed against the advantages of 'regional' planning. There is hardly any emphasis on the economic possibilities of regional specialisation in our first Five-Year Plan in India. On the contrary, the assumption of a closed economy is very pronounced in the draft Second Five Year Plan. While chances of setting up a High Authority on the lines of the European Coal and Steel Community in the Asian countries are rare, if one delegate from the Colombo Plan Secretariat is represented in the Planning Commissions of member-countries to advise on various issues which require a 'regional' policy decision, overlapping may be avoided and economic specialisation made easier.

While countries in the area have not been successful in tapping all the internal sources of capital for the self-financing of their plans, helping each other with capital, aid and technical cooperation is a development in the right direction; and deserves notice and appreciation. But until the transfer of capital operates freely through the channels of private investment, there is a lot more to be achieved in that direction.

All the contributions made by USA, U. K., Canada, Australia and New Zealand belong to the category of foreign assistance, the importance of which should diminish with the success of economic development in the Colombo Plan countries. Recipient countries are helping each other as well according to their respective ability to utilise their savings. Release of sterling balances to Commonwealth countries in the region to the tune of £42 million per year as agreed in the Ottawa Conference has not only enabled the countries to draw upon their foreign balances accumulated in the past but also provided an important part of the region

with full convertibility of their currencies—which has made trade between countries freer as well as easier. Japan's membership in the Colombo Plan preceding the new sterling area trade agreement between Japan and U. K. is therefore one of the most significant features in the success of the Colombo Plan, inasmuch as the advantages of a convertible currency will be extended beyond the Commonwealth members of the Colombo Plan and will multilateralise trade within an extended region in the South-East Asia.

There is one other point which deserves attention; a case for giving the provision of expert services an absolute priority over the provision of material aid or capital. For while unemployed resources abound in the economies of the region, technical know-how is and has always been a scarce factor. It is a source of satisfaction that the new aid offered by Britain would mainly be used on technical training and finances required for the equipment for training. Flow of the right kind of technician is however a great administrative problem.

Assumptions Challenged

The Colombo Plan was begun with the best of intentions, namely for the purpose of the economic development of South-East Asia (i) through mobilising surplus capital of advanced economies, (ii) through utilising savings and redistribution of capital between underdeveloped countries of the region, and (iii) to promote the practice of economic planning for the development of the private as well as the public sectors of the economy so that it will be able to attract private loan capital from foreign investors. In a sense, the aim was to get started. And while the end was ambitious, the basic assumptions on which it was built up, suffered seriously from logical inconsistencies, in the first place. The idea of a group of complementary economies aiming at self-sufficiency requires clarification. Though it was assumed that economic development in the area would be eventually carried on within the framework of public planning, the Colombo Plan was originally drawn up to attract foreign capital to bridge the gap between commitments and availability of indigenous capital for the whole 'region'. Unfortunately, the emphasis has gradually shifted from an attempt to consolidate the economic plans of different countries to the purely financial and administrative

aspects. As soon as the member countries will be able to pay their way, the Colombo Plan will have nothing more to do with them. Now a 'region' which can pay for the economic development of the countries constituting it, may not be a suitable economic bloc within which a particular framework of development planning will yield best results. Does the Colombo Plan aim at the economic development of a number of underdeveloped countries in South-East Asia without itself being a development project for the whole 'region'? Maybe, it is just a question of emphasis; and yet the definition and scope of regionalism in the economic development of this particular group of countries, is an issue usually evaded, if not carelessly treated in drawing up the priorities of the plan. An economic 'region' is based, not on geographical situation alone, nor on the availability of sufficient capital and raw materials whereby surplus countries can compensate the deficit ones; but on whether the region consists of a group of competitive markets for complementary economies—so that a new pattern of world trade is evolved.

To sum up, it is necessary to re-examine the inter-relationship between (i) availability of finance, (ii) existence of markets, and (iii) the priorities fixed for regional economic development. If development of multi-project irrigation schemes and projects like the steel plants and refineries were some of its main targets, the work of the Colombo Plan would have been merely to open an investors' information office for the nations which would be interested in investing surplus capital in underdeveloped countries. Whether out of sheer generosity or in recognition of their long-term interest, or possibly to avert a slump in their own economies, or perhaps even in the hope of extending the frontiers of a 'free' world, many countries outside the Colombo powers have taken great interest in fulfilling the objectives of the plan by contributing finance and know-how in no little measure. Whether the same results could not have been reaped by extending the scope of the IBRD is not the question. That the Colombo Plan has been a great success in the first two years of its inception goes without saying.

The Problem of Markets

In the long-term, however, we must be quite clear about our target. Since this is industrialisation, there is not only the problem of finding

initial capital, which in some cases can be financed through borrowings in the foreign market but also a greater and a more fundamental problem of securing a degree of capital accumulation, which will sustain the pace of steady growth. Availability of domestic savings whether out of export earnings in the foreign market, or as a residue from higher income generation, is ultimately the result of the pace and pattern of industrialisation. Savings evolve in the process of economic development, provided economic development follows the right path. Existence of markets is as important a criterion as availability of savings in the theory of economic development. That supply does not create its own demand in a 'free' market, where consumers' choice is more important than the producers' whim, is often forgotten in these days of branded products with huge costs of selling and advertisement. But when neo-Keynesians with their faith in collectivistic ideologies try to dig old Say from his grave, though not always admitting that they are doing

so, and base their theories of capital accumulation on the assumption of a constant savings ratio or propensity to consume, and a constant acceleration coefficient i.e. capital-output ratio, they are apt to forget that in a world where private investment, inequality of incomes and consumers' choice are assumed away, economic planning becomes more a Statistician's delight, than an Economist's headache. That the theory of capitalistic accumulation is intimately connected with the theory of markets, is borne out by the facts of economic development in U. K., Japan, U. S. A. and even in U. S. S. R., though in the last two cases the home market was more important than the foreign market. While Japan owes her economic development to the opening of the U. S. market for raw silk, railway development in the British Empire helped industrial revolution in Britain, not only by increasing the demand for British steel rails but also by opening new and secure markets abroad for British products for well over a century.

Thus in a closed economy, the market needs analysis, both from the point of view of aggregate spending in the economy and the factors affecting it, e.g. income-distribution, systems of distributive trading etc., and also from the point of view of the changing components of investment between inventories and commercial and productive types. In an open economy, the main problem concerning markets is one of 'regionalism', i.e. the problems of co-ordination connected with the regional pattern of industrialisation, with a view to the longrun balance of payments position (i) within the Colombo Plan countries themselves; (ii) with the Non-Dollar world and (iii) with the Dollar world. The extent of specialisation will of course depend upon institutional factors, such as the monetary-fiscal policies in individual countries engaged in trade with each other. All that the Colombo Plan can expect to do, is to break the vicious spiral of low savings, low investment, low income and poverty.

Planning in India

(Contributed)

THE object of this article is to make an introductory survey of planning in India with reference to the First Five Year Plan, and then to attempt an appraisal of the broad features of the tentative framework of the Second Five Year Plan.

Planning for economic development was first thought of in a practical way 17 years ago when the Indian National Congress formed the National Planning Committee. This Committee under the Chairmanship of Shri Nehru collected valuable material, but its progress was affected by political upheavals in the country after the outbreak of the war. After independence the urge for planning gathered momentum due to the necessity of an overall control to co-ordinate the efforts of different authorities to promote schemes for economic development and social welfare. The Planning Commission was constituted in March 1950 with the task of appraising the available resources in the country and suggesting plans for their most effective and balanced utilisation. The final report of the Commission was available in December 1952. It contained the details of the First Five Year Plan for the years 1950-51 to 1955-56. The objectives of this plan were necessarily limited by the prevailing conditions of instability in the economy of the country due to shortages and inflationary pressures as well as to the disturbed conditions following partition. The main objectives of the plan programme were to restore to the pre-war level the production of consumer goods by the end of the five year period and generally to lay a foundation for bolder plans in future.

Before we go on to attempt a survey of the First Plan, it will be better to refer to some basic facts. The population of the country has increased from 1900 to 1951 by about 52 per cent to 356 millions. This phenomenal increase has not been accompanied by any dynamic change in the structure of the country's economy. The increase in population has been absorbed mostly by agriculture and more than two-thirds of population today depend upon agriculture for their sustenance. With the low yield from agriculture and unrelieved pressure on land due

to lack of development of organised industries, our national income has remained too meagre to allow any reasonable margin of savings and investment. Our economy is thus entangled in the vicious circle of low national income and low rate of savings which in turn leads back to low national income.

The First Five Year Plan

In the First Five Year Plan the highest priority was given to agriculture, Rural development and Power and Irrigation projects. Out of the total expenditure of 2249 crores in the public sector, 44 per cent was set apart for agricultural sector combined with Power and Irrigation projects; 24 per cent for Construction and Social services and an equal amount for Transport and Communications. The sector for Industries and Minerals came at the tail and the expenditure planned for it came to the balance of 8 per cent only.

The first plan period will come to a close in March 1956. It will be possible to review the achievement of targets for the period fully only at the end of the plan period particularly because the expenditure in the last two years of the plan is expected to be about half of the total outlay in the whole period. From the periodical progress reports available it can, however, be concluded that the progress in different sectors has been satisfactory on the whole. In the irrigation and power plan, the benefit targets for the first four years of the plan are reported to have been achieved to the extent of more than 80 per cent. In the all-important sphere of food grains, the target of increase of 7.6 million tons over the plan period was exceeded in the third year itself by 4.4 tons. The target for oil seeds was also exceeded in the year 1953-54 and that for cotton in the year 1954-55. The production of sugar and jute, however, lagged behind in a disappointing way. It is no doubt true that three good monsoons successively have been substantially responsible for the increase in agricultural output. This does not mean, however, that the benefits proceeding from extension of the irrigated area and other schemes in the plan period could not claim any credit for increased production. It has been estimated that 40 per cent of the

increase can be ascribed to providential help in the way of good monsoons.

The plan initiated a fundamental scheme for Rural development through Community Projects and National Extension Services started in October 1952. The essence of these schemes is to set free the creative energies of the people and to draw upon their voluntary contribution for effecting improvements in the technique of agriculture as well as in the general living conditions and outlook in the rural areas. The novel feature of these schemes is that they have to be financed substantially through voluntary contributions of the people themselves. Though numerically some satisfactory progress seems to have been achieved, the situation cannot be considered altogether happy. Even till today it has not been possible for the States to evolve an organisation suitable for schemes which lay their emphasis on building from below. The Planning Commission has stressed time and again that it is not the intention to depend for results on formal official compliance with targets imposed from above which may be achieved through induced popular participation.

The increase in agricultural production has been accompanied by a similar improvement in the industrial sector also. Industrial production has increased by about 40 per cent in the first four years of the plan. Specially notable has been the increase in the production of cement, ammonium sulphate, bicycles, sewing machines, and several light engineering industries. The sugar industry has, however, been a disappointing exception and it has actually shown a decline for the second and third years of the plan.

Let us turn now to the financial aspect of the plan. The pace of expenditure was very slow in the first two years. The slackness was due largely to organisational difficulties, the time taken in evolving schemes and to some extent to the necessity of a cautious approach in the prevailing economic conditions. The expenditure has been substantially stepped up in the third and fourth year; and by the end of the plan period the shortfall is not expected to be of a very large magnitude. A review of the resources

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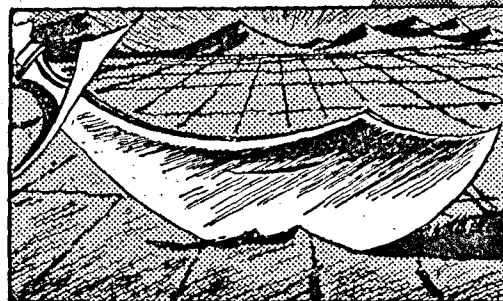
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THE ECONOMIC WEEKLY

for the plan, reveals some good as well as bad features. The good features are the performance of the Centre in almost reaching the estimated surplus from current revenue in the third year itself though the success in this matter may be largely ascribed to the boom conditions in the wake of the Korean war. The yield from small savings and loans from public has also been very heartening. The greatest disappointment has been caused by the failure of the States to realise the anticipated surpluses from current revenue. They could get only Rs 160 crores or roughly 36 per cent of the total estimated sum of Rs 413 crores in the first three years. Similarly the contribution of Railways has also been very poor. Against the anticipated yield of Rs 170 crores over the plan period, they contributed in the first three years only about Rs 75 crores or roughly 44 per cent. These circumstances indicate that it will be necessary to take extraordinary measures to increase the yield from States revenues and Railways in future.

As a summing up it can be said that the First plan has been making a satisfactory progress on the whole. The increase of production in the industrial sphere and in Agriculture even though providential to some extent will serve as a spring-board for greater achievements in the periods to follow. The growth of unemployment and a fall in agricultural prices during the First plan have been the only disquieting circumstances which provoked a serious study of these problems.

Draft Framework of Second Five Year Plan

It must be said to the great credit of Prof. P C Mahalanobis that he has produced in the draft plan frame for the Second Five Year period a remarkably concise and thoughtful outline. He has presented in it a set of concrete projects, as contrasted with the First Plan which was in substance, more of a forecast than a plan with any dynamic operational programme. This draft plan has already received the blessings of the National Development Council and deserves therefore the fullest possible discussion of its objectives and the means suggested for attaining them.

The objectives of the Second Plan as defined include not only the ultimate ends but also the methods proposed to attain them. The over-all objective is to increase the National

income by about 25% over the Plan period and achieve a more equitable distribution of income. In attaining this, certain methods of what may be called sub-objectives have also been prescribed. Thus:

(a) the Public sector is to be expanded so as to advance towards a Socialistic pattern of Society;

(b) basic heavy industries are to be developed;

(c) the production of consumer goods is to be increased through household or hand industries and through factories only in commodities which do not compete with hand industries;

(d) agricultural produce is to be increased along with equitable distribution of land;

(e) social welfare in the sphere of housing, health and educational facilities is to be advanced; and

(f) finally unemployment is to be liquidated within less than 10 years. During the plan period, however, the volume of employment is estimated to increase by some 11 million jobs.

In conformity with the above aims and objectives targets have been provisionally fixed for factory producer goods, factory consumer goods, hand-made consumer goods, agricultural and associated pursuits, rural development, transport and social services. In the words of the plan-frame itself,

"the basic strategy would be to increase purchasing power through investments in heavy industries in the public sector and through expenditure on health, education and social services; and to meet the increasing demand for consumer goods, by a planned supply of such goods so that there will be no undesirable inflationary pressures. Planning would be thus essentially a feed-back process of matching a continuously increasing (planned) demand by a continuously increasing (planned) production giving rise to a steadily spreading economy."

The most notable feature of the plan-frame is the stress it lays on industry. In the industrial sector itself, the pride of place is given, in terms of investment to basic and heavy industries such as Iron and Steel, Heavy machinery, Cement and Chemicals. Equal importance is, however, attached to the development of household and hand industries. The Industrial chariot is to be drawn by two horses—heavy industries and hand industries. The pro-

November 19, 1955

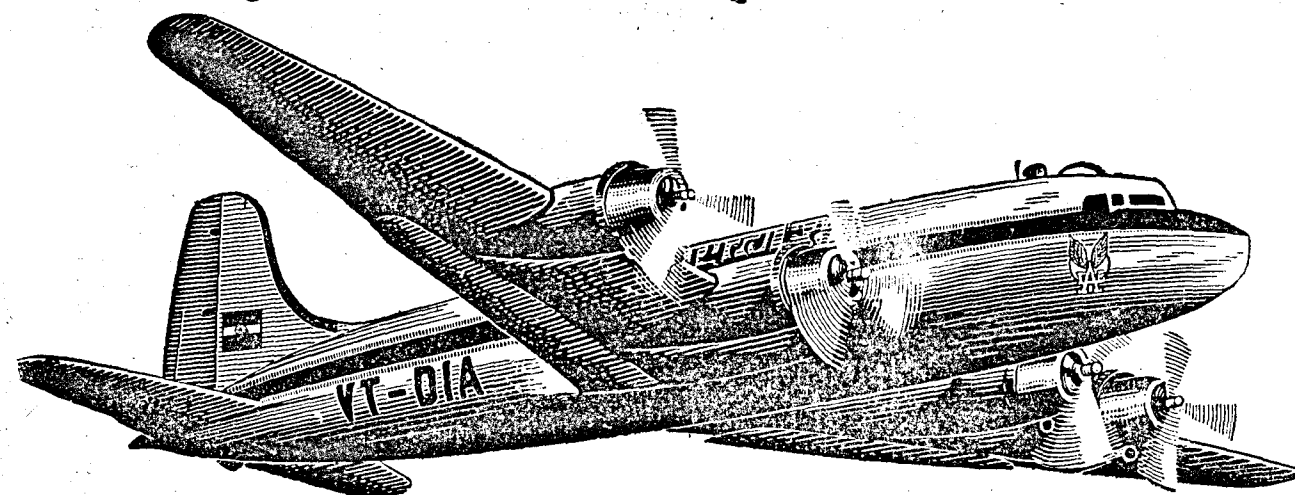
gress will necessarily depend to a very large extent on the pace of development of the hand industries. The necessity and implications of this dual policy form the key to a correct appraisal of the plan and must be clearly visualised.

It is well-known that our capacity for investment is severely limited by the low level of domestic savings. The other pressing problem is that of existing unemployment coupled with the prospect of an increase of some 1.8 millions in the labour force every year. The scarcity of capital and wide-spread unemployment are the two circumstances which govern more than anything else the structural basis of the plan.

It is recognized that India's salvation lies in rapid industrialization and basic heavy industries are vital for this purpose. But these heavy industries are capital-intensive and do not offer any large scope for increasing any employment. Attention has therefore to be paid to the development of labour intensive industries which do not make any large demand on our scarce capital which we have to earmark for basic industries. Again the heavy industries will generate a large demand for consumer goods which they themselves will not be able to supply. The increasing purchasing power and consequent demand in consumer goods has to be made therefore by increased production of these goods somewhere else. It is in this context, that the role of household and hand industries achieve its full significance. Apart from releasing scarce capital resources, these small enterprises have larger employment potential and would meet substantially the demand for consumer goods which will emerge from large investments in basic industries, construction work and social capital. It is therefore proposed in the plan-frame that "until unemployment is liquidated or brought under control, it is necessary to prevent competition between factories, and household or hand industries by not permitting investments to be made in such consumer goods factories as would prevent expansion or lead to a shrinkage of employment in hand industries".

In the immediate future the factory production of consumer goods is to be expanded only to increase the supply of essential goods, non-competitive with hand industries, and of goods for export to earn foreign exchange. It is further stated in the plan-frame that once mass unemployment has gone, the aim

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would be to provide cheap power and small machines to the household sector to increase productivity per worker. At this stage factory production of consumer goods would also be increased. We have now covered broadly the outline of the Industrial sector as envisaged in the Second Plan. The thesis contained in these proposals has provoked widespread criticism and is easily the most controversial of the various objectives underlying the plan-frame.

We may briefly sum up now the targets for production in the Second Plan. In all the basic heavy industries, the production is expected to be increased by more than 100%. The production of steel will rise by 285%, of pig iron by 350%, of fertilisers by 300% and of aluminium by 700%. In the other spheres, the targets have been set up in such a way as to remove the deficiencies that have occurred in the First plan and also to further expand the social services and transport facilities consistently with the main objectives of the plan. In particular, the national extension service and where possible, the community projects would cover the whole of the rural area by the end of the Second Five Year Plan.

As a result of the programme of production investment and development during the plan, the volume of employment is expected to increase by 11 million in the following way:—

	Million
1) Agricultural and allied pursuits	1.5
2) Mining & factory establishments	1.7
3) Household enterprises, construction	3.0
4) Communications, Railways, Banks, Insurance	0.4
5) Wholesale and retail trade, transport excluding railways	2.0
6) Profession, services and the rest	2.4
	11.0

It is noteworthy that employment in the non-agricultural sector is expected to show a phenomenal increase of 9.5 millions over 42.5 millions estimated to be employed in this sector already.

Let us now see how this ambitious plan is to be financed. It is not enough for a plan to be statistically perfect; it is also necessary that the resources necessary should be available at the right time. Against the total outlay in the public sector of Rs 2249 crores in the first plan, the

expenditure in the second plan is estimated to be 4300 crores. The net investment, however, will be only 3400 crores, the balance of Rs 900 crores accounting for current expenditure. The net investment in the private sector is estimated to be 2200 crores. In the public sector the net investment in the second plan is to be double the plan estimates of the first plan and in the private sector the figure is 40% higher. It should be clearly understood that out of the total outlay of Rs 2249 in the first plan in the public sector it has been estimated that the investment expenditure would be Rs 1600 to Rs 1700 crores only.

Out of the total of Rs 5600 crores of net expenditure both in the public and the private sectors, Rs 1400 crores are to be invested in industry. Further, out of this amount of Rs. 1400 crores Rs 1100 crores have been allocated for basic heavy industries such as Iron and Steel, Heavy Machinery, Cement and Chemicals etc. and only the balance of 300 crores will be available for consumers goods to be produced by hand industries and factories both combined.

The magnitude of the effort involved in raising the necessary finances in the public sector must be measured in the context of total Government expenditure which includes, in addition to the expenditure on the plan, non-development as well as development expenditure outside the plan. In addition to the expenditure of Rs 4300 crores for the plan, it is estimated that the Government will spend another Rs. 1100 crores on development outside the plan and Rs 3400 crores in non-development directions. The total outlay of expenditure in the plan period for the Government will, therefore, be Rs 8800 crores. This total is expected to be financed as follows:—

	Receipts.	Crores of Rs.
1) On the Revenue Account		5200
2) Loans from the Public		1000
3) Railways and Miscellaneous funds		200
4) Foreign Assistance		400
		6800
		6800

Additional taxes and loans and profit from State enterprises Rs 800 to 1000	
Deficit financing Rs 1000 to 1200	2000
	8800

The figure of 5200 crores as receipts on the Revenue Account has been estimated on the presumption that the total receipts from tax and non-tax revenue will continue to come in at the current rate of 8.5% of the National Income. For the rest of the items no concrete basis has been mentioned.

The magnitude of effort involved in the plan may also be measured in other ways. In order to achieve a net investment of Rs 5600 crores over the plan period, it will be necessary to raise the rate of net investment to 11% in 1960-61 from the current rate of about 7% of the National income. Expenditure on the plan in 1955-56 has been estimated to be Rs 600 crores. In each of the five years of the second plan the comparable expenditure will have to be on an average Rs 860 crores. It may be remembered that during the last two years of the first plan, the plan expenditure estimated to be on an average Rs 570 crores has had to be deficit-financed to a large extent.

Some Basic Considerations

Among the several aspects of the draft plan which have been widely commented upon are notably the ambitious size of the plan relative to the resources available; the structural set-up of the industrial sector and the methods suggested to relieve unemployment. We may now attempt a brief review of the essential points involved in these criticisms.

It has been suggested that the plan frame has started at the wrong end in so far as it has first fixed the targets and then proceeded to find the real resources necessary for the rate of investment necessary to achieve them. The criticism in this approach may have its origin to some extent in the analogy that this type of physical planning bears to planning in communist economies. However, the important thing is to determine whether necessary resources for investment at the rate prescribed are available in the country and whether they can be mobilized effectively in accordance with the plan. Since the plan depends for its motive power on the expenditure in the public sector it becomes necessary to examine carefully the sources from which finances are to come for meeting public expenditure.

The receipts on revenue account are expected to be Rs 5200 crores. It would appear that a considerable amount of effort and reform will be necessary in order to keep up the rate of 8.5% of the national income for tax and non-tax receipts of the

Government. The increased National income is to be shared widely among people in the low income groups. It may not be possible therefore for a considerable portion of the increased income either to be saved for investment in the private sector or to be made available to the Government by way of taxes.

It is apparent from the analysis already referred to that any gap in the investment target and budgetary resources will have to be met by deficit financing. The plan frame has suggested that deficit financing to the extent of Rs. 1000 crores to Rs 1200 crores over the plan period can safely be undertaken. The true function of deficit financing as envisaged in the plan frame is to enable the Government to mobilise the savings of the people to the extent to which the investments planned cannot be met from budgetary surpluses and foreign assistance, subject to the limit set by the threat of inflation. It is recognized in all quarters that to some extent deficit financing is absolutely necessary inasmuch as a larger money supply will be needed when the monetised sectors of economy are to expand relatively to the non-monetised sector and that larger money supply will in any case be needed commensurate with the increase in National income. The stability of the country's economy and the absence of any inflationary pressures further encourage the theory that deficit financing in a limited way can be undertaken without any dangerous repercussions. On the other hand, the critics warn that deficit financing is a dangerous instrument to be handled without caution, as it may, in the absence of an adequate increase in production of consumer goods lead to an inflationary rise of prices with consequences which are only too well-known. It is no doubt possible, they suggest, to restrict consumption and to promote savings in a forced way through an inflationary rise of prices, but it becomes a problem to keep the process in check and enforce overall controls so as to distribute the burden of savings in the different sectors of society equitably. Past experience shows that no amount of controls and rationing which in themselves need a cumbersome administrative setup can mitigate the hardships on the poorer and hence the larger section of society in any satisfactory way over a long period. It is therefore crucial that deficit financing is not undertaken beyond the extent to which it is necessary to meet the

needs of an expanding economy. To the extent to which the planned production of consumer goods through household and hand industries and through factories materialises it should be possible to resort to deficit financing on the scale envisaged in the plan without any risk of dangerous inflationary pressures. There is need, however, of proceeding with caution and vigilance in this matter and as far as possible attempts should be made to minimise the gap between investments and domestic resources so that we do not have to rely too much either on foreign assistance which may not be forthcoming, or on excessive deficit financing which may lead to a run-away or galloping inflation. Nothing will be lost also by preparing in advance a technique for fighting the inflationary pressure that may develop, despite all the caution and vigilance. The policy of the plan-frame is that "deficit financing would be undertaken on the scale necessary to bring about the greatest possible expansion of production without introducing permanent and all-embracing rationing of essential commodities". Nevertheless it is of fundamental importance that the possibility of having to meet an inflationary situation should be recognised before launching on deficit-financing on a large scale.

We may now review briefly the approach of the plan to the problem of unemployment. It has been said that the policy in the Industrial sector has been unduly influenced by the problem of unemployment. It is assumed in the plan-frame that unemployment is a temporary and short term problem and can therefore be relieved substantially by short term methods which can be discarded after the problem is brought under control. The short term method suggested in the sphere of industrial sector is the expansion of hand industries which should be protected for the time being from competition from factory produced goods and which should be sheltered from technical improvements which have the effect of reducing employment opportunities. This is a somewhat surprising thesis considering that the total volume of employment expected in household enterprises and construction together in the plan period has been put at 3 million only. Since the expenditure on construction is envisaged to be Rs. 1350 crores, the employment opportunities in the hand industries could not have been expected to be so large as to

justify so drastic a step. It is also well-known that in the hand industries there is considerable amount of under-employment and production, to some extent at any rate, can be increased without any increase in employment. Besides, the longer the protection to the hand industries, the more difficult will it be for them to withstand competition at a later stage. And if the hand industries are not to continue in the present form, in the long run, the people employed will have ultimately to find employment elsewhere. Even if the problem is solved in the short period, by employment in 'protected' household industries the problem of adjustment will be aggravated at a later stage. It has been rightly said therefore that the proper approach would be to treat unemployment as a long term problem which should be dealt with gradually by attuning it to the general plan of development, in any case the considerations of employment-potential should not inhibit positive steps for improving the productivity of cottage industries.

One result of the theory of employment advanced in the plan is a severe restriction on factory consumer goods. This may result in loss of efficiency in the factory industries also. Besides so much depends in the second plan on increase in the supply of consumer goods that it may be unwise to rely for it more or less completely, on hand industries which may not rise to the occasion due to difficulties inherent in widely dispersed small units of production. It should be noted that expenditure on small industries in the first plan did not even come up to half of the plan figure during the first four years.

We have seen that the success of the plan depends to a large extent on whether the demand generated by increased expenditure is met adequately by the supply of consumer goods. It is necessary therefore to determine the exact pattern which the increased demand will follow in order to be able to adjust the supply to it. Unfortunately, no attempt has been made anywhere to compile any statistics for the distribution of national income during the plan years in different categories of income. It is obvious that the character of demand will vary according to the sectors of society whose income increases substantially; for example, if the increase of income takes place mostly in the rural areas, the excessive demand generated will be less

for foodgrains and more for other goods such as cloth, shoes, houses etc.

In the end it may be mentioned that once targets for production have been fixed, financial resources necessary for the required investment will have somehow to be found. Whether these resources are found ultimately through increased yield from taxes, profits from state enterprises, or through deficit financing, the implementation of the plan successfully will be a challenge to the administrative talent in the country. It is for this reason that the draft plan recommends that immediate and urgent attention should be paid by the Government to overcome administrative difficulties which may come in the way of efficient planning. Clearly, the administrative limit will in practice modify and govern both the economic and the political limits to the size and achievements of the plan. With necessary institutional reforms and administrative efficiency, which must indeed be taken for granted, and with reasonable good luck, the draft plan's targets can be achieved. From the point of view of the country's needs for rapid development the targets are certainly not too ambitious.

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Indianisation of Personnel In Foreign Firms

LATEST statistics regarding the employment position of Indians and non-Indians in foreign controlled business enterprises, both in terms of total employment and in terms of distribution over different salary groups, indicate a trend towards improvement in the position of Indians, at any rate so far as the quantum of employment is concerned. Thus, while total employment increased from 13,788 persons in 1947 to 23,763 persons in 1955, the number of Indians has risen from 6,162 in 1947 to 21,242 in 1955; on the other hand the number of non-Indians first rose from 7,623 in 1947 to 8,270 in 1951 but has subsequently declined to 7,526 in 1955. The strength of foreign personnel increased somewhat between 1947 and 1951 but since then, there has been a gradual decline.

While the pace of Indianisation may be considered satisfactory, it is the nature of Indianisation that is perhaps more important. It is, no doubt, true that the strength of Indian personnel in foreign firms is progressively increasing — having risen by about two and a half times between 1947 and 1955. But what is rather striking is that the number of non-Indians remains almost stationary, though there has been some reduction in the course of the last two years. Thus, the number of non-Indians in 1955 at 7,526, when compared to the figure of 1947, viz., 7623, is almost unchanged.

The analysis of Indianisation of the staff in foreign enterprises is, unfortunately, confined to the progress in the employment of Indians and their distribution over different salary groups. From the information contained in the Press release on the subject, one cannot answer such questions as whether the same pay and emoluments are being given to Indians for doing the same job, how many key posts are held by Indians, what the degree of control that is vested in Indian personnel is, what the status of Indians vis-a-vis their foreign counterparts is etc. It is these things which would, perhaps, be more revealing and interesting than the distribution of personnel by salary groups.

An analysis of employment by salary group shows that owing to the increase in the number of

Chinese, Pakistanis and Brit'ishers in the lowest pay-group of Rs. 300—499, the proportion of Indians has slightly declined; their position in the salary group Rs 500—999 has shown noticeable improvement, while in the higher salary group of Rs 1000 and above they are still not comfortably placed. It is found that non-Indians (especially the British) continue to dominate the posts in the salary group Rs 1000 and above—both technical and managerial—as may be seen from the figures in the accompanying table. It is, no doubt, true, that compared to previous years the position in 1955 shows some improvement. Thus, the number of Indians in this salary group has increased from 1,406 in 1950 and 2,290 in 1952 to 3,995 in 1955, while that of non-Indians has decreased slightly from 7,104 in 1952 and 7,008 in 1954 to 6,810 in 1955. Nevertheless, there is a hard core of foreign personnel, in the higher salary group, which is practically unchanged. Thus, the number of Non-Indians in the pay group Rs 1000 and above in 1955 at 6,810 is higher than the 1947 figure of 5,844 and is practically the same as in 1950 (6,871) since when the move for Indianisation may be said to have gained momentum.

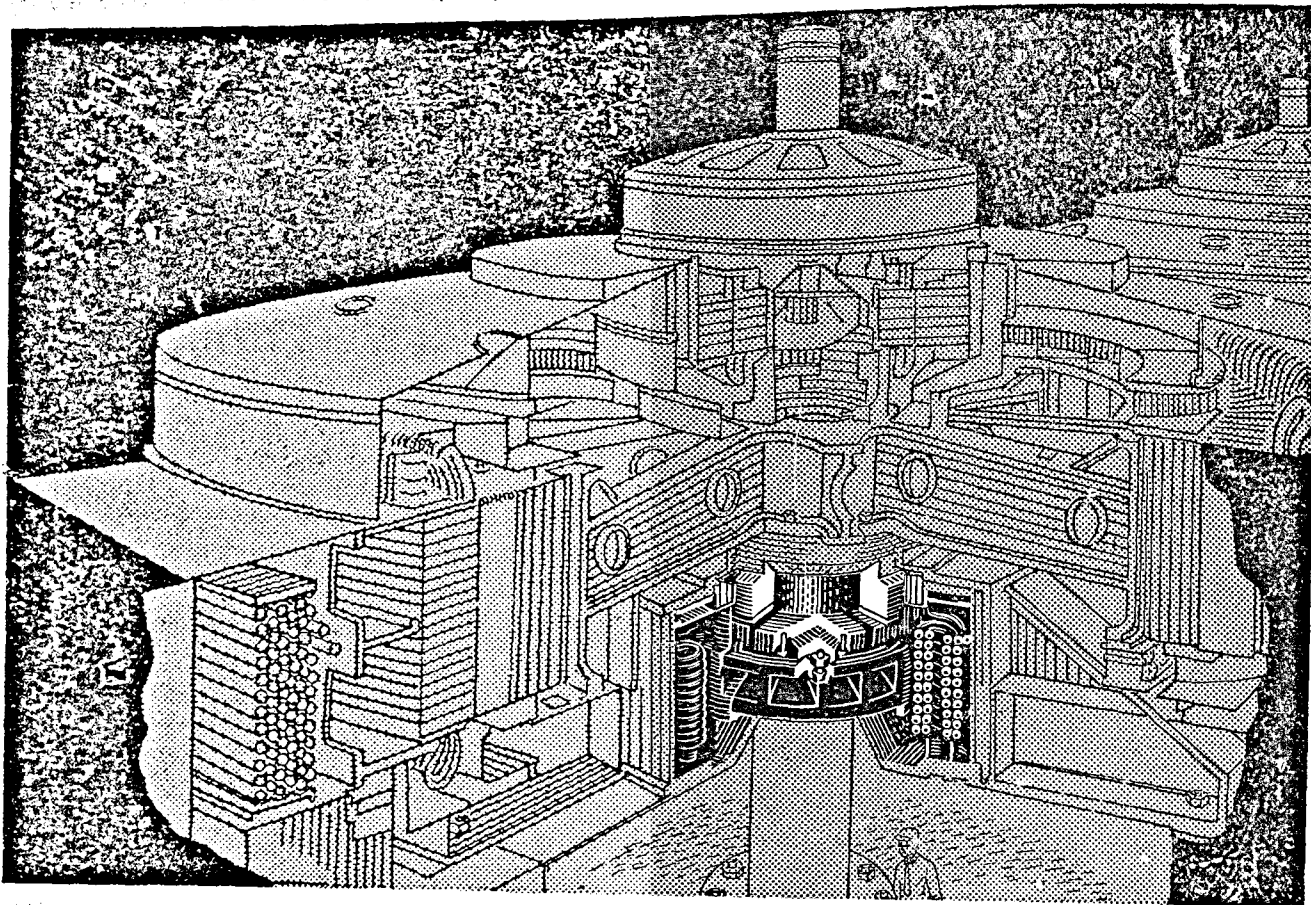
A noticeable change, however, which has taken place is that the number of categories of concerns in which non-Indians hold more than two thirds of the posts in the salary group, Rs 1000 and above, has declined from 9 in 1954, to 5 in 1955, viz. Plantations (89.6 per cent of the posts) Jute (86.6 per cent) Banking (78.1 per cent) Agents, Merchants (68.4 per cent) and Transit and Transport (66.9 per cent).

The break-down of foreign personnel by nationalities shows that among the non-Indians, employed in foreign firms, as against 6,901 of British nationality in 1947, there were 6,747 in 1954 and 6,462 in 1955.

Employment in Foreign Controlled Firms, Higher Salary Groups

	Rs. 500-999		Rs. 1000 and above	
	Indians	Non-Indians	Indians	Non-Indians
1947	2225	1616	504	5844
1950	4238	1299	1406	6871
1952	5667	1033	2290	7104
1954	7496	650	3346	7008
1955	8169	548	3995	6810

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Steady Trend

Thursday, Morning

THANKS to Diwali holidays, the week under review had only four full days of trading, punctuated, of course, by an hour's trading on Sunday (Moorat). Sentiment, on the whole, remained steady throughout the week with the Moorat session characterised by narrow fluctuations. Tata steel which opened on the Moorat at Rs. 267-8 lost one point initially to recover and close at the same level. Indian Iron which opened on a better note at Rs. 42-3 went down to Rs. 41-15 but regained the lost ground at the close.

In the textile section, Gokak, Khatau, Kohinoor and New Great ruled firm all closing the Moorat session at the highest levels, while Bombay Dyeing, Central India, Simplex and Swadeshi remained steady. Both Srinivas and Tata Mills were listed ex-right.

In the Bank section, UCO Bank shares attracted considerable support and moved up to a new peak level of Rs. 54-8 before closing at Rs. 54.

In the miscellaneous counter, Belapur, B I C, Great Eastern Shipping, Indian Copper, and Tata Chemicals had a satisfactory session on the Moorat day. Despite the maintenance of the status quo in dividend, Belapur were able to make good the loss sustained in the kerb and ruled steady. ACC were steady to firm on revival of hopes for a dividend of Rs. 9-8.

For the rest of the week also, the market continued to rule steady. In fact, on Wednesday, excepting for steels, which did not move up very much, all the other counters had a very satisfactory performance. In the textile section, Century, Bombay Dyeing and Kohinoor attracted considerable investment attention, India United Ordinary and Preference and also Srinivas and Tata Mills (which were declared ex-right) received unusual support at the hands of speculators. Srinivas which opened at Rs. 223-12 jumped to Rs. 247-8 while Tata Mills were pushed up by more than four points to Rs. 55.

In the miscellaneous section, Belapur registered a new high, although it opened on a weak note due to disappointment at the maintenance of dividend, a rise in which was generally anticipated. Thus, after being done up to Rs. 360 before Diwali,

these shares were taken up to as high as Rs. 380 on Wednesday before closing at Rs. 379. BIC ruled firm registering an increase of seven annas. Indian Copper were also keenly sought after. Banks and insurance also ruled fairly firm at around high levels.

Cotton

Buoyant Conditions

ALTHOUGH the cotton futures market opened on a distinctly subdued note, what with heavy bull liquidation and short-selling, the close of the week saw cotton futures being lifted up to new peak levels. In fact, new crop February which opened at Rs. 654-8 gained as many as 23 points to record the highest level, viz., Rs. 677-8. This was due mainly to speculative buying on a large scale coupled with heavy bear covering. Besides, the spot market at Sewri ruled very firm on Wednesday giv-

ing ample support to the futures where the turnover was reported to be around 35,000 bales. Even at close, the market ruled distinctly bullish with February being placed at Rs. 676. The May contract also moved in tune with the February contract and closed firm at Rs. 654-3.

At Sewri, almost all varieties of cotton were keenly sought after with business to the tune of about 6000 bales having been done on Wednesday. Wagad was of particular interest and was bought at even as high as Rs. 601. Vijay moved up to Rs. 172 ON and there were buyers for Vijay (any station) even at Rs. 162 ON.

Oils and Oilseeds

Mixed Showing

THE oilseeds market had a mixed showing with the prices in the castor and linseed sections at a relatively higher level, while ground-

MARKET LEADERS DURING THE WEEK

	Nov. 16, 1955	Week's Range		Nov. 10, 1955
		High	Low	
Steel Shares :				
Tata Ordinary	267- 0	267- 8	264- 8	267- 8
Indian Iron	42- 1	42- 3	41-10½	41-14¼
Textile Shares :				
Bombay Dyeing	585-10	585-10	574- 6	575-10
Century	488- 4	488- 4	480- 0	480- 4
Kohinoor	368- 8	370- 0	362- 8	360- 0
Simplex	216- 0	216- 0	206- 8	208- 8
Swadeshi	245- 0	245- 0	240- 0	238- 0
Miscellaneous Shares :				
Associated Cement	217- 8	217- 8	214- 0	214-12
Belapur	379- 0	380- 0	368- 0	383- 0
Burma Old	695- 0	695- 0	684- 6	689- 6
National Rayon	249- 0	253- 0	244- 2	244- 0
Premier Const.	186- 8	186- 8	184- 8	186- 0
Scindia	17- 8	17-12	17- 2	17-10½
Tata Chemical	19- 7½	19-12	18-14½	19- 1
New India Asso.	50- 0	51- 0	49- 0	49- 0

OILS AND OILSEEDS

	Nov. 16, 1955	Week's Range		Nov. 12, 1955
		High	Low	
Seeds :				
Castor May 1955 (per candy)	102-10	104- 8	101-12	103- 4
Groundnut Dec.-Jan (per cwt.)	22-12	23- 6	22-12	23- 4
Linseed Feb.-Mar.	25- 0	25- 0	24- 8	24- 4
Kardi Ready	13-12	13-12	13- 8	13-12
Nigerseed Ready	23- 8	23-12	23- 8	23-12
Oils :				
Castor Oil Com. (per quarter)	11- 4	11- 5	11- 4	11- 5
Groundnut Oil R. R.	12- 3	12- 4	12- 1	12- 4
Linseed Oil	15-14	15-14	15- 8	15- 8

nut, both seeds and oils, were depressed.

Thanks to heavy buying by crushers and exporters, Castor May prices were lifted up early in the week to Rs. 105-10. But this rate could not be maintained for long owing to the relatively poorer offtake locally. Moreover, the weakness in groundnut and oils also prompted bull liquidation and bear selling in the castor futures and as a result, prices toppled down to Rs. 102-10 at the close.

Linseed ready and delivery were exceptionally active and although there was a slight recession in values in sympathy with groundnuts, the closing quotations were distinctly better than those recorded last week. Thus, Linseed went up to Rs. 27-12 on Wednesday and February-March quoted Rs. 25 as against Rs. 27 and Rs. 24, respectively in the previous week.

Kardi and niger ruled moderately steady, the former closing the week at Rs. 13-12 and the latter at Rs. 23-8, respectively.

Company Notes

IISCO Working Results Impressive

DETAILED data, included in the reports and accounts of Indian Iron for the year to March last, confirm the impressive financial strength of the Company, which the summary released at the time of the dividend announcement indicated.

Last year's working results were outstanding. This encouraged the directors to make both verbal and written representations to the Government for raising the dividend. But the Government advised the directors not to increase the dividend as the Company had heavy indebtedness on loan account, and would have to provide large amounts out of its own resources for financing expansion projects.

Steadiness in Indian Iron, even after the announcement that the dividend is merely to be maintained, is partly due to the disclosure that the directors were in favour of raising the dividend. In this context, it is of interest to note their observations in the annual report.

It is admitted by the directors that last year's working results must be considered exceptional and can in no way be regarded as constituting a standard for the existing plant. It is further explained in the report that last year's highly satisfactory working results are due primarily to the

Bullion

Firm Tone

In the bullion market, trading in the gold section began weak but was firm at the close, while in silver it was more or less the reverse. Gold which quoted at Rs. 95-3 last Wednesday, slipped down to Rs. 95-5 towards the beginning of this week. At the close, however, there was a distinct improvement in both gold & silver presumably due to Diwali demand. However, profit-realising intervened at this stage, and there was a general let-down in sentiment in which gold suffered a heavier loss. Silver which quoted at Rs. 172-12 at one time during the week declined on Wednesday to Rs. 171-5.

Trading in second settlement (Magsar) in silver and gold started on Wednesday. Magsar gold was quoted five annas above Kartak at Rs. 96-4-6 while silver Magsar was at a premium of twelve annas over Kartak at Rs. 172-1.

large excess of production of steel over the estimated output of 290,000 tons adopted by the Government for the purpose of fixation of sales retention prices for the year.

Output of steel ingots at Burnpur was higher at 528,118 tons compared with 347,861 tons in the previous year. Output of pig iron was higher at 715,601 tons compared with 579,440 tons. The total of saleable steel was higher at 461,013 tons as against 291,147 tons. Despatches of steel increased to 449,050 tons against 256,615 tons in the previous year.

Allocations to all kinds of reserves are higher by Rs 86 lakhs at Rs 203 lakhs. Provision for depreciation has been increased from Rs. 80 lakhs to Rs 120 lakhs. A sum of Rs 59½ lakhs has been transferred to plant Rehabilitation Reserve. General Reserve gets Rs 43.7 lakhs while a sum of one crore of rupees is allocated to Works and Ore Mines New Extension Reserve. Net profits are Rs. 2.88 lakhs higher at Rs. 66.99 lakhs.

In the year under review, orders were placed for almost all the main items of plant required for the 1953 extension projects. The link with the D V C electrical system has been completed.

Bombay Mutual

THE Valuation Report of the Bombay Mutual Life Assurance Society, Ltd., for the triennium ending December, 31, 1954, discloses excellent results and a noticeably larger surplus has emerged than at the previous valuation, which has enabled the Actuary to recommend higher rates of bonus.

The Report shows a surplus of Rs 1.01 crore as against Rs 29.6 lakhs for the previous triennium (1949-51). After taking the net amount of tax refunds, the total profits available for distribution at the end of the valuation period amounts to Rs 1.17 crore. The Actuary has recommended the distribution of this profit among the participating policy holders in the shape of reversionary bonuses, as follows:—

- (1) Rs 19 per thousand sum assured per annum under the Whole Life Assurances and other assurances of a similar nature,
- (2) Rs 16 per thousand sum assured per annum under the Endowment Assurances and other assurances of a similar nature, and
- (3) a further Rs 2 per thousand sum assured per annum to both types of assurances under policies paying premiums at the 1947 rates, in view of their higher bonus earning capacity.

New Business

As on the date of valuation, there were 205,972 policies assuring a sum of Rs 43.88 crores as against 196,399 policies and Rs 39.72 crores respectively at the time of the last triennial valuation. The Life Fund has since increased from Rs 11.48 crores in 1951 to Rs 15.32 crores at the end of 1954.

Expenses

The expense ratio for the triennium was 16.69 per cent, a little higher than in the previous triennium. The ratio does, however, show a tendency to decline towards the statutory limit. (17.37 per cent in 1952; 16.79 per cent in 1953 and 15.9 per cent in 1954.)

Lower Mortality

A steady improvement in the mortality experience of the Society is another feature of the valuation Report. The ratio of actual deaths to those expected on the basis of the Oriental (1925-35) Table of Mortality Rates, was 53 per cent in 1952, 49

per cent in 1953 and 41 per cent in 1954. For the triennium it averages 48 per cent, as against 60 per cent in the previous triennium (1949-51). Actual death claims for the triennium as a whole were, according to the Actuary, a little less than 50 per cent of those expected on the Oriental Table of Mortality.

The average net rate of interest on the Life Fund for the triennium 1952-54 at 3.59 per cent is slightly lower than that earned in the previous valuation period, viz., 3.72 per cent.

Electricity Undertakings

PERHAPS the most important problem with which the Electric Supply Industry is faced today is to secure a fair rate of return on investments, though there are others almost as important, such as the building up of a reserve to meet the needs of expansion and future tax obligations, the threat of nationalisation etc. A Bill to amend the Electricity (Supply) Act 1948, which is before Parliament now is intended to remove the obstacles in the way of further development of the industry. In this context, the observations made by the Chairman of the Federation of Electricity undertakings in India, at the eleventh annual meeting, at Calcutta recently, merit careful consideration.

Securing a fair return on capital, sufficiently attractive to enable the raising of capital for development has been one of the thorny problems of the industry. The Bill to amend the Electric Supply Act, one of the objectives of which is to provide for a fair return to the investors in this industry, proposes to link the rate of return on investment to the Bank Rate, and an increase of half a per cent from the present 5 to 5½ per cent based on the present Bank Rate is provided for. The Federation's chief points out that while this link with Bank Rate may be sound on other grounds, there is a possibility of the rate of return going below even the present level of 5 per cent should the Bank Rate be reduced on fiscal considerations unrelated to conditions in the money market. He, therefore, suggests that a floor rate should be fixed.

The industry has been asking for a rate of return which is 2½ per cent above the Bank Rate, i.e. 6 per cent. The Federation considers that the rate of 5½ per cent proposed in the amending Bill is inadequate and in view of the need to maintain the normal

dividend and equity of the investor in the industry, the standard rate of return should be fixed higher than is now contemplated. In the context of the development programmes for the industry in the private sector in the Second Plan period, appropriate incentives need to be offered to the investor.

A recent development which has disturbed the Chairman is the move by States such as Orissa, Travancore-Cochin and Rajasthan to nationalise electricity undertakings. Another development is the proposal of the Punjab Government to modify the Electricity Supply Act, 1910, in its application to the Punjab, so as to substitute other methods of computation to replace the payment of "fair market value", when undertakings are acquired. While this amendment has reference only to undertakings which have already been taken over or would be acquired only after their franchise period, in the context of the plans of expansion before the electric supply industry, proposals such as these, according to the Federation's chief, would serve a damper on private endeavour in the field and adversely affect the industry's efforts to raise

finance for development.

Another important problem before the industry relates to rate revisions, even within the limits prescribed by the Electricity Supply Act. The need for an upward revision of rates arises from higher operation costs. The Federation chief points out that when attempts are made to effect an upward revision in rates to meet the increased operation costs, the undertakings are faced with stiff consumer resistance. And according to the Federation's Chairman, in many such instances, the State Governments have either brought pressure on the undertakings not to increase rates or have adopted an unhelpful attitude. Consumer resistance is usually based on the erroneous assumption that the industry is making huge profits. The Federation chief, therefore, pleads for education of opinion in this regard and a more helpful attitude on the part of Government. Consumers have to realise that development calls for the installation of new plant which is expensive and therefore necessitates increases in rates to enable the industry to meet increased operation costs and service the new capital.



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CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1332.24	1317.54	1302.41	1172.27
2. Rupee Coin	109.08	109.86	110.83	103.26
3. Deposits				
a) Central Government's	56.82	54.69	51.75	93.72
b) Banks'	53.57	50.05	61.93	67.34
c) Other Governments'	14.25	18.83	29.07	17.64
d) Others'	15.27	15.46	15.85	34.63
4. Foreign Securities	647.06	627.09	627.09	623.15
5. Balances held abroad	66.28	81.93	91.60	103.63
6. Rupee Securities	548.61	553.54	533.66	417.74
7. Investments	50.07	50.26	50.22	94.68
8. Loans and advances to Governments	2.84	1.04	0.85	1.79
Scheduled Banks				
1. Demand liabilities (net)	598.76	601.81	599.19	554.45
2. Time Liabilities	423.69	424.38	421.42	361.53
3. Cash on hand	35.20	36.97	32.92	33.39
4. Borrowings from Reserve Bank of which against Usance Bills	6.86	5.55	8.06	1.76
5. Advances and Bills discounted of which State Bank's	547.91	547.09	544.01	495.42
6. Investments of which State Bank's	94.36	93.47	91.81	94.53
Cheque Clearance	391.71	392.34	385.93	350.97
	107.22	106.38	103.72	92.41
	145.27	137.98	137.61	120.01

†For Reserve Bank and Cheque Clearance week ended 11-11-55. Scheduled Banks week ended 4-11-55

Bombay Money Rates	11-11-55	4-11-55	14-10-55	12-11-54
Inter-Bank Call Rate	2½	2½	2½	1½
3 months deposits	3	3	2½	2½
6 months deposits	3	3	3	3½

Bombay Bullion In Rupees and Annas				
	17-11-55	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	96-5	95-0	94-14	88-10
Forward	96-11	95-15	†	88-10
Silver (per 100 tolas)				
Spot	171-6	170-3	167-14	159-8
Forward	172-0	170-15	†	159-15

† no trading

JUTE STATISTICS

Production ('000 tons)				
	Sept. 1955	Aug. 1955	July 1955	July to Sept. '55-56
Hessian	35.4	33.2	34.3	102.9
Sacking	47.2	43.7	45.0	135.9
Others	4.8	4.5	4.8	14.1
TOTAL	87.4	81.4	84.1	252.9

Total Production in the corresponding months of:				
1954-55	79.9	78.2	80.7	237.9
1953-54	73.1	68.1	78.8	220.0

Stocks* ('000 tons)				
	Sept. 1955	Aug. 1955	July 1955	
Hessian	34.4	41.6	42.1	—
Sacking	32.3	34.4	36.6	—
Others	3.0	3.2	2.9	—
TOTAL	69.7	79.2	81.6	—

Stocks at the end of the corresponding months of:				
1954-55	67.9	70.7	80.8	—
1953-54	118.6	133.4	136.7	—

Despatches:† ('000 tons)				
	Sept. 1955	Aug. 1955	July 1955	
Hessian	42.2	33.5	40.7	116.4
Sacking	49.4	46.0	45.8	141.3
Rope, twine, etc.	4.2	3.2	5.1	12.5
TOTAL	95.8	82.7	91.6	270.1

Total despatches in the corresponding months of:				
1954-55	80.7	88.7	87.4	256.8

Raw Jute Consumption: (lakh bales of 400 lbs each)				
	1955-56	1954-55	1953-54	
	5.12	4.62	4.65	14.39
	4.46	4.28	4.55	13.29
	4.27	3.96	4.33	12.56

IJMA Mills' purchases of raw jute (lakh bales)				
	1954-55	1953-54	1952-53	
Pakistani	1.10	1.59	1.90	4.59
In corresponding periods of:				
1954-55	0.80	1.17	0.6	2.62
1953-54	0.33	0.6	1.27	2.20
Indian	4.06	2.65	2.84	9.55

In corresponding periods of:				
1954-55	3.74	3.61	2.92	10.27
1953-54	2.32	2.22	3.06	7.60

* Stocks at the end of the month
† Despatches include exports and sales for internal consumption

Source: Monthly Summary of Jute and Gunny Statistics issued by the Indian Jute Mills Association

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-Group	Week ending 29-10-55	Week Ago	Month Ago	Year Ago
I Food Articles:	322.8	322.1	308.3	351.3
Cereals	391	391	377	385
Pulses	322	308	265	278
Others	229	230	223	311
II Industrial Raw Materials:	410.2	409.2	396.2	427.3
Fibres	414	415	404	447
Oilseeds	395	390	367	402
Minerals	425	431	432	405
Others	423	423	422	423
III Semi-Manufactures:	332.2	332.2	325.0	351.0
Leather	341	338	342	367
Mineral Oils	202	202	202	221
Vegetable Oils	382	379	364	431
Cotton Yarn	408	409	406	454
Metals	276	276	258	241
Oilcakes	349	357	342	419
Others	330	330	330	306
IV Manufactures:	371.1	370.9	370.1	375.3
Textiles	402	401	405	418
Jute	400	397	400	441
Cotton	399	399	404	415
Rayon & Silk	479	479	474	445
Woollen	278	278	278	310
Metal Products	371	371	353	340
Others	285	285	286	285
V Miscellaneous:	557.8	559.4	560.2	604.3
All Commodities	361.0	360.3	352.2	379.2

INDEX NUMBERS OF SECURITY PRICES

(Base: 1949-50 = 100)

	5-11-55	Week Ago	Month Ago	Year Ago
Industrial Debentures	100.8	100.7	100.7	100.6
Electricity	102.2	102.2	102.2	101.4
Jute	98.0	98.0	98.0	98.8
Plantations	99.3	99.1	99.1	99.6
Sugar	99.0	99.0	99.0	100.3
Coal	90.6	90.6	90.6	90.6
General Engineering	100.9	100.9	100.9	101.0
Shipping	101.4	100.9	100.9	101.5
Others	101.0	101.0	101.0	100.8
Preference Shares	87.5	87.2	87.5	88.4
Electricity	96.3	96.5	96.4	96.8
Cotton	79.9	78.9	79.1	80.4
Jute	86.8	87.1	86.6	88.5
Coal	92.6	92.6	92.6	90.2
Iron and Steel	89.7	90.3	89.7	90.6
Sugar	84.9	84.7	84.9	79.5
Paper	87.1	87.2	87.0	91.6
Plantations	100.6	100.6	99.7	95.5
Miscellaneous	84.1	82.4	84.9	87.3
Govt. & Semi-Govt.				
Bombay	90.5	90.5	90.5	89.7
Calcutta	90.9	—	90.9	90.3
Madras	91.3	91.3	91.3	90.6

Source: Reserve Bank

WORKING CLASS COST OF LIVING INDEX

(Monthly average or calendar months)

	Bombay	Calcutta	Madras	Kanpur	Delhi	Jabalpur	Kharagpur	Ludhiana	Cuttack	Jharla
	(Base: August 1939 = 100)					(Base: 1944 = 100)				
1948	288	339	315	471	344	146	132	168	137	153
1949	292	348	330	478	344	151	137	164	147	159
1950	298	349	332	434	344	153	137	165	163	182
1951	314	370	341	451	370	168	136	167	181	184
1952	321	351	337	441	373	150	133	151	160	175
1953	346	349	358	453	366	151	139	147	157	166
1954	342	327	348	408	360	140	128	148	147	131
1954:										
March	332	319	352	416	360	143	126	160	146	141
April	338	323	348	426	368	144	129	151	146	134
May	338	339	348	415	370	142	133	150	146	132
June	350	332	349	396	352	141	127	149	149	129
July	349	331	346	400	349	141	127	145	147	128
Aug	345	330	343	408	352	140	127	145	146	126
Sep	347	332	342	406	357	137	129	147	149	127
Oct	346	336	345	404	368	134	129	145	149	127
Nov	344	325	344	387	363	135	129	146	147	125
Dec	341	321	344	369	352	131	124	144	143	116
1955:										
March	328	310	328	377	331	129	119	133	137	121
April	324	311	320	352	329	130	119	129	140	116
May	320	315	313	335	318	128	119	131	147	119
June	317	317	317	347	336	135	131	134	148	120
July	324	325	322	371	336	135	131	134	148	122
August	325	329	325	375	347	—	—	—	—	—

Sources: (i) Ministry of Labour (ii) State Authorities

industrial resources and potentials lead to the inescapable conclusion that India, Russia and China will grow as three major Powers not only in Asia, but in the wider world. It is, therefore, in the fitness of things that these three neighbours will express willingness to exist and grow in peace and friendliness. This explains, and justifies, India's efforts to establish closer contacts and friendship with China and Russia, even as the latter two countries' repeated gestures to India show. Amity between India, China and Russia is an essential condition of peace in Asia. Together, in their common pursuit, they can further the cause of world peace.

Geography combines with strategy to dictate friendly relations between India, China and Russia. This is not denied, but there are sceptics, both within and outside this country, who question the wisdom of India's policy of establishing friendly relations and intercourse with Communist States like China and Russia. They reveal ignorance of the basic foundations of India's foreign policy. Non-alliance with the rival power blocs is an essential aspect of India's foreign policy. Non-interference with the internal affairs of any country and respect for national sovereignty are the two solid foundations of Panch Shila. It was not without significance that non-Communist India and

Communist China were the two countries who first jointly enunciated and accepted Panch Shila as the basis of relations between nations. Nor was it without significance that, at the instance of Shri Jawaharlal Nehru, the joint communique issued by the Soviet Prime Minister and the Indian Prime Minister, at the conclusion of the latter's tour in Russia, included an explicit undertaking by the Soviet Union not to interfere in the internal affairs of nations. Both M Bulganin and Khrushchev have reaffirmed Russia's acceptance of this basic principle of Panch Shila. Russia's foreign policy, M Bulganin assured the joint session of the two Houses of Parliament, is based "on the principle that every people has the right to independent national development in accordance with their own will and interests". M. Khrushchev, First Secretary to the Communist Party in Russia, was equally emphatic that Communism was not an article for export. "We do not compel anybody", he endorsed the Soviet Prime Minister's enunciation of Russia's foreign policy, "to accept our ideas of the reconstruction of society".

These are welcome assurances of Russia's acceptance of the principles of national sovereignty and of non-interference in the internal affairs of nations. Russia's achievements since the October Revolution are

impressive. Both M Bulganin and Khrushchev have taken legitimate pride in social, scientific and industrial progress in Communist Russia. These achievements have been attained through means which are not acceptable to non-Communist countries. There are, similarly, certain aspects of the Western Powers' foreign policy which are not endorsed by many Bandung countries. Even as this does not prevent India, or any other Bandung nation, to co-operate with, and accept aid from, the Western Powers, there can be no harm in seeking friendly aid and co-operation with Communist Russia. India is a prominent member of the "uncommitted third". Her urgent need is to achieve economic progress. Her peaceful foreign policy stems from her economic policy. In attaining this objective, she will co-operate with all nations who desire peace as well as seek friendly material help from those nations who are able to offer such aid. In seeking friendly co-operation and economic aid, India has made it clear to Russia as well as to the Western Powers that she will not accept offers of conditional aid or co-operation. Once this is properly appreciated, there can be no harm, but much good, in mutual political, social, cultural and economic co-operation between India and Communist Russia, or any of the Western Powers.

Foreign Liabilities and Assets

OF the many lacunae in economic statistics that hampered the framers of the First Five-Year Plan, not the least important was that relating to the foreign liabilities and assets position of India. Prior to 1951, the change in the net assets position of India could only be guessed, and it was practically impossible to locate the factors responsible for these changes. The first step in filling this gap was taken in 1951, when the results of the Census of Foreign Liabilities and Assets as at the end of June 1948 were published by the Reserve Bank of India.

That Census gave an idea of the magnitudes of India's obligations to the rest of the world and of India's assets abroad. With the publication today of the Report on the Survey of India's Foreign Liabilities and Assets (as on 31st December 1953) by the Research Department of the Reserve Bank of India, we are well on the way to eliminating the independence on guess-work in this im-

portant field. For this contribution, the Reserve Bank deserves a big hand. And what is more gratifying is that the Bank has already chalked out a programme for filling in the remaining gaps in our knowledge of India's international debtor creditor position, and for reducing the time-lag in the publication of such data.

To turn to the survey itself. Unlike the earlier census, the present survey excluded individuals and partnership firms from its purview, since the Census had shown that the foreign liabilities and assets of these categories constituted a very small proportion of the total. It concentrated further on long-term assets and liabilities (i.e. obligations maturing after one year) for the reason that the short term obligations are owned by and owed to the banking system chiefly, and monthly on data on these are being published regularly by the Reserve Bank.

According to the Survey, India's total foreign long-term liabilities

aggregated Rs 1036 crores on December 31, 1953, while total long-term assets amounted to Rs. 1175 crores. We were thus net creditors vis a vis the rest of the world to the extent of Rs. 139 crores in respect of long term obligations. While the liabilities were fairly distributed between the official and non-official sectors, the bulk of the long term assets was owned by the former. Thus, the official sector comprising the Central and State Governments, local authorities and Statutory Corporations had net assets amounting to Rs. 529 crores, while the non-official sector had net liabilities of the order of Rs. 390 crores. If account is taken of the country's short-term obligations and assets the contrast between the two sectors would be even greater.

This difference between the official and non-official sectors' net position was, however, much more marked in mid 1948. At that time, the net creditor position of the official sector

was higher than that in December 1953 by Rs. 651 crores, while the net debtor position of the non-official sector was lower by Rs. 152 crores. In other words, for the country as a whole, the deterioration in net investment abroad (long-term and short-term) was of the order of Rs. 803 crores between June 30, 1948 and December 31, 1953.

A change of this order over a period of five and a half years seems at first sight too large and might well be viewed with concern by many. But a careful look at the details given in the Survey should make one feel that this 'deterioration' has not been just a matter of extravagance. As is well-known, the net position might worsen as a result of an increase in liabilities or a decrease in assets. In either case, judgement has to be based on the underlying causes augmenting the liabilities or reducing the assets. Quite obviously, a great difference is made accordingly as these means are utilised for financing consumption or investment, and it is at such matters that one should look.

The 'deterioration' in the net position between July 1948 and December 1953 was due both to liquidation of assets and increase in liabilities, though the former was the dominant cause. The fall in assets that could be clearly identified or reliably estimated amounted to Rs. 592 crores, while the increase in liabilities was of the order of Rs. 273 crores. As against these, non-identifiable increases in assets or decreases in liabilities accounted for an improvement of Rs. 62 crores in the net position. It was inevitable that the decline in assets should largely be on official account, since the bulk of foreign assets are owned by this sector. And the Government Sector had, during this period, special obligations to discharge. Subsequent to June 1948, a portion of the external assets of undivided India had to be transferred to Pakistan, and also utilized for currency settlements. These together accounted for a reduction of Rs. 252 crores in our assets. Payment of pensions to British nationals and repayment of railway annuities accounted for another Rs. 57 crores. Leaving these special items on the one side, the net reduction in assets attributable to current transactions was of the order of only Rs. 234 crores in the five and a half years. Remembering that for almost the whole of this period, we had to import substantial quantities of food and raw materials to help

counteract the inflationary pressures in the country, this draft was neither large nor purposeless.

On the side of liabilities, the increase has been roughly equal as between the two sectors, amounting to Rs. 138 crores in the official sector and Rs. 135 crores in the non-official sector. The increase in the official sector's liabilities is due principally to the Wheat Loan, development loans from the World Bank etc.—all of which have been essential for economic development with stability. As regards the private sector, it has incurred debts abroad principally for investment purposes and one might, if one wants, cavil at it either on ideological grounds or because of the sort of investments so financed.

There is thus little cause for worry at the deterioration in our net investment position so far. Indeed, if we had absorbed as much of foreign resources as was envisaged in the first plan, the position would have been worse. It is in this connection worth remembering that the extraordinary payments mentioned above would have had to be made in any case. Had we therefore used up all the resources that were available to us under the Indo-U K Sterling Balances Agreement for purposes of the First Plan, the excess of assets over liabilities in 1953 would have been much smaller. Furthermore, a good part of the increase in the private sector's liabilities represents reinvestments of profits earned in India by Subsidiaries and branches of foreign firms. Excluding this, the actual inflow of private foreign capital works to an annual average of about Rs. 10 crores between 1948 and 1953; in the First Plan, such inflow was envisaged at Rs. 20 Crores per year. There is therefore little point in worrying about the past spending.

There are certain features about the data presented in the Survey that are worth noticing. The totals of both assets and liabilities have, in a sense, been inflated by two items of a very special nature. These are (a) the liability in regard to India's quota in the I M F and capital Stock in the I B R D and (b) the liability in regard to the capitalised Sterling pensions. These liabilities together came to about Rs. 393 crores; and an equivalent amount is taken on the assets side of the official sector. Such a procedure could perhaps be justified in terms of proper accounting. But for an economic assessment of our external position at the moment, they are of little significance. They are, as it were, bygones; these so-

called assets cannot be used for any addition to resources needed for investment or consumption.

Indeed, our 'firm' external assets are much less than is apparent from the Survey. For apart from the items mentioned above, one big 'asset' we own is the debt due from Pakistan. This has so far been taken at Rs. 300 crores, on the basis of the obligations of undivided India taken over by the Indian Union. Whether, when and how this debt will be settled are matters of extreme uncertainty. This it should be remembered is likely to be further complicated by the claims and counter-claims in regard to evacuee properties in India and Pakistan which have yet to be settled. The Survey has for obvious reasons kept clear of these issues. But anybody trying to gauge the strength of India's external assets cannot ignore them. Should adjustments be made for these accounting or uncertain items, it is probable that India's net position will take on a different aspect.

We might finally touch upon the fields into which the additional private investment of Rs. 132 crores has flown since June 1948. As set out in the Survey, nearly half (Rs. 61 crores) the additional foreign investment is in the manufacturing sector, with trading plantations and utilities following in that order. Actually, investment in the manufacturing sector was larger, since the figure mentioned above is exclusive of the investment in oil refineries. This anomaly arises from the fact that at the time of the Survey, the process of transferring assets and liabilities from the branches of the foreign oil marketing companies to the new oil refinery companies had not been completed. Had this transfer been made, the proportion going into the manufacturing sector would have been much larger.

It might finally be noticed that between 1948 and 1953, foreign investment in 'managing agency' firms went up by Rs. 11 crores. This is not by any means an insignificant amount in itself. More than that, it shows an increase of nearly 80 per cent in foreign investment in managing agency firms subsequent to June 1948. What this implies in terms of actual producing units managed by such firms is a matter of conjecture. The Survey does not—and for obvious reasons could not—go into this question. But it will not be long before somebody makes an issue of it.

Weekly Notes

Tata Steel—Expansion Under Way

STEEL is in the news once again this week. Shri J R D Tata has denied the news report, on which our Weekly Note last week was based, that the Tata Iron & Steel Company's negotiations for a loan from the Export-Import Bank of America had been successful. While Shri Tata expressed his confidence that the necessary finance would be forthcoming, he indicated that both the World Bank and the Export-Import Bank were being approached and which of these two bodies would provide the finance was not definite as yet.

Shri Tata's confidence about this subject is evident from the conclusion of the agreement with the Kaiser Engineers Division of the Henry J Kaiser Company regarding the expansion project of Tatas, details of which were announced this week. The entire contract for the design, procurement and construction of the Rs 61.9 crore (\$130 million) project has been awarded to this American firm, which is famous for the speed with which it completes various projects and the scheduled period for completing the present project is only 30 months.

The fact that the constructional contract has been awarded to the American firm does not of course imply that the equipment used will be American. If competitive quotations are forthcoming from American equipment manufacturers, there should be no difficulty and in that case the loan from the Export-Import Bank will presumably be forthcoming. If, however, other countries are able to make substantially lower bids, the Export-Import Bank will not be able to provide any finance and that is why probably the World Bank has been mentioned as an alternative source of finance.

This contingency is by no means remote. The controversy over the "Buy American" Act which flared up over the Chief Joseph Dam incident some time ago points to that possibility. In recent months, a number of contracts for supply of equipment for US Government works have gone to English engineering companies because their bids plus six per cent have still been lower than the lowest American quotations. Quite recently too, the Department

of State has announced that even in "surplus labour" areas where the six per cent rule was not hitherto applied and American firms were given all contracts, a difference of more than 12 per cent would be the maximum preference permitted to American firms. An English firm was awarded a major contract under the new ruling in such an area recently. However, if either way finance is secure this need not worry us much. The Tata Steel expansion project can be taken to be under way.

Credit for Durgapur

IN the meantime, the British Steel Consortium which is connected with the third new steel plant project (at Durgapur?) is reported to have offered India credit to the extent of 80 per cent of the value of plant and equipment ordered from the United Kingdom under the terms of the British export credit guarantee scheme. Interest will be charged at one per cent above the present Bank Rate of 4½ per cent in England.

Investment in Men

DURING the post-war period, the number of persons going abroad for higher education has increased quite substantially. As compared to the pre-war period, the number of Indian students has almost doubled in the UK and quadrupled in the USA. However, it often happens that when such trained persons return to India, there are no outlets for them to utilise the specialised training which they have received abroad. As a result, the investment which the community makes in their training and their innate talents go to waste, which is a great pity when the resources of the country in the form of capital and talents are so scarce.

This national waste could be prevented if the Government tried to estimate the country's requirements regarding trained personnel during say, the Five-Year Plan period and published this estimate so as to guide the students going abroad in choosing their fields of study. Such an estimate would, in fact, be useful even for students in this country. This is an important job for the Planning Commission and a very high priority should be assigned to

it. It is rather surprising that such an elementary and obvious thing does not still seem to have occurred to the Planning Commission.

A Plea for Good Faith

THE speech of Mr E D Sheppard, Chairman of Killick Industries Ltd., appearing elsewhere in this issue, is worthy of serious consideration by all those interested in the well-being and development of India. He stresses very rightly the need for a change in the attitude towards free enterprise, especially in the context of the role assigned to it in implementing India's development plans. For a society which entrusts such great responsibilities to the private sector, it would be neither fair nor profitable to treat that sector with suspicion and contumely. Even as one expects, in a 'mixed economy', the private sector to keep good faith with the public and the Government, these latter ought, in their turn, to keep good faith with the private sector. Only then would a co-ordination of efforts of State and free enterprise be possible and fruitful.

Mr Sheppard has been forthright in his criticism of the vindictive attitude taken by some in regard to the Managing Agency system. He deplores the non-recognition of the massive achievements of that system in the past, and the view that the managerial class in this country receives endowments out of all proportion to the contributions they make to the production of national wealth. There is much food for thought in what Mr Sheppard says. At the same time, one might add that so far, the private sector has spent more time on complaining about the difficulties it faces than on informing the general public of its singular achievements, in terms not of private gain but of social benefit. Also, one might point out that not all critics of the managing agency system are unaware of its contributions in the past; their stand is basically that in the altered circumstances of today, the institutions have to change, and the operating incentives will have to be somewhat different. To the opinion of such, the private sector should pay greater heed; and this will, in itself, contribute to a warding off of the suspicion and venom which Mr Sheppard condemns.

Russia as a Lender

THE recent financial and trade agreements arrived at by Soviet Russia with China, Finland and Yugoslavia, respectively, is a pointer to the increasing interest shown by Soviet Russia in international economic co-operation. The agreement with China provides for the grant of medium-term loans, reported to be equivalent to about £50 million sterling, for purchase of goods manufactured in Russia. It is said that the loan to Finland—of about £3½ million sterling in value—is for strengthening the foreign reserves of the country. In the case of Yugoslavia, the major portion of the credit line of about £60 million is earmarked for purchase of Russian goods, the balance being made available in foreign currency for purchase of goods outside the Soviet bloc.

From one point of view these agreements can be regarded as an extension on a large scale to States on the Soviet periphery of the credit facilities which were available hitherto on a restricted scale to countries within the Bloc under bilateral trading agreements. It is difficult to say whether these long term capital transactions portend a general thawing of Soviet foreign economic policy, and it remains to be seen whether they would gradually pave the way for some relaxation of the Russian attitude to membership of the Brettonwoods institutions.

In this connection it is interesting to recall that Mr Gunna Myrdal, Executive Secretary of the UN Economic Commission for Europe, in the course of his welcome address to the Geneva session of the Trade Development Committee, said that the basic conditions for an increase in trade between Eastern and Western Europe were propitious. He referred to the improvement in credit facilities in both halves of Europe, particularly in regard to accommodation credits for tidying over temporary and seasonal difficulties in payments. According to him, the value of East-West trade in Europe increased from 927 million dollars in the first half of 1954 to about 1 billion 85 million dollars in the first half of 1955. Although during this period, the increase was mainly under exports from Eastern countries, it is expected that this would soon be repeated in a rise in imports from the West.

North-West Asia

MUCH has happened in West Asia since the start of the dispute between Britain and Egypt. That dispute has now been settled. Britain has evacuated the Suez Canal. But it is an indirect sequel to this earlier dispute that MEDO has not come into existence. From the statement of the British Foreign Minister before the first meeting of the Baghdad Pact Council, it would seem that Western Powers have not lost hopes about MEDO. Mr Macmillan is hopeful that the Baghdad Pact will "prove acceptable as a pattern for co-operation with other States in the Middle East". Egypt does not share this hope. London is suspect in Cairo for its machinations to create disunity in the Arab League.

Events in the last ten years visibly reflect the Western Powers' determination to ring the world with military pacts. They are consistent in this policy. If MEDO could not be created, they started wooing Turkey. Turkey is a NATO Power. She occupies a strategic position in the eastern Mediterranean. With Turkey as the base, both the eastern Mediterranean and north-west Asia could be fortified. These military arrangements could be indirectly telescoped into NATO through Turkey. This is the basic strategy of the Baghdad Pact, the west Asian counterpart of SEADO in south-east Asia.

Britain is no longer an Asian Power. America has never been an Asian Power. But, through SEADO and Baghdad Pact, Britain has revived her military interests in Asia. As the sponsor of SEADO, America is now vitally involved in Asian affairs. By her decision to establish military and political liaison with the Baghdad Pact countries she has enlarged her commitments in Asia. She already has separate, bilateral military aid arrangements with Turkey, Iraq and Pakistan. France is a member of SEADO. America, Britain and France, the three major NATO Powers, have, thus, sought to establish military net-works in Asia as offshoots to NATO. These military arrangements have a familiar nineteenth-century look. In the nineteenth century, such alliances used to be negotiated secretly. Today, in the era of open diplomacy, such military pacts are openly arranged. But this difference does not obscure the motive, which remains the same, behind these pacts.

Wheels within Wheels

THERE are other intriguing aspects of SEADO and the Baghdad Pact. These military pacts are counter-arrangements to offset the growth and spread of uncommitted countries and powers. Thailand, Philippines and Pakistan are associated with SEADO. To the extent of such participation, SEADO seeks to counteract the influence of the "uncommitted third" in south-east Asia. Similarly, Egypt pursues a policy of non-involvement. She stands for Arab unity. To counteract Egypt's influence in the Moslem world, Turkey, Iraq and Pakistan have been won over to form the Baghdad Pact.

It was inevitable that the Western Powers' strategy and diplomacy in Asia should provoke counter-measures by the Communist States. All the major powers in East Asia are attuned to the Bandung Powers and neither the Western Powers nor the Communist States are successful in their manoeuvres. But, in west Asia, Russia has successfully countered the Western moves by arranging an arms deal between Czechoslovakia, Egypt and Afghanistan. If and when Iran becomes a strategic base for operation against the Soviet Union, Russia can move troops into Iran under the terms of the 1921 Treaty. The Baghdad Pact has had other irritating consequences. It has damaged Britain's claim as a friend of Arabs, especially at a time when both America and Britain are suspect in the Arab States for their lenient attitude to Israel. This also explains why America is reluctant to become a full member of the Baghdad Pact. In the Western Power's diplomatic strategy in Asia, there are wheels within wheels.

Geneva and After

MR DULLES is both a sadder and wiser diplomat after the Foreign Ministers' Conference at Geneva. He is realistic in his summing up of the second Geneva Conference. At Geneva, all the three Western Foreign Ministers made concluding statements to inform the world that Russia was to blame for the failure of the second Geneva Conference. On his return to America, he has repeated this accusation from Washington. But it is clear from his broadcast address, that he is agonisingly conscious that Russia holds the diplomatic trump card. It is a tribute to the American Secretary of State's appreciation of the intriguing situation in world affairs to-

day that he alone, among his Western colleagues, has the honesty to confess this diplomatic defeat.

Each side has changed its attitude to Germany. Formerly, the Western Powers were insistent that a future, united, armed Germany must have freedom to join NATO. Russia could, or would, never accept such a solution of the German problem. It was unwise of the Western Powers not to realise earlier that such an uncompromising policy to Germany could not lead to any solution. At Geneva this time, the Western Powers were diplomatic. They did not emphasise as much the right of a future, armed, sovereign Germany to join NATO as Germany's freedom to choose her future alliances. Their proposal included a proviso that a plan for guaranteeing European security should be implemented immediately as, and if, re-united Germany chose to become a NATO partner.

This was clever diplomacy. But it ignored the basic significance of the achievement of the 'summit' Conference. From M Molotov's behaviour at Geneva, it is clear that Russia has fully grasped the consequences of the 'summit' Conference. As soon as it became evident that both sides had mutually agreed not to start an atomic war, Russia properly concluded that both time and strategy were in her favour. Russia was no longer apprehensive of any future aggression by a remilitarised united Germany. To Russia, German re-unification was no longer as urgent as a system of European security. She could wait for a solution of the German problem, the more so if it involved even indirectly, future participation of a re-united Germany in NATO.

This was the negative aspect of Russia's attitude to the second Geneva Conference. There was also a positive aspect to Russia's changed policy to Germany. Russia proposes that the German problem should be left for solution by the Germans themselves. This is a fair proposal. It is aimed to win over the people of Germany. Russia has other motives in making this proposal. She hopes that she will be in a position to offer such terms and assurances to Germany as to buy her neutrality. She feels that she will succeed in this policy. That is why she has refused to pay the price demanded by the Western Powers for a solution of the German problem.

Balance Sheet

MR DULLES is honest, if not diplomatic, in his interpretation of the Geneva balance-sheet. So long, the two rival power blocs have waged a "cold war" to start a future war. That "cold war" will go on, but it will now be fought "in defence of peaceful competition". This sounds promising. But it means continued world stalemate. Mr Dulles is more emphatic than his two Western colleagues that there can be no sense in resuming negotiations with Russia as long as she does not change her attitude to Germany. It suits Russia not to change her policy to Germany. It, therefore, follows that America prefers the atomic stalemate to exploring prospects of a compromise solution of the German problem.

It is arguable that a world stalemate, though deplorable, is better than the constant threat of war. Such arguments are based on superficial assumptions. Both sides have mutually agreed not to start an atomic war. But neither side has yet agreed to renounce the use of force. Mr Dulles admits that America will continue her present programmes for defence and security. Continued establishment and fortification of military alliances by the Western Powers will provoke retaliatory diplomatic and military arrangements by Russia. As long as both sides continue such a policy, there can be no lasting assurance that world peace will be maintained.

The Colombo Plan Report

THE Fourth Annual Report of the Consultative Committee of the Colombo Plan makes as usual rather mixed reading, and shows if anything, the very considerable leeway that remains to be made up particularly in regard to levels of per capita food consumption—which though higher than in the early post war years are still below pre-war levels. The seriousness of the demographic situation in the Colombo Plan countries is evidenced by the estimated rate of increase of about 10 million persons per year in the population. On the other hand, the available economic indicators point to a perceptible rise in national income and output in most countries, though the rate of increase was rather uneven; and in a few countries the general economic situation was rendered vulnerable owing to the impact of the fall in prices of exports.

The area as a whole showed a rise in output in major lines of production with the exception of rice which showed a decline in output of 6 per cent mainly owing to a decline in output in India, Pakistan, Thailand, Laos and Viet-nam. Even so the production of food grains as a whole is said to be the second highest level recorded during the post war period. Among cash crops, the production of tea, sugar, cotton, jute, oilseeds and rubber showed an increase. Industrial and mineral production as also power generation recorded significant increases over the previous years, particularly in cement, steel, cotton yarn and fabrics and jute manufactures. But, as the Report says, "While output in the area generally increased, it must be noted that this rise was not for the most part directly attributable to the development expenditure thus far undertaken. World demands and weather conditions have presumably been as decisive as development outlays in determining the level and structure of agricultural production. Many development projects, particularly major undertakings involving large expenditure, remain uncompleted and can therefore be expected to affect production only after a considerable lapse of time". In most countries the general financial position, internal as well as external, eased on account of the international demand for raw materials and improvement in terms of trade. Consequently, most of them were able to finance development expenditure without substantial recourse to deficit financing.

The Singapore session of the Consultative Committee, which prepared the Report under reference, took the important decision to extend the Colombo Plan from July 1957 for a further period of four years up to June 1961. The future continuance of the Plan will be decided at a meeting to be held in 1959.

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Black Days

IF any further argument were needed against the inclusion of Bombay City in a unilingual State, it was amply provided by the ugly incidents of Sunday and Monday last. The agitators for the merger of Bombay in Maharashtra would make it appear that they value and love this City more than others; but what they did to the City's reputation and its property on those two black days could not have been expected from any who had the least regard for the metropolis. And if this is a preview of what might happen in Bombay in future, should it by mischance go to a unilingual territory, then the sooner the better elements woke up to the position and started asserting themselves the better. Bombay's name has been sullied, and all the more regrettable is the fact that it should have happened almost on the eve of the historic visit of the Soviet leaders to the City. And neither expressions of regret, coupled as they are with mental reservations, nor a fast, which evidently had little effect on the unruly mobs, can make much difference to what has already happened; nor can it be said to hold promise of any better behaviour on the part of the lawless elements in future. What was blatant on the two days was that some of the men behind the agitation over the future of Bombay have little use for democratic methods, and that they are bent on seizing the City by force, and by tactics which have little to do with human dignity and decorum. That the first nursery of freedom and democracy in this country should have had to witness this sad spectacle is most disillusioning.

If Government and the law-abiding public are to submit to this show of naked force, can there ever be peace in the City? And so far as Government is concerned, would it not amount to its accepting a bad precedent, liable to be capitalised by the mob on other occasions, over other issues and at other places too? The question of questions is whether the leaders behind the agitation over the City's future want the people spontaneously and by their own volition to opt for a unilingual State, or are they to be stampeded and forced into such a State, no matter what their own wishes may be? Were it the former, then the approach of the leaders would have been different. They would have appealed to the reason of the people, and put aside any thought of compulsion. Why has this approach not been made and

kept up? Is it because they treat the opinions and wishes of the people of Bombay as being of no consequence whatsoever? Or is it because the leaders see no possibility of ever being able to convince the majority of Bombaymen of the need and advantage of merging the City in unilingual Maharashtra, and so are trying, in a last desperate bid, to harass, bully and coerce the people into submission? Looked at from either angle, the method in operation is deplorable, to say the least.

Challenge to Democracy

BOMBAY, which has not allowed itself to be bullied by the might of the British Empire, is not likely to get bullied by a handful of agitators. Bombay, which has seen the fullest flowering of democracy, a rare cultural synthesis and way of life which is an inspiration to the rest of the country, is in no mood to have this heritage besmirched by elements that evidently have no great respect for it. What happens to Bombay ultimately is less important than what happens now, and how. Time-honoured democratic ideas and processes face a challenge, and that challenge must be met, irrespective of the passing controversy over the future of the City. Professional trouble-makers and law-breakers, who are evidently ever ready to spring into action at the slightest pretext and who seem to think that pushing peaceful citizens about, holding up traffic, throwing stones at all and sundry, burning buses, police chowkies and the like and paralysing life in the City are a form of diversion—these reckless elements lurking in the city lanes and by-lanes must be made to realise that they cannot have this proud city for a playground. A large majority of the City's inhabitants are peace-loving and they like to be left to themselves. And there is no doubt that even among the agitators, not to speak of their leaders, there are a number who do not approve of undemocratic behaviour and hooliganism. But control of the movement is evidently passing out of their hands into those of the lawless elements. And it is the duty both of law-abiding citizens and responsible men at the head of the agitation to bestir themselves to see that the incidents of the past week are not repeated, and that if it is necessary at all to conduct any agitation, it is done on dignified, democratic lines. In this context, the suggestion made by Shri S K Patil to start an orga-

nisation of volunteers to be called Bombay Guards deserves serious consideration. Goondaism and vandalism must end in the City at once.

Friendly Neighbour

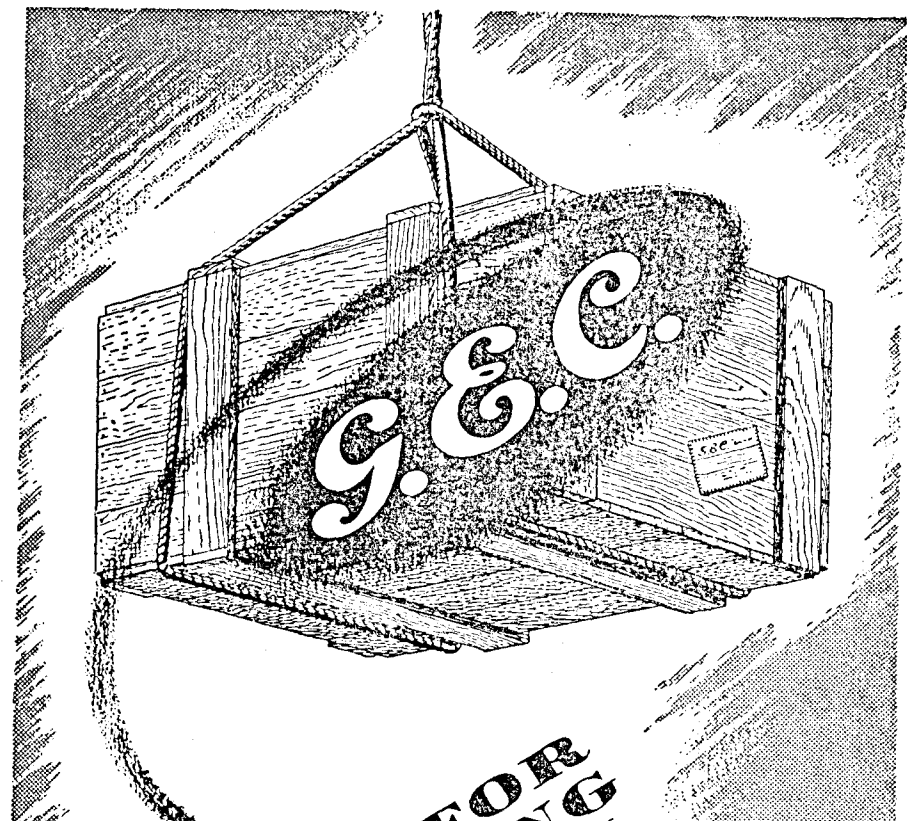
THE warm reception given to King Mahendra of Nepal at Delhi, Bombay and other places is only a small measure of the great regard and affection cherished by the people of India for their brave northern neighbours. Neither alien rule nor the prejudicial utterances and activities of certain interested elements since freedom have been able to snap or weaken the timeless ties of friendship and cultural exchange between the two neighbours. Temporary misunderstandings are bound to arise between any two neighbours; and they might have shown a tendency to arise between India and Nepal too in the first unsettling flush of freedom. But it redounds to the wisdom of the late Ruler of Nepal and the political leaders of that country as also to the deep understanding and warmth of feeling of the leaders of free India that these little causes of possible misunderstanding were never given any quarter. The present young Ruler of Nepal, King Mahendra, has given every indication of continuing the noble tradition of his father both in respect of relations with this country and the democratic evolution of Nepal. The earliest opportunity that King Mahendra has taken to visit this country bears out his regard for India, while the considerable reforms he has attempted in Nepal and the earnestness he has shown in promoting the political progress of his people give ample proof of the spirit of enlightened leadership that he has inherited from his father.

That parliamentary democracy is not yet fully and firmly established in Nepal casts no reflection on any particular individual, as Shri B P Koirala, President of the Nepali Congress, said only the other day. The lack of democratic experience in the past, the sudden upsurge of parties and groups on the advent of freedom, the leeway of centuries to be made up in practically every field of public and administrative activity, mass illiteracy and ignorance and the fact that a large number of politicians there are new to the ways of restraint, tact and compromise that democracy calls for—all these have to share the blame for the political stagnation that prevails in Nepal. And that is not to

talk of the disturbances and eruption of dormant forces that followed freedom. If because of all these, Nepal has seemed at times to take a step or two back for unavoidable reasons, the question is whether the urge to move forward and the earnestness to try every possible method in that direction have been lacking. The indications so far have happily

been that every attempt is being made to avoid the necessity of direct rule or at least to modify it to the extent possible by associating popular opinion with it in the period preceding the proposed general elections. The proposed elections may well solve some of the problems besetting Nepal at present, and the wisdom of political leaders would seem to

lie in making the best of the present state of affairs and expediting the date of the elections. Any proposal or move that is likely to extend the present uneasy interregnum beyond need cannot be very conducive to democratic advance. One hopes that this is fully realised in all quarters in Nepal.



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From the London End

Belgium and the Belgian Congo

BELGIUM'S colonies and colonial policies have never been subjected to the type of international scrutiny which in recent years has given so much trouble and anxiety to France, Britain, Portugal and Holland. For this, there is little doubt, Belgium is most thankful. The reasons for this virtually complete absence of controversy are, however, not difficult to find. Unlike the other colonial powers, Belgium's foreign possessions are confined to Central Africa—an area about which very little is known and, more important, an area which is too far away to feel either the impact of the Asian revolution or for that matter to taste what is good in European liberalism. The Congo's isolation from the main stream of international events and ideas has been and remains one of the more important contributing factors to the continued stability of the Belgian economy.

Belgium's African colonies are made up of the Congo and the small adjacent trust territory of Ruanda Urundi. In land area, these territories are about three times the size of Pakistan or just slightly smaller than the land area of India. They carry a population of approximately 15 million—99.4 per cent of whom are indigenous African. In economic importance and potentialities the Congo has been generally described as being one of the richest of territories on the face of the earth. This is certainly true.

Economic Consequences

In this despatch your correspondent does not intend to examine the political and social aspects of the Congo-Belgium link, but rather to assess the economic consequences of the relationship. Such an assessment appears necessary since it has always been one of the mysteries of the European economy that, irrespective of the conditions of her neighbours, Belgium has always enjoyed a remarkable stability in its international balance of payments. It is towards unravelling this mystery that the economic aspects of Belgium's colonial position needs assessment.

According to the International Monetary Fund's Balance of Payments Year Book, the Congo, while having a deficit on its current ac-

count amounting to about 1,000 million Belgian Congo francs (50.50 Belgian Congo Frs = US \$1; £1 = 141.40 B.C. Frs. = 141.40 Belgian Francs), has been in persistent surplus in its trade with the dollar area and all countries outside the Belgian-Luxembourg monetary group over many years.

The deficit of the Congo with Belgium arises primarily from its annual interest and investment service payments. In 1954, these payments amounted to 2,500 million Belgian Congo francs. In 1954 the colony had a net surplus on its current account with the United States to an extent of 2,470 million Belgian francs. In the same period Belgium's current trade with the dollar and the hard currency areas was in deficit to the extent of 610 million francs. In the adjoining table pertinent details from the trade figures of both the Congo and of Belgium are given. It is significant that Belgium's regular deficit in its trade with other members of the European Payments Union are also regularly covered by the EPU currency earnings of the Belgian Congo.

Last year the Congo produced 250,018 tons of manganese valued at \$7,017,500 which was about 30 per cent more than the output and value of 1953. Most of this metal is exported to the United States. Zinc production in the Katanga region amounts to over 250,000 tons, while Tungstan output averages 1,000 tons a year and exports last year amounted to \$4 million. Output of such metals as titanium, paladium, thorium and lead has grown considerable to the point of making the Congo the most important world source of the metals. In the production of gold the Congo holds the twelfth place among the gold-producing nations of the world. It

produces annually over 12,000 kilograms of gold.

Raw Materials

The importance of the Belgian Congo thus does not, primarily, arise from the opportunities that exist for Belgium to cover its trade on a triangular basis with the Congo. The Congo's importance arises in the main from the raw materials which it produces for export. Its annual production includes an estimate of something like 50 per cent of the world's supply of uranium. Apart from this, the Belgian Congo is well known as a source for such important non-ferrous metals and other minerals like copper, lead, tin, zinc, diamonds, gold and silver. It is an important source of manganese ore and of cobalt ore. In agricultural commodities, ground nuts and various other vegetable oil seeds, as well as cereals like millet and rice, feature strongly in its production and trade. It supplies almost all Belgian needs of coffee and cocoa. Natural rubber, and cotton lint have also figured in its export list.

The Congo is "big business" and is operated as such by the Belgian Government both in Brussels and in the Colony—always keeping a wary eye on it, even to the extent of sharing in its profits and keeping a Government official constantly sitting on the boards of the big

BELGIUM-LUXEMBOURG			
Current Trade & Payments Account			
(Millions of Belgian Francs)			
	1953	1954	
Hard Currency Areas	0.55	—6.10	
EPU Areas	—7.74	—8.74	
Belgian Congo	7.58	8.32	
Other Areas	—0.77	1.91	
	—0.38	—4.61	

BELGIAN CONGO				
Trade and Payments in 1954				
(Millions of Belgian Congo Francs)				
	U.S.A.	Sterling	Belgium	Total
	Area	Area		All Areas
Exports	5717	4,100	4,857	23,783
Imports	—3124	—2,490	—6,771	—17,202
Gold Exports	—	—	—	—
Investment Income	58	71	360	494
Interest etc. Payments	— 77	— 10	—2,500	— 2,954
Total (All Items)	2,470	1,106	—8,320	— 1,367

companies concerned with the Colony's exploitation.

The Congo administration has an interest amounting to a total value of more than \$250 million in the so-called "big five" companies which dominate the productive economy of the Congo. The administration derives more than half of its revenues from the profits arising from these interests. The biggest company is the Societe Generale de Belgique. It distributes to its shareholders dividends aggregating over \$10 million annually. It is probably one of the largest commercial and financial organizations both in Belgium and in the Congo. Its interests in the Colony spread over and cover almost every product and almost every sphere of activity. Its largest subsidiary is the Union Miniere du Haut Katanga, which is Africa's biggest and probably one of the world's largest producers of copper and uranium ores. Its dividend declarations have averaged \$50 million annually since 1947. The Colony's actual production and export of uranium ores are normally maintained as a top secret, but it is known that the United States has provided various financial guarantees as well as actual payments for securing the power to purchase the uranium output of this territory.

No Inflation

The importance of the Congo to Belgium as a source of hard currency, of income from past investments (at about, 2,500 million francs annually) and of basic raw materials can be readily seen. During the war years, the Government of Belgium, with little expenditure commitments, accumulated the considerable war-time earnings of the Congo. In those years the Congo's exports of raw materials—most of them strategic—were taken up fully by the Allied Combined Raw Materials Board. These accumulated earnings were then used by the Belgian Government Purchasing Mission in Washington to purchase goods—consumer and otherwise—for supply to liberated Belgium.

Thus Belgium was the first only European country in the first post-war years not to suffer from inflation. It was also the first country to revive its industry and its economy generally. Ever since, Belgium has been the wealthiest nation, apart from Switzerland, in the OEEC Group. The contribution of the Congo to this enviable position is indubitable.

Neptune Assurance

DURING the year ended December 31, 1954, the Neptune Assurance Company Ltd., completed new life business valued at Rs 60.37 lakhs as against Rs 51.59 lakhs in 1953—an improvement of 17 per cent. Total premium income amounted to Rs 18.51 lakhs as against Rs 15.85 lakhs in the previous year. Net interest income earned in 1954 was Rs 3.39 lakhs, giving an yield of 3.48 per cent on the Life Fund, as against 3.46 per cent in 1953.

According to Actuarial valuation, the expense ratio has decreased to 17.47 per cent in the year under review from 18.29 per cent in the previous year.

Net premium income of the Fire Department in 1954 amounted to Rs 3.11 lakhs as against Rs 2.39 lakhs in 1953, and after meeting all expenses and allocating Rs 1.24 lakhs towards reserve for unexpired risks, a balance of Rs 40,379 has been transferred to the Profit and Loss account. Similarly, after meeting all expenses and providing for unexpired risks, a sum of Rs 17,591 has been carried over from the Accident and Miscellaneous Department to the Profit and Loss Account.

After meeting expenses of management of Rs 3,052 not applicable to any account or fund and writing off Rs 22,000 and providing for bad debts to the extent of Rs 1.24 lakhs, the Profit and Loss Account for the year discloses a loss of Rs 26,499. The balance of profit brought forward from last year (Rs 8,326) and the income tax refunds for the year 1950 together provide Rs 20,501 for appropriation. After paying income tax of Rs 23,462 for the year 1951-52, the accounts emerge with a net loss of Rs 29,460 for the year under review. However, the Actuarial valuation for the triennium, ending December 31, 1954, provides a sum of Rs 40,206 towards shareholders' dividend. When this amount is taken into the accounts of 1954, there emerges a profit of Rs 10,746.

The Actuarial valuation for the triennium ending December 31, 1954 shows a surplus of Rs 4.47 lakhs. After taking into account the income tax deductions at source in the past three years (Rs 1.66 lakhs) less the amount of estimated provisions for income tax (Rs 78,094), the total amount available for distribution is Rs 5.36 lakhs. The Actuary recommends that of this sum, Rs 40,206

be provided for shareholders' dividends and Rs 4.8 lakhs be distributed as bonus to with-profit policy holders as follows:

- (a) Rs 12 per thousand sum assured per annum on participating endowment Assurances and
- (b) Rs 14 per thousand sum assured per annum on whole Life Assurances.

General Assurance

FROM the Forty-eighth Annual Report of the General Assurance Society Ltd., for the year ended 31st December, 1954, one gets the impression that during a year of intense competition for business, the Society was able to achieve encouraging results, especially in Life Assurance business.

The Life Department wrote, in 1954, new business valued at Rs 310.5 lakhs as against Rs 221.1 lakhs in 1953—indicating an increase of 40 per cent.

Total premium income in the year under review reached the impressive figure of Rs 70.7 lakhs and gross income amounted to Rs 103.68 lakhs. After meeting expenses of management, claims etc., the Society was able to add to the Life Fund a sum of Rs 49.8 lakhs as against Rs 39.9 lakhs in 1953. In the result, the Life Fund increased by about Rs 50 lakhs to Rs 449.44 lakhs at the end of 1954.

The working of the Fire Department during the year resulted in a profit of Rs. 1.6 lakhs. The results of the Marine and Accident and Miscellaneous Departments, on the other hand, were not quite encouraging, both of them accounting for a loss of Rs 1.8 lakhs.

On balance, however, as a result of the good working results of the Fire and Life branches of business, the accounts of the Society as a whole, show a profit of Rs 68,054, which together with the profit brought forward from the previous year, totals Rs 1.33 lakhs. After making adjustments for income tax for 1948 (Rs 15,490) and transfer to Taxation Reserve (Rs 10,000), the net amount available for appropriation during the year is Rs 1.07 lakhs.

The Directors have recommended the payment of a dividend at the rate of 6 per cent on the paid-up Capital, which will absorb Rs 60,000; the balance is to be carried forward.

Official Papers

Inland Water Transport in Europe and the USA

Report of the Expert Working Group from Asia and the Far East on Inland Water Transport. United Nations, New York. Page 141. Price 11 shillings.

Reviewed by Hannan Ezekiel

THE development of inland water transport has suffered from considerable neglect in the countries of South-East Asia so far, although in most of them there are considerable waterway systems and transport is an important bottleneck hampering their rapid economic development. If the effects of this neglect are to be overcome in the future, two types of preliminary effort need to be made. On the one hand, the existing waterways in these countries need to be studied, their existing uses and potentialities assessed and their problems and difficulties analysed. On the other hand, the various techniques and types of equipment used in inland water transport systems under various conditions in different countries must be studied to obtain the maximum benefit from their experience in this field. The present report falls into the latter class.

Whatever the utility of such a study, and this can hardly be denied, it might be questioned at the outset whether it should not have followed extensive studies of the first type rather than preceded them as seems to have happened in the present case. In fact, many of the useful suggestions for India, Pakistan, etc., made in the report flow very obviously from the specialised knowledge of the experts about the conditions prevailing on particular waterways of importance in their own countries. The Report notes that "Members from various countries gave a resume of their problems in developing inland water transport and in the light of the experience gained during the tour" recommendations were drafted and finalised. This only emphasises the need for more data on the actual problems existing in these countries. Another feature of the present report which might be noted at this stage is that the working group consisted entirely of technical experts and did not include a single economist interested in transport problems.

The most important chapter of the Report, considering the composition of the group, describes the technical aspects of the inland water

transport system in the countries visited. On most of the waterways in Europe and the United States, it is the practice to carry out extensive towing operations. In other words, in addition to self-propelled vessels for the purpose of carrying freight, dumb craft towed by tugs are used on a large scale. The chapter on "Craft, Methods and Costs" provides technical data on both types of vessels used on each system. In each case, an attempt has been made to relate the characteristics of the vessels used, to the conditions prevalent on the particular waterway, presumably with the object of finding out their suitability for conditions in South-East Asia.

In each case, attention has been carefully drawn to the existence of features through which full advantage is taken of every favourable factor in the waterway system to ensure maximum capacity for carrying freight, the achievement of maximum speed and the reduction of costs. Thus, in the dumb craft used in the Canal Fleet in France, it is noted that "The vessels have no longitudinal stiffening as they operate in sheltered waters, and groundings are rare. The weight thus saved permits extra pay load" (emphasis added). This functional emphasis in the report greatly enhances its value.

In order to bring out the relationship of the functional aspects to the conditions prevalent on each system, the latter are carefully described. The difficult condition caused by rapidly varying water-levels, the shallow bars at low water, the narrow and winding channels with short radius of curvature, the steeply-sloping bed, strong currents, shifting channels and ill-defined banks on the Rhone river are contrasted with the easier conditions found on the River Seine and the Canal system in France. The river training schemes including provision of shiplocks, by which difficult stretches of river are being slowly made easier for navigation, are briefly described and their effects on

the pattern of vessel construction is noted.

While considerable fleets of dumb vessels exist on most systems in Europe and the USA, the Report notes an increasing tendency towards the use of self-propelled craft, particularly in France. This tendency has been encouraged by the increasing mechanisation of loading and unloading operations at many points as a result of which the turn-round time for river craft has been considerably reduced.

The operating techniques of singly-operating vessels as well as those operating in groups with only one powered vessel are examined at some length with particular operation to their economics. It is noted that "push-towing gives better towing efficiency than pull-towing."

The importance of loading and unloading operation has already been mentioned. This is recognised through the devotion to it of a special section of the Report. The volume of freight carried on the inland water transport systems is considerable and in large part this is carried in bulk, a practice which has been encouraged by the development of suitable facilities at all points. "The fact that most cargo is carried in bulk and that large quantities are involved" says the Report, "have made it possible as well as economical to introduce a great deal of mechanization in cargo handling in spite of the heavy capital outlay." The fact that according to estimates "in many cases mechanization has reduced turn-round delays of vessels by 60 per cent" brings out the significance of this factor on the economics of operation. The development of mechanical shore installations is, however, "even more marked in Europe than in the United States because most European rivers have been trained over the entire navigable length and the seasonal range of this water-level is smaller than on American rivers". This shows how many factors are involved in such questions.

From the detailed studies made in France and the United States, the

members of the group have drawn certain conclusions and made certain recommendations for their respective countries. Reading the relevant chapter, one sees quite clearly the advantages that would have been obtained from the present study if more detailed information had been available about our waterways and the problems they present.

The main conclusions of the report are given below, though their tentative character is quite apparent:

- (1) Replacement of steam-engines by diesel engines will, in most cases, be advisable;
- (2) Attention should be paid to training of personnel, particularly for repair and maintenance of diesel engines;
- (3) Possibility of adoption of shallow draught self-propelled craft with screws running in tunnels should be investigated;
- (4) Application of Kurt nozzels seems advisable;
- (5) Feasibility of push and pull towing, especially in Burma, Pakistan and India, should be considered further;
- (6) Increased use should be made of light alloys for shallow-draughted dumb craft;
- (7) A modest start should be made with mechanization of cargo handling operations;
- (8) Water conservancy work should be the responsibility of Governments rather than of private companies.

The specific recommendation of the group refers to the organisation of a demonstration project covering craft design and operation and including experimentation with suitable tugs, pusher craft or other means of moving country boats and cargoes. The group came to the conclusion that "such a project would be extremely useful to development of inland water transport in the region, especially if testing of modern dumb craft were also included."

In the section recording the observations of the group with regard to India, some comments have been made about country craft. "Whereas country craft" says the Report, "will continue to be plying for small-scale traffic, these suffer from some inherent defects and so are not suited for large-scale mechanised inland navigation. These are built of unseasoned local wood and start leaking after a little use. Consequently operation of baling out

water have to be carried out extensively and the boats have to be beached frequently for recaulking. Further, these do not afford adequate protection to cargo against weather and pilferage."

Many of these defects are remediable without much effort and many in the know might disagree with the sweeping conclusion drawn in the report. The recommendation made by Mr Otto Popper and endorsed by ECAFE that "a demonstration project of shallow-draught tugs towing country boats be run for the benefit of the ECAFE region" has in fact much to commend it. Any recommendations in this sphere must necessarily take into account the overall limitations of resources with which the countries of the region are faced. One of the most important reasons for paying parti-

cular attention to inland water transport at this stage lies for these countries in the great improvements in the transport system that are likely to result from relatively little investment. This important fact must not be lost sight of and emphasis should be laid rather on improvements in organization or in techniques of operation which will benefit the country. The Sailing Vessels Committee's Report had concerned itself with those sailing vessels which operated on the coast or across the seas. A study of inland transport and the sailing vessels operating on our extensive waterway systems needs to be carried out today. The present Report, in spite of its competence only draws attention to the urgency of carrying out such a study.

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Views on States Reorganisation—VII

Dilemma of Punjab

Sadhu Ram Sharma

THE States' Reorganisation Commission's report was released at a time when Punjab was ravaged by rains and floods of unprecedented intensity. The resulting havoc to life and property obscured to a considerable extent the people's reactions to it for a couple of weeks. From the communal tension prevailing before the publication of the report, it would not have been unreasonable to expect violent reactions from Akalis to a report which according to them is, in its substance as well as in its terminology, couched in the language of the Jan Sanghites. The first reactions of the Akali leader, Master Tara Singh, were in fact, violent. To quote his first press statement made immediately after the release of the report, "a decree of Sikh annihilation has been passed by States Reorganisation Commission. We are face to face with a calamity greater than that of 1947. The catastrophe of 1947 finished thousands of Sikhs. The report of SRC completely wipes them out from the face of the world. With faith in God and our Gurus, we shall fight with our backs to the walls".

The Proposals

The first thing to be noticed in the Report is that the United Punjab proposed by it is a slight variation on the Maha-Punjab demanded by Hindu organisations. The United Punjab is to be created by merging Punjab, Pepsu and Himachal Pradesh. Loharu sub-tehsil of Hissar, however, is to be taken away from Punjab and handed over to Rajasthan. The Report is subject to a minute of dissent appended by the Chairman, Mr Fazal Ali, who suggests the central administration of Himachal Pradesh instead of its merger with Punjab. Maha-Punjab as demanded by Hindu organisations included not only the above three states but also parts of Delhi and three Western districts of UP. But the Commission holds that on administrative and economic grounds, there is no case for further addition of territories to the proposed Punjab State. On the other hand, from a political point of view, the acceptance of such a proposal is likely to have very undesirable repercussions.

The Report came as a surprise and caused great disappointment to Sikhs whose hopes had been raised by earlier forecasts, not borne out by the actual proposals. The Commission, after a detailed examination of the proposal for a Punjabi-speaking state and the Akali Dal's memorandum in its favour, found no justification for the creation of such a State. To quote from the Report, "The linguistic complexion and the communicational needs of Punjab do not justify the creation of a Punjabi speaking State. The creation of such a state is likely to disrupt the economic life of this area. The case for a Punjabi speaking State falls, firstly, because it lacks the general support of the people inhabiting the area and secondly because it will not eliminate any of the causes of friction from which demand for a separate Punjabi speaking State emanates. The Punjab Suba will solve neither the language problem nor the communal problem and, far from removing internal tension, it might further exacerbate the existing feeling."

The Basic Principles

The Commission's recommendations in respect of Punjab cannot, however, be viewed in isolation from the rest of the Report which in general has laid down certain basic principles to be kept in mind while redrawing the map of India. It is in the context of these principles that the suggestion for creating a United Punjab is to be examined. Only the principles having a bearing on the present case may be mentioned. While reorganising States, the Commission stresses that national unity must remain an overriding criterion. Linguistic homogeneity has been rejected as an exclusive and binding principle. Apart from the important factor of financial viability and administrative convenience, there is also need for safeguarding the cultural needs of different language groups whether residing in unilingual or composite administrative units. Amongst the factors more specifically relevant to the case of Punjab are the Commission's emphasis on the need to thwart the particularist and separatist feelings so as to give a deeper

content to Indian nationalism and its vehement condemnation of the 'homeland' concept both linguistic as well as communal. It has to be borne in mind also that the Commission as a general rule lays down that the administrative set up in strategic areas would be determined by considerations of national security. When border areas are not under the direct control of the centre, it would be safer to have large and resourceful units.

In the light of these guiding principles, it will be easier to appreciate the rejection of the demand for a Punjabi Suba and the suggestion for creating the larger State of United Punjab instead. The case for a Punjabi Suba as set out in the Akali Dal's memorandum has been thoroughly examined by the Commission. Apart from general arguments in favour of forming linguistic States, the Akalis have argued specifically that the creation of such States, will remove all causes of unrest and discontent, eliminate the language controversy, make it possible to impart education in the mother tongue and help the people to grow and advance. Punjabi Suba will be a geographically compact unit comprising of seven districts of Punjab, the whole of Pepsu (except Hindi speaking areas of Mohendergarh, Nirwana and Jind) and the Ganganagar district of Rajasthan. Including as it does the seven most fertile areas of Punjab, such a State will be surplus in food, rich in resources and also financially viable. It will be a homogeneous State inhabited by sturdy people which will strengthen the defence of the North Western border especially as it also secures for the country a contented Sikh community.

Opposition to Punjabi Speaking State

The Commission at the outset notes a particular feature of the demand in so far as it is strongly opposed by large sections of the Punjabi speaking people residing in the area of the proposed State. The minimum measure of agreement necessary for making a change in the present arrangement does not exist. "The Dar Commission rightly expressed the view that no linguistic State should be imposed on substantial

minorities opposing them. In this particular case, we may actually be imposing the wishes of a minority on the majority." The Commission finds that there is no real language problem in Punjab at present as Punjabi and Hindi as spoken in Punjab are akin to each other. And the present set up presents no difficulty so far as communicational needs of the people are concerned. There are no distinctive cultural zones in the State and the present arrangement does not stand in the way of the development of Punjabi language and culture.

The majority of Hindus besides do not accept Punjabi as a medium of expression to the exclusion of Hindi. They plead that while they speak Punjabi at home, in their religious ceremonies and festivals, in their schools and colleges, they use Hindi. In any case they are not reconciled to the Gurumukhi script. Even those among the Hindus who accept Punjabi as their language, want it in Devnagri script. The opposition to Punjabi, it must be admitted however, is mainly based on political considerations. The Hindu mind has always taken the demand for a Punjabi Suba as a basically communal demand and has felt that all the cultural and linguistic arguments in its favour have been pressed into service to camouflage the real motives.

Hindi and Punjabi

The Commission notes that "it is not unlikely that large sections of Hindus would seek instruction in Hindi even if a Punjabi speaking State is formed. Whatever the legitimacy of such a demand may be, there is no method by which a person can be compelled to adopt a mother tongue other than that for which he himself shows preference." It may be interesting here to note the figures cited by the Commission. At the Matriculation examination of the Punjab University during the last four years, 73.5 per cent elected Hindi to answer their History and Geography papers and only 26.5 per cent elected Punjabi. Even in six wholly Punjabi speaking districts of Jullundur Division, the percentage of those electing Hindi was 62.2 and that of Punjabi only 37.8. "Motives cannot well be attributed to examinees at University examinations who must have exercised their option on the basis of their own literary needs and family traditions." All this unmistakably points to the inevitable conclusion that Punjab will have to be a bilingual State and Hindi and

Punjabi will have to exist and develop side by side. The recently introduced Sachar Formula recognising Punjab as a bilingual State is, according to the Commission, a more effective solution of the language problem of Punjab than unilingualism. Punjab, according to the formula, has been divided into a Hindi speaking Zone and a Punjabi speaking Zone. At the primary stage, instructions will be provided in Punjabi in the Punjabi speaking Zone and in Hindi in the Hindi speaking Zone. But at the secondary stage both the languages will be compulsorily taught in the two zones. This provides a place of honour to Punjabi as it has been conceded the same treatment in the Hindi speaking zone as has been accorded to Hindi in the Punjabi speaking zone. In offices too, while Hindi is gradually to replace English, Punjabi will take the place of Urdu which along with English still remains the de facto official language of Punjab.

Changing Pattern of Population

The Commission holds the creation of a compact unilingual State impossible also for the reason that with large-scale dispersal of people from Punjab (Pakistan) in Eastern Punjab and with the colonisation of the area under the Bhakra project, the division between the two linguistic zones is progressively becoming less and less real. The creation of such a State as already mentioned is also not going to relieve the tension prevailing in this area as the tension follows communal and not territorial lines.

United Punjab

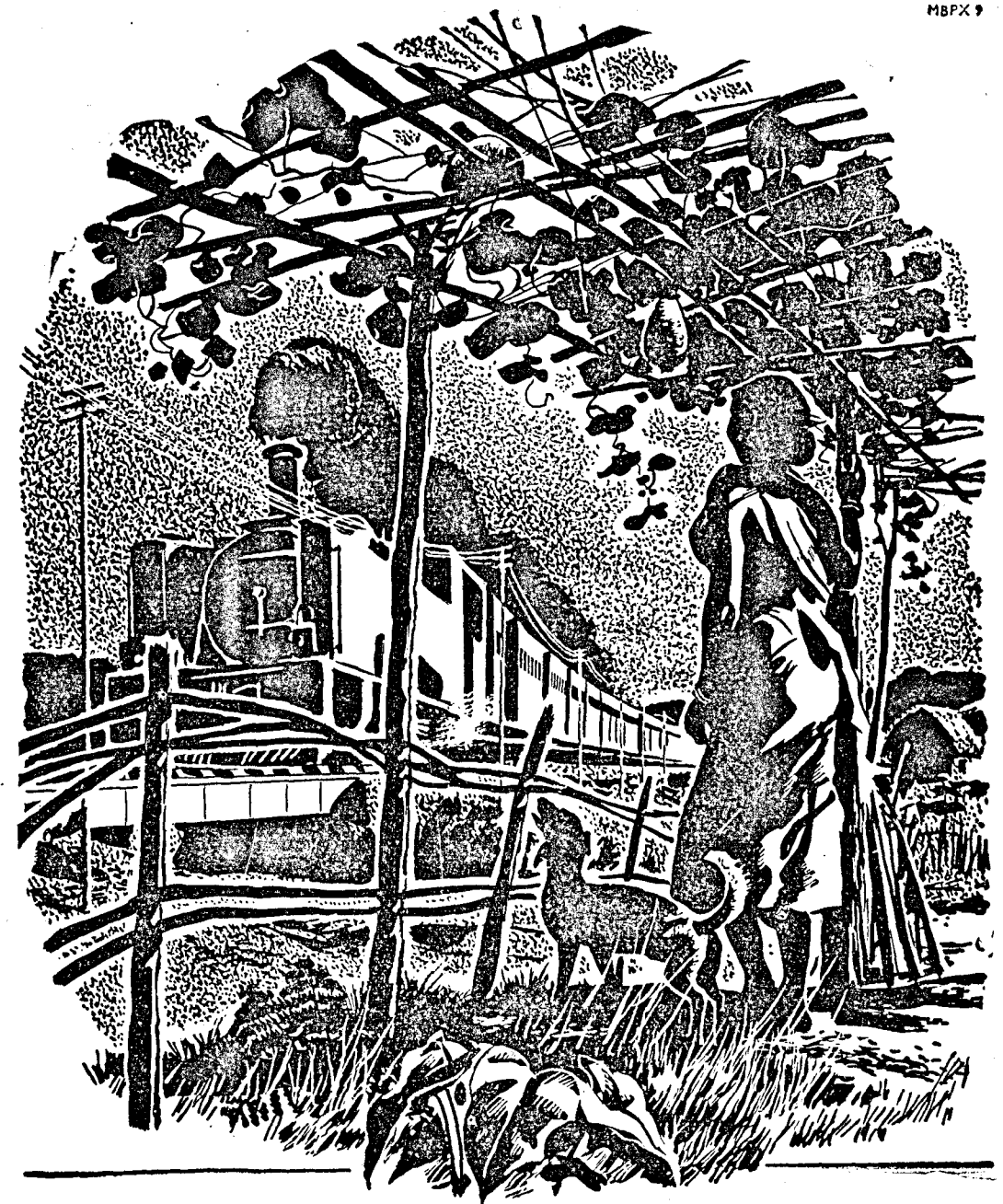
The United Punjab as proposed by the Commission includes Punjab, Pepsu and Himachal Pradesh excluding Loharu Sub-Tahsil of Hissar district of Punjab which will be handed over to Rajasthan from where it can be more efficiently administered. The new State will have an area of 58,140 sq. miles as compared to the present Punjab's area of 37,347 sq. miles and a population of 17.2 million as compared to 12.6 million. It may be noted that while on the question of the merger of Punjab and Pepsu, the Commission's Report is unanimous, in the case of Himachal Pradesh, the Chairman, Shri Fazl Ali, has expressed himself in favour of retaining that area as a separate unit to be administered from the centre.

Amalgamation of Punjab and Pepsu, it may be noted here, was widely expected. It has been realised by the people both in Punjab

and in Pepsu that Pepsu is an artificial unit and cannot be continued under any scheme of reorganisation. The entire State consists of five disconnected units surrounded by territories of Punjab. Thus it lacks geographical contiguity and physically it is very much a part of Punjab. Moreover it is the smallest Part B State. Administratively also, Punjab and Pepsu have a number of common problems and devices like the Joint Advisory Council and periodic conferences have had to be adopted to achieve a certain degree of co-ordination between the two States. Thus it would be simpler, more economical besides being conducive to more efficient administration, if the two States were merged together. The idea of retaining Pepsu as a "Sikh Homeland" having 49 per cent Sikh population has been viewed by the Commission with great misgivings.

The Commission thinks that Himachal Pradesh cannot stand as a separate unit as its resources are poor and it lacks trained personnel. Thus the integration of this State with Punjab will be advantageous from the economic and administrative points of view. The economy of the region is also an integrated one. For instance, soil conservation in the hills is virtually important from the point of view of the plains. The catchment areas of the rivers Sutlej and Beas are mostly in Himachal Pradesh and from the point of the Bhakra project this factor is of great relevance. For the same reason the need for transfer of some areas of the State to Punjab had already been accepted.

The Commission admits that there is some feeling of uneasiness among some sections of hill people about the proposed merger. Yet the opposition is not so much as it is made out and vested interests were actively fostering it. Some safeguards have been suggested to ensure that the economic development of this area is not impeded. Central Government is to retain supervisory authority over this area, at the same time continuing the flow of central aid for a period of another ten years. It is also provided that the Cabinet should include at least one member from this area. The Commission also feel that strategic considerations too are in favour of the establishment of a strong and more resourceful unit as the India-China border in this region admits of easy infiltration.



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Chairman's Dissenting Minute

Shri Fazl Ali, the Chairman, in his 15 point minute of dissent suggests the central administration of Himachal Pradesh, as both genuine and widespread feeling against merger with Punjab exists among the people of the State. Besides, the State is free from the language and communal problems of Punjab. A more important reason he mentions is that, in case of merger, the economic development which is proceeding apace in the State will be retarded. Himachal Pradesh is a backward area on the development of which considerable outlay will be required. As Punjab cannot shoulder the burden, the Centre will be required to spend large amounts of money for its rapid development. Along with other factors, the strategic considerations also point to the advisability of a centrally administered Himachal Pradesh.

It may be interesting to examine some of the political trends in Punjab noticeable from the people's reactions to the SRC Report. One thing that has become sufficiently clear is that the Akali Dal has a widespread hold over the Sikh masses. Akalis have played effectively upon the feeling of fear among the Sikh masses about their domination as a community by Hindus. Nationalist Sikhs are left with not a very significant backing. Even in the case of nationalist Sikhs substantial number of whom are ex-Akalis, it is quite common in Punjab to hear a Hindu alleging that they are Akalis at heart. Sikhs on the other hand bluntly call the Punjab Congress an arch communal organisation as the Congress Government in Punjab also supported the Hindu sponsored demand for Maha Punjab.

Though half of the Punjab Cabinet consists of Sikhs, Akali propaganda utilises the fact that since Independence, there has been no Sikh Chief Minister or Governor in Punjab. Ignorant as the Sikh masses in villages are about the working of the Constitution, they are easily taken in by such alleged discrimination. Somehow or other Akalis have come to the fore as representatives of Sikh opinion. It may be of some interest to note in this context that even the recent willingness of Pandit Nehru to listen personally to the Akalis and the consequent talks at Delhi between Pandit Nehru and Maulana Azad on the one hand and an Akali delegation on the other are in some circles construed as

official recognition of the Akali Dal as representative of important sections of the Sikh community.

Sikh Discontent

It is, however, sufficiently clear that there is widespread discontent among Sikhs. The Commission has realised that "important sections of Sikhs seem to nurse a sense of grievance and seek its redress in a Punjabi speaking State of their conception." One grievance that has been voiced relates to the relative share of the Sikh community in services. While the validity of this complaint has been questioned, there are on the other hand similar complaints from Hindus about discrimination against them. There is no way of ascertaining facts as both the parties have their own facts to offer. Only an independent inquiry may be able to shed some light on this question.

One significant shift in the basis of Akali demand for Punjabi Suba may be noticed. Having failed to convince the Commission about the genuineness of their demand for a Punjabi speaking State, Akalis have overnight ceased talking about a linguistic state. They talk now in terms of the ratio of Sikh population in such a state. The Akali convention on SRC and the subsequent statements of Akali leader Master Tara Singh show clearly that they want a Sikh majority State. The extremist element among Akalis have even been talking of demanding a Sikh Sovereign State. It is interesting to note an amendment moved by a responsible Akali leader, Sardar Pritam Singh Gojran, to the Akali Convention's resolution on SRC Report demanding a Sikh Sovereign State. The amendment, however, was later on withdrawn on the intervention of the Convention's Chairman, Master Tara Singh, who said that such a demand was premature as Sikhs have not yet exhausted all the constitutional methods of fighting for a Punjabi Suba. The creation of a Punjabi Suba or a Sikh majority state according to Akalis, however, is the only means of protecting Sikhs from communal domination and discrimination. Hindus on the other hand take the talk of 'discrimination' as a bogey raised by Akalis to secure political advantage at the expense of the majority. Members of the Akali rank and file have scared the Hindu masses in the villages by their irresponsible and belligerent talk of securing a Punjabi Suba and in some

cases even of forcing a wholesale migration of Hindus. They are themselves to blame if all their moves are blindly opposed by every Hindu on account of the distrust they themselves have created.

There is, however, one healthy sign. The top Akali leaders, after their talks with the Central Government, seem to be in a more conciliatory mood. Akalis are again due to meet the Congress leaders during the next few days and it is not unreasonable to expect that a compromise may be worked out to satisfy Sikhs without provoking widespread resentment from the majority community. One development has, however, to be kept in mind. Hindu communal parties have recently come to the fore by rallying Hindu opinion around them especially as the Congress in Punjab remains a house divided within itself. It is not uncommon to hear ordinary Hindus speaking of the weak-kneed policy of the Congress and vehemently protesting against 'appeasement' of Akalis. Hindu organisations too threaten a 'Morcha' if the report is not implemented in full. But if the proposed United Punjab is created, Sikhs remain discontented. The Congress is thus faced with the dilemma of a compromise.

The Solution

The people in Punjab, however, hope that some solution will be found by the four-man body appointed by the Congress working Committee to consider controversial issues of Punjab, Bombay and Karnatak. Speculation is already current about different solutions. It is however expected that the solution may be founded on Shri Fazl Ali's minute on Himachal Pradesh. Himachal Pradesh may be kept separate under the centre. As a further concession to Akalis, some exclusively Hindu hilly areas of Punjab may also be amalgamated in Himachal Pradesh. That implies a merger of Punjab and Pepsu excluding Kangra, Kulu and Kohistan areas of Punjab and Mohindargarh district of Pepsu. In such a state the proportion of Sikh population will be about 40 per cent which compares favourably with 31 per cent in the present Punjab and 32.5 per cent in proposed United Punjab and 35 per cent in the United Punjab as proposed by Shri Fazl Ali. Recent press reports suggest that Sikhs in general may be satisfied with a 40 per cent ratio and Akalis may also be expected to accept such a compromise.

Depression and Boom in Agricultural Prices —Their Implications

Ayodhya Singh

ONE of the greatest events in the economic history of the world during the twentieth century was the Great Depression of the Thirties. India was drawn into this muddle of the Great Depression mainly because of her position in the world as an exporter. America and many European countries received a serious financial setback by the Wall Street crash of 1929. India's exports to these countries were seriously affected, and hence the wholesale prices of her chief products were greatly reduced. At the same time prices of those goods of which India was not the chief producer fell along with world prices. Prices of competing goods also naturally fell in sympathy.

In course of time, the retail prices and ultimately the harvest prices were also affected to an equal extent. By an all round fall in purchasing power, a vicious circle was created and all the prices began moving downwards. However, the impact of the depression on agricultural prices was more than on non-agricultural prices. The movement in the price parity, showing the ratio between the level of farm and industrial prices¹, can be seen from Table I containing price indices of agricultural raw materials and manufactured jute and cotton, with base, 1928-29=100.

The price indices of 1 and 2 in the preceding table show that while the prices of both the groups were falling, the fall in the former was more precipitous implying a relative worsening of the former against the latter during 1929-30—1934-35. The ratio of 1 and 2 gives us the barter terms of exchange between the producers of the two respective groups. These, on calculation, show that for the respective years, the barter terms of exchange were 96'9, 94'6, 82'4, and 80'0 revealing a falling trend in the former during 1929-30—1934-35.

The bottom was reached in 1933. There was some recovery in the next two years, but it was in the latter

part of 1936 that prices began to rise and the rise was almost continuous till August, 1937. After that the prices began to fall and were generally on the decline till the end of June, 1938, when they showed a slight rise which was broadly maintained till the end of 1938. However, "when the upward movement started in 1933, the rise in prices of commodities in which the Indian agriculturist was interested was painfully slow and halting"². With the exception of a short period from the middle of 1936 to about the middle of 1937, there was during the period extending up to September, 1939, no definite upward movement in agricultural prices.

¹Review of the Trade of India, 1937-38, p. 12.

Table II shows that agricultural prices, particularly of food articles, mostly lagged much behind the prices of manufactured goods and raw materials, and the barter terms of exchange moved against the cultivator, a tendency which was arrested after the outbreak of the war with Japan. Later on owing to the cessation of imports of rice particularly after the fall of Burma, which also brought war almost to the mainland, and the increased demand for food and agricultural raw materials within the country necessitated by a speedy pace of the Indian productive effort to meet the demands of the successful prosecution of the war against the Axis powers in general and Japan in particular, the rise in the prices of food articles and agricultural com-

TABLE I
Variations in price Indices of Agricultural and Industrial Goods
Base : 1928-29 = 100

Items	1929-30	1930-31	1931-32	1932-33	1933-34
Agricultural Raw Materials	96	74	56	53	52
Manufactured Jute & Cotton	99	77	63	66	65

Source: R K Mukerjee: The Economic Problems of Modern India p. 333. The indices were constructed on the basis of the price statistics published in the Indian Trade Journal.

TABLE II
Variations in Price Indices of Certain Groups during September 1939-August 1945—War Period

Period	Food Articles (2)	Agricultural Commodities (3)	Raw Materials (4)	Manufactured Articles (5)
1939				
September	109'5	110'4	108'6	110'4
December	115'6	143'7	129'3	144'5
1940				
June	104'0	109'2	112'2	120'0
December	108'8	106'9	124'0	119'7
1941				
June	114'2	114'3	139'0	142'9
December	132'1	131'0	150'0	157'8
1942				
June	158'9	146'3	162'1	166'5
December	195'0	178'7	171'3	221'5
1943				
June	299'5	284'1	178'4	257'5
December	243'9	261'0	189'3	251'0
1944				
June	232'1	256'1	204'3	259'4
December	231'4	273'8	210'2	256'8
1945				
April	233'7	267'9	208'5	239'6
August	239'3	268'0	210'8	243'5

Bases: Series (2)—Last week of August, 1939 = 100

(3) (4) and (5)—week ended 19th Aug. 1939 = 100

Source: Office of the Economic Adviser to the Government of India, compiled from Currency and Finance Reports, Reserve Bank of India.

¹The Economics & Statistics Department of U P Government terms it as Agricultural Parity Index showing the ratio between agricultural wholesale prices and non-agricultural retail prices.

Madras

SOUTH INDIA, the cradle of ancient Dravidian culture, is rich in monuments of the past. Chief among them is the beautiful seaside temple at Mahabalipuram, near Madras City, admired by visitors from all over the world.

In Madras the old mingles harmoniously with the new. Motorists are proud of their ancient heritage, but have a lively respect for modern progress. That's why they appreciate the virtues of Double-Protection MOBILLOIL and make it a point to look for the Flying Red Horse—honouring a tradition among progressive motorists throughout the world.



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modities was greater than that of raw materials and manufactured articles.

It was in the fourth year of the war that the pre-war parity between agricultural prices and industrial prices was restored, but cultivators in contrast with manufacturers stood to suffer until February, 1943 owing to a relative lag in the upward trend of agricultural prices, as they had been suffering even before for a decade during the depression of the thirties. The U P agricultural parity index (base: year ended August, 1939=100) was 94 in 1940; 80 in 1941 91 in 1942; and 102 in 1943, revealing relative recovery in agricultural prices as against 1939 only in 1943.

Tightening of Controls

However, during the last two years of the war, the tendency of a relative increase in food prices, as against other prices, was not only arrested but actually reversed. The relative decline in food prices was conspicuous in the fifth year, though only slight in the last year. This decline was due to the tightening of controls on food grains and implementation of the main recommendations of the Food Grains Policy Committee, 1943, relating to imports of food grains, extension of rationing, statutory price control, larger production, besides Governmental monopoly procurement of grain and co-ordinated purchases of military requirements. Manufactural prices too recorded moderate declines during the last year of the war mainly owing to the serious efforts made in removing the loopholes and laxities in the system of price control of cloth. The relative rise in raw material and non-food agricultural prices was due to the intensified demand on the part of industries.

The U P agricultural parity index (base: year ended, August 1939=100), which stood at 102 in 1943, declined to 94 in 1944, though it revived in 1945 owing to the relatively greater fall in manufactural prices. The parity index was 100 in January, 104 in February and April, 107 in June and 139 in August, 1945. Though these parity indices are indicative of conditions in U P, yet they roughly indicate the trend for the country as a whole. This leads to the inference that favourable terms of exchange for agriculturists against non-agriculturists, which were conspicuous during 1943 were significantly restored rather at a higher level in 1945 for which the parity index was 109.

Coming to post-war period, we no-

tice from Table III that the price index of agricultural commodities always remained at the top, only remotely followed by that of the other three groups, the relative increase in their prices being the highest during all the years except between September, 1948 and June, 1949, when they, along with food and manufactural prices, showed a net decline while raw material prices showed a gently rising tendency. Among the constituents of the group of agricultural commodities, there was a biased increase in favour of non-food prices, particularly after partition and also after the reversal of decontrolled regime in September, 1948. This suggests that the producers of food articles failed to gain as much from the increased prices as producers of non-food crops. In fact, the aggregate economic gain that accrued to the former was far less in comparison with the latter.

Equal Footing

The raw material prices continued increasing during the post-war period. The increase was quite marked during 1950, when their price index, which always remained below that of manufactured articles since the end of the war, exceeded that of the latter. This signified a relatively higher economic gain from increased prices to the producers of raw materials against the manufacturers though up to 1949 the former's aggregate gain was less than that of the latter. The price index of raw

materials, having come nearer to that of food articles by the end of 1950, brought the former on an almost equal footing with the latter.

The price index of manufactured articles, which remained slightly higher than that of food articles up to November, 1947—till the introduction of decontrol—and substantially higher than that of raw materials up to the end of 1949, lost ground against both the groups, from December, 1947 against the former and from January, 1950 against the latter. On the whole, while manufacturers derived higher gain from increased prices in comparison with the producers of raw materials, their position deteriorated against the latter. Further, their aggregate gain was lower than that of the producers of food articles, though it approximated to that of the latter by the end of 1950. Again their gain was less than that of the producers of agricultural commodities as a whole.

On comparison, it is found that while during the war period as a whole, the highest increase in prices was recorded by manufactured articles followed by agricultural commodities and food articles, the least increase was in raw materials; during the postwar period, the highest increase in prices was recorded by agricultural commodities followed by food articles and raw materials, the least increase being in manufactured articles. This implies that the gains that accrued to manufac-

TABLE III
Variations in Price Indices of certain Groups during September 1954-December 1950- Post-War Period.

Period	Food Articles (2)	Agricultural commodities (3)	Raw Materials (4)	Manufactured Articles (5)
(1)				
1945				
September	264'2	238'2	210'8	242'9
December	278'5	238'8	211'7	235'8
1946				
June	302'8	245'5	226'4	240'0
December	326'0	263'2	235'8	277'8
1947				
June	340'8	274'0	234'6	276'8
December	363'0	306'0	259'9	289'6
1948				
June	467'0	359'0	324'0	371'3
December	474'0	377'0	328'0	349'0
1949				
June	453'0	362'0	330'0	350'0
December	461'0	358'0	345'0	343'0
1950				
June	534'0	380'0	349'0	353'0
December	536'0	396'0	352'0	383'0

Bases and Sources, as given below Table II, subject, however, to the provision that from 1948 onwards, all the indices except that of Food Articles have been constructed by the writer himself on the basis of the Economic Advisers' weekly indices of individual commodities with the original bases just to maintain uniformity with the sensitive series, which was substituted by the General Purpose Series with different base and different groups from April 1948 onwards.

turers during the war period were gradually swamped by the comparatively higher gains that accrued to the other groups during the post-war years. The producers of agricultural commodities, mainly of non-food crops, gained absolutely over time and also in relation to the other groups. Raw materials could also come out of the bottom level, and having superseded manufactured articles, approached food articles in regard to relative gains derived from increased prices. The group of food articles practically lost its wartime position against agricultural commodities and also to a considerable degree against raw materials, though thrashing down the group of manufactured articles by the end of 1950.

Peak Level

In short, the position of the agriculturist vis-a-vis that of the non-agriculturist was far better during the post-war years as compared with the war period and also the pre-war period. The relative gain was at the peak level in 1947 when the U P agricultural parity index (base: year ended August, 1939=100) amounted to 151. Even the lowest parity index in the post-war period (124 in 1948) was substantially above the wartime peak of 102 in 1943. The parity indices for 1945, 1946, 1949 and 1950 were 109, 129, 145 and 134 respectively. While the war period as a whole recorded an average parity index of the order of 95, the post-war average amounted to 133. This apparently leads to the conclusion that agriculturists, who were slightly losing against non-agriculturists during the war period, not only made up for their relative loss, but also achieved substantial relative gains during the post-war years.

Perhaps it is on account of such relative increase in agricultural prices vis-a-vis industrial prices during the post-war years that the "Fund Mission" suggested the mopping up of additional incomes arising out of relatively increased agricultural prices during post-war inflation. The members of the mission were of opinion that adequate taxation is especially important in securing resources for development in view of the large role assigned to Central and State Governments in the Five-Year Plan and the difficulty of private saving. They were convinced that land revenue had lagged conspicuously behind other major taxes and the rise in agricultural prices and incomes during the war and post-war inflation. They calculated that since 1937-38 it had fallen from

second to fourth place among tax resources. Before the war, land revenue accounted for almost one third of the revenue that the Provinces of undivided India raised from their own sources (i.e. total provincial revenue minus devolution of revenue and grants from the Centre), while in 1951 it represented less than one sixth of State revenue from own sources. Further, this trend—continuation of a long-term downward movement in the proportion of receipts from land revenue—is, according to them, mainly attributable to the failure to adjust land revenue to the rising price level. The rise in prices of both agricultural and other commodities and the consequent reduction in the real yield and real burden create a strong presumption in favour of a substantial increase in land revenue.

The case for increased land revenue does not rest on any assumption that farmers' real incomes have increased proportionately to agricultural prices. Clearly they have not. Nevertheless, regardless of the size of the producer's marketable surplus or the development of other prices and costs, the rise in agricultural prices has lightened the real burden of land revenue simply because the payment now represents a much smaller amount of agricultural produce and a smaller proportion of the gross yield of land. Furthermore, the decrease in real yield of land revenue has come about by default rather than by deliberate decision.³ They are convinced that it is possible to raise significantly more from land revenue than the Rs. 340-million which the Five-Year Plan calls on the States to raise over the whole period of the Plan from taxation on land, that is, land revenue and agricultural income tax.

Depicting the so-called agricultural prosperity against the background of pre-war conditions amounts to lack of clear insight into the real character of the agricultural economy of India. It is necessary to bear in mind that the pre-war years were years of depression in agriculture, signifying the failure of proportionate recovery in agricultural prices vis-a-vis industrial prices. In fact, the pre-depression parity between agricultural and non-agricultural prices had been revived only at the end of the war, and hence the mission ought to have based their

³Fund Mission Report, 1953-54; Extract from Staff Papers, I.M.F., Volume III, No. 3; February, 1954, Pages 371.

findings against 1945-46 or 1925-29 levels rather than against the late 1930's, when the parity had tilted too much against the agriculturists who were groaning under the rigid long-term debts (contracted from the village Shylock). The relative rise in agricultural prices during the post-war period, instead of inflating his position, revived a standard only slightly above the poor economic level of 1920's.

And even these gains above the compensatory line did not primarily benefit the ordinary cultivators owing to the non-existence of marketable surplus with most of the petty land-holders, coupled with the backwardness of their marketing methods and the devices of a chain of middlemen. Mendacious dealers purchased agricultural goods at harvest time, as the full benefit can be obtained not immediately after the harvest but later, with the result that large stocks had been lying unsold to the great detriment of consumers, with least benefit to the cultivators from the gap between harvest prices and the subsequent sale prices paid by consumers.



*He who is firmly seated
in authority soon learns
to think security."*

J. R. Lowell.

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Around Calcutta Markets

Broadening of Activity

Wednesday, Evening

SUPPORT for Coal and Jute shares has been a feature of price movements on the Calcutta Stock Exchange in the last few days. Paper shares remain steady. So also are Engineering and Miscellaneous shares. Speculative scrips developed an irregularly lower trend towards the close of last week, only to revive by the middle of this week. Shellac prices were firm. Both raw jute and jute goods continue to move up.

There has been a broadening of activity in recent days. Coal shares, which were idle for a considerable period, are creeping up. There is renewed buying support in Jute shares. These are welcome developments. But a distressing feature of the recent behaviour of the stock market here may be noted. It has invariably happened that any weakness in speculative counters like Indian Iron has been promptly reflected in equities in general.

Not only clearing shares, but even sound cash scrips have tended to be unduly influenced by fluctuations in Indian Iron. Herein lies a danger. By Monday next, more will be known about the Indian Iron Company's policy relating to capital reorganisation. It is widely conceded that Indian Iron quotations are not likely to be maintained in the absence of any issue of right or bonus share by the Company. Some idea of the Company's future plans will be had from the Chairman's speech next Monday.

If it transpires that the Company has no immediate intention to capitalise reserves, Indian Iron may develop a downward trend. This, as recent experience shows, may have an adverse effect on equities on the Calcutta Stock Exchange. As has been stressed in these columns on earlier occasions, this is a threat to the market morale which cannot be ignored. It is not denied that there is considerable speculative activity in Indian Iron. Nor is it seriously denied that the current values for Indian Iron are based on certain assumptions some of which are debatable.

Coal Shares

Subject to this danger, the recent broadening of activity is a reassur-

ing indication. For a considerable time, Coal shares remained neglected because of the threat of nationalisation. Recent statements by the Finance Minister have had a sustaining effect on Coal shares. It was diplomatic of the Finance Minister to assure the industry that the Government was more interested in raising coal output to the estimated target, included in the tentative framework for the second Plan, than in nationalising the industry.

There will be a relative expansion in the public sector of this industry. But private coleries also will have to expand output considerably. It is, therefore, clear that private coal companies will be faring better during the Second Plan period. This, coupled with the assurance that the Government is committed to paying fair compensation in case of nationalisation, is having a "bullish" effect on Coal shares. At current levels, some of the Coal shares are good "buys" on the assumption that the coal industry will expand in the next five years.

Jute Better

In recent days, investors have been testing the market in Jute shares. Statistics justify such action by investors. For months in succession, stocks of jute goods with the mills have been falling. It is, therefore, clear that exports and sales of jute goods are promising. There is growing Pakistani competition. But it is now realised that Pakistan's capacity to export jute goods has been exaggerated since the devaluation of the Pakistani rupee. Because of Pakistan's raw jute policy, India is able to compete with the Continental manufactures in the world export markets.

Fears, however, persist that, at current prices for raw jute and jute goods, simultaneous business is not always profitable. Both raw jute and jute goods are moving up. Jute goods are going up because data reveal that exports and despatches are promising. But Jute shares are not moving up correspondingly on fears that mills are not making sufficient profits. There are rumours that mills may decide to raise output so as to earn more on the increased turnover.

In recent days, there have been consistent rumours about unsealing of looms. This is interpreted in market circles to mean that the industry is hopeful about exports. It has, however, been argued that, as the mills decide to raise output, raw jute prices may move up further. This is a possibility which cannot be ignored. Meanwhile, there is statistical evidence that mills are switching-over to sackings. This explains why hessian prices are relatively steady.

In an otherwise rising market, Tea shares remain hesitant. This is mainly due to the recent fall in auction prices. Auction prices are falling as stocks on offer are mounting. Some of the reasons for higher offerings are temporary. In anticipation of a reduction in the tea export duty, foreign buyers are keeping away from the Calcutta auctions. It is true that this year's output of northern India tea is higher. It is also true that this year's export demand is lower. Tea shares are not likely to share the current boom in equities. But there are reasons to believe that fears about the fall in tea prices and Tea shares are somewhat exaggerated.

Technical Position

Miscellaneous and Engineering shares are being well supported at all set-backs. Sufficient time has elapsed since the end of cornering activity in these groups to make it evident that these shares are moving up on wider economic considerations. There are many who are suspicious of the continued spurt in Indian Iron and in some other speculative shares. But investors agree with the market analysts that the strength in Miscellaneous and Engineering shares is quite justified.

There has been no speculator rise in these groups of shares in recent days, though both groups remain steady at higher levels. Recent revival of interest in Coal and Jute shares has had one good effect on the market. This has led to a reduction of mainly speculative interest of Miscellaneous and Engineering shares. As the speculative element in the market is widening its interests, the market as a whole is becoming less vulnerable technically.

From the Chair

Killick Industries Limited

Speech of the Chairman Mr E D Sheppard

ADDRESSING the Eighth Ordinary General Meeting of Killick Industries Ltd. held in Bombay on 25th November, Mr. E D Sheppard, the Chairman, said:—

Gentlemen,

It gives me great pleasure to welcome you to this Eighth Annual General Meeting of Killick Industries Ltd. Since we last met together, much has happened and even more is contemplated which will influence the industrial and economic life of the country. Functioning as our Company does as a part of India's industrial life its future will doubtless be affected by these events and by the thinking which authors them. I propose, therefore, in the course of my speech this afternoon, to deal briefly with those issues which will influence the progress and development of the Company.

The Second Five Year Plan

It is gratifying to know that the Private Sector of the mixed economy has successfully played its part during the course of the First Plan by fulfilling its allotted tasks. The Plan-Frame for the development of India during the next five years has now been issued and is the subject of debate and discussion which will lead to detailed definition embracing the targets which are to be achieved and the means of achieving them.

The Private Sector's function during the Second Plan, involving as it does an investment of Rs 2200 crores, is stimulating in its greatness. It will have to exert to the utmost every attribute it possesses in the way of managerial experience, technical skill and financial acumen to be victorious. I have no doubt that Free Enterprise has the inherent ability to succeed, and being, as I am, an unrepentant believer in the efficiency of this system, I might be forgiven for looking forward to the next five years as a period of challenge when it will be possible for the Private Sector to prove in friendly and competitive rivalry with the Public Sector that it is fully well equipped to assist the country to attain its ultimate goal of a Prosperity State—a phrase I prefer to that of Welfare State—through the production of constantly increasing

wealth and by its fair and equitable distribution.

Free Enterprise

But for a variety of reasons, mainly springing from prejudice and the lack of real knowledge, Free Enterprise is today passing through the severest test that it has yet encountered. It operates in an atmosphere of suspicion and mistrust, and is the constant target of many who see nothing but evil in it. As it is of the utmost importance not only for the future of joint stock companies, but also for that of the nation that this question be viewed in a proper perspective, I intend with your permission to take a few minutes of your time in attempting an analysis of it.

The demand for a radical reform of the capitalist system of economics has arisen in India among certain sections of society not only from doubts as to its efficiency but also from deeply held views as to its immorality. Criticism of the system is chiefly based on the charges that it depends essentially on the pursuits of private gain, that it puts individual interest before the common good, and that it leads to great inequality of income. To remedy this state of affairs these people advocate the establishment of governmental control over every aspect and feature of the country's economic system. Only thus, they argue, will it be possible to establish public interest in the place of private gain, and ensure that the means of production are owned and used by society as a whole. The logical outcome of these theories is to press for their translation into practice by the nationalisation of industry, and by a progressively increasing incidence of taxation, which it is claimed will lead to the utopia of an economic democracy and the transfer of industrial power from private to public hands.

On the other hand there are others who are equally convinced that over-centralised economic planning, nationalisation, and high taxation will lead to precisely the opposite results to those for which their advocates hope. These people also claim, and not without reason, that interference on this scale could have unfortunate repercussions leading to a restriction

of political freedom and liberty. In support of this theory they are able to quote Mahatma Gandhi who said: "I look upon an increase in the power of the State with the greatest fear, because although apparently doing good by minimising exploitation, it does the greatest harm to mankind by destroying individuality which lies at the root of all progress".

From the economic angle it is legitimate to consider the experiment which was tried out in the United Kingdom during the first five years after the war, when the precise theories now advocated in India by the exponents of state control of industry were introduced and tried out. It was soon realised that the operation of such a system based on a central authority staffed by civil servants unversed as they were bound to be, in all the complexities of industrial management and company promotion, simply did not work. It led to irrationality, muddle, waste and in general to the very negation of those attributes, which the exponents of the plan had claimed for it. This old-fashioned economic theory was finally discredited by its own fervent supporters at the recent Labour Party Conference in England, when by an overwhelming majority the Socialists of England set their face against nationalisation and the further extension of state ownership as a means of securing its social and economic ends.

In India however there is an immense amount to be done which can and should be dealt with by Government, and which even the most ardent exponent of free enterprise would not suggest that free enterprise should undertake. For example by the construction of multi-purpose river-valley projects our Government has struck a blow for future prosperity and well-being of which it alone was capable. I wonder however whether Government will be able to improve in any way on the Private Sector's knowledge and ability in the Coal Industry, whose future it has been considering in terms of nationalisation.

To my mind the true position is clear and simple, and it is that there is almost certainly no alternative to

the co-ordinated efforts of both the State and Free Enterprise and this is exactly what Government has proposed in its plan for a "Mixed Economy" which will best forward the economic and social welfare of the country while largely reconciling ideological differences. What is important—and vitally so—is that within this concept good faith should be kept with the Private Sector. It has a unique part to play and it is entitled to support and encouragement in the pursuit of its ends. There have been malpractices, and there are evil-doers within its orbit. This is true of every walk of human life in Governments and in personal affairs alike. One fervently hopes that the advance of social thinking will lessen the evil, but its existence, based as it is on human frailty, should never be used as a reason to banish a system which has been tried, and not found wanting, in the evolution of industrial development.

Through the vigorous and fairly directed application of the "Mixed Economy" it will one day be possible for the country to achieve and maintain a standard of national well-being through full and gainful employment. Should this happy state of affairs be permitted to come to pass, I venture to predict that the existing ideological conflicts in regard to the manner and method of economic development will die out, never to be revived.

Taxation

The Report of the Taxation Enquiry Commission was published during the course of the year and many of its recommendations have already been translated into legislative effect. It is expected that recognition will be given to some of the remaining recommendations of the Commission in succeeding budgets. So far as industry is concerned, the major effect of the Commission's recommendations is to assist corporations and industrial projects to develop, while at the same time ensuring that the individuals concerned with, and responsible for these developments, are not permitted to gain from the work which they do.

This result flows logically from the terms laid down for the Commission, namely, to reduce inequalities of wealth and income and yet to promote capital formation for productive enterprise. In point of fact these two conditions are contradictory and irreconcilable. In the result the Commission has first set out

to gain that hoary and outmoded socialistic objective of "Soaking the Rich". Then realising that this "Soaking", which in fact means the elimination of savings, must inevitably result in the drying up of capital formation, it seeks to find a precarious balance for its task, by the granting of a substantial rebate to selected established industries, and giving a "Tax Holiday" to new ones. One may be pardoned if one finds it difficult to agree with this reasoning, and is left to wonder whether the Commission like the popular song of some years ago, has also failed to solve the riddle as to "which came first the chicken or the egg?"

The distinction drawn between individuals in industry on the one hand, and the corporations which they serve on the other may be "good politics" in the sense that it seeks to foster the political aspirations of a socialist dogma, but it is certainly not sound economics. It can only result in the production of people stamped in the mould of drab equality and devoid of incentive to do anything that is new or clever. It is indeed a curious development that the Taxation Enquiry Commission has sought to label dreary changelessness as venturesome and radical, and to condemn initiative and progress as being reactionary and conservative.

However convenient it might be from the angle of furthering the cause of socialistic thinking, it is unfortunately not possible to separate institutions from the individuals who operate them. The disincentive effort which the recommendations of the Commission would produce on the latter cannot but be reflected in the former. A curtailment of consumption, the elimination of savings, and the equalisation of incomes even further than has already been achieved must adversely affect the development of industry, however strong the efforts to sustain it by tax concessions. Industry to thrive and prosper must cater to the needs of expanding markets, and to have these, it is necessary to provide an atmosphere in which there is freedom and enterprise, and the personal ambition to reap the just rewards of initiative and endeavour.

Chairmen of companies, Senior Directors, and highly placed Industrial Executives, are the particular targets of the emotional venom which is generated among politicians and in Parliament in the

matter of high incomes within industry. The popular theme is that these people lead a life of ease and idleness, enjoying luxury and opulence, while in some mysterious and quite inexplicable manner the industries for which they are responsible prosper and thrive and make money for them. What a distorted and fantastic picture this is! If such a state of affairs ever prevailed in the dim and distant past, it certainly has not done so for many a long year. The average high-level Industrial Executives work very hard indeed and certainly many hours longer than do those who are protected by legislation in regard to the number of hours which constitute a working week. Further, whether within the office or outside it, they are never free from anxiety and the responsibility of their charge. With taxation and the cost of living at their existing levels, the salaries which they are paid eventually result in a net accrual to their bank balances each month of amounts which permit of little if any saving and leave no margin for unforeseen eventualities. It will achieve no good and result in considerable harm to the promotion and management of industry if further difficulties are heaped on these people. I quote here from the Bible:

"Let the elders that rule well be counted worthy of double honour,

"For the scripture saith, Thou shalt not muzzle the ox that treadeth out the corn. And, the labourer is worthy of his reward."

The Companies Act

The form of the new Companies Act which became law earlier this week is now well-known, and we are studying the effect it will have on our Company.

More unfortunate than the substance of the changes which are sought to be made in the Companies Bill is the manner in which the profession of industry and business has been debased in the debate which preceded it. During its course Managing Agents were labelled as "Sharks", "Jackals" and "Blood Suckers", and a calculated endeavour was made to depict them as social parasites who, caring nought for the good of the country or of its people, were concerned only with lining their pockets through deceit and double dealing. The massive achievements of many Managing Agency

Houses during the past many years are well known to you, and you know too that such Houses have always been subjected to the stern control of the shareholders and workers of all the concerns they have promoted and managed as well as of the consumers of the various products of their enterprise. It is indeed surprising, therefore, and most discouraging to find that work which one felt might legitimately merit national satisfaction and even a little praise, is in fact dubbed with no evident acknowledgment of exception as being selfish, anti-national and devoid of grace.

It is, I feel, of the first importance that a more constructive and realistic approach towards the apparatus for the promotion of industry in our country should be taken by those who now criticise.

We are also considering the effect which the proposed amendments to the Electricity (Supply) Act will have on the three Electricity Companies.

It is unfortunate that I have had to deplore the attitudes which are today taken towards the Private Sector and Free Enterprise. I have done so because of the strong conviction that it is the inescapable duty of companies like ours, at the present time, to define their views on these important issues unequivocally and in a straightforward manner. Honest and constructive opinion can only do good and should never be resented.

At the same time I would assure you, without any reservation, that it will be the endeavour of Killick Industries to co-operate to the fullest extent with Government and the rest of industry to make a real success of the Second Five Plan. Through its achievement the country will be placed squarely on the road to greatness, and a better life for all.

Our Own Affairs

Turning to the Directors' Report and Accounts I would like to draw your attention to the changed layout this year which I think you will find more convenient and which has been necessitated by further diversification of the Company's interests. You will see that the Balance Sheet has been compressed into one double page at pages 6-7 and that the details of the Reserves and of the various ventures which have been started and maintained by Killick Industries Ltd., such as the Kachidana mining venture and the Steel Files project of John Baker & Sons, have been placed in two separate Schedules at pages 10 and 11. I think that this altered layout of our Balance Sheet and Accounts is

indicative of the new direction in which our Company is beginning to develop.

The new Light Industrial Colony which we are building at Chandivli just outside the Santa Cruz airport will, I hope, be a model of its kind. The first project, namely the Factory to manufacture Engineers' Steel Files was put up in what must be almost record time and is now producing even better Files than are made in Sheffield itself. We have other plans for similar and allied undertakings. We are also in the advanced stages of planning a much larger project further afield. When this project comes to fruition I imagine it will be of such a size that it will be necessary to float a separate managed Company.

The profits for the year under review are considerably lower than the record profits for the year ended 30th June 1954 for reasons which I will explain at question time.

As regards the future however there are grounds for sober optimism. The existing managed companies continue to develop and expand and while immediate returns cannot be expected from the new ventures I look forward to the day when you will have good reason to be satisfied with the contributions they will then be making to your Company's prosperity.

ruled distinctly firm, particularly in the cotton mill section, which recorded sizable gains in the post-Diwali days. The miscellaneous section also was notable for new fresh high levels in certain scrips as for instance, Scindias, ACC and Premier Construction. Needless to say, the tempo of activity in the market gathered momentum under the stimulus of reports of brisk activity and higher prices obtained in the cotton piecegoods market, not to mention the impressive results of Indian Iron and Steel Co. Ltd. for the year ended 31st March 1955. A study of the market trend for the past one month reveals clearly that there has been genuine investment buying and all the rise in prices is not due only to speculative manoeuvring. One factor that can be singled out as having a direct bearing on this bullish trend in the market has been the phenomenal rise in notes in circulation of the order of Rs 150 crores in the past one year. The Finance Minister's reiteration that deficit financing to the tune of Rs 300 crores will have to be undertaken in the remaining part of the First Five-Year Plan has also been interpreted bullishly. In fact, a large section of the market is convinced that the overall trend of the market might well continue to be biased in favour of the bulls, at any rate, till the Budget proposals are announced when a recession in prices might ensue what with the additional taxation proposals and allied bearish factors.

Tata Steel opened the week on a moderately firm note and after reaching the highest for the week at Rs 276-12 closed steady at Rs 276. Indian Irons also were patterned on more or less similar lines and closed the week at Rs 43-9.

As has been stated at the outset, textiles stole the thunder during the week as there was sustained demand for most scrips enabling them to close the week with substantial gains. Bombay Dyeing improved from the opening level of Rs 682-8 to Rs 611-4, showing a gain of nearly twenty points over the week. Apollo shot up from Rs 3-1-6 to Rs 3-7-6 to close at Rs 3-6-6. Other textiles also registered sizable gains and but for the disturbances in the city over the SRC issue, the prices might well have been taken up further.

In the miscellaneous section, Scindias attracted considerable investment enquiry following the company's clarification regarding divid-

end. As a result, there was a sharp improvement and the shares were taken to a new high level of Rs 19-12-6 although at the close it was fractionally down at Rs 19-6-6. Premier Construction also moved in sympathy with Scindias and were bought at as high as Rs 196. Sugar shares remained steady throughout the week.

Oils and Oilseeds

All Round Rise

SCARCITY of floating stocks and sustained overseas demand for castor oil and groundnut oil were the two factors which enlivened the oilseeds market during the week under review and kept the prices steadily moving up. On top of this, when towards the middle of the week, the Government of India's acceptance of the Forward Markets' Commission's recommendation regarding hedge sales in groundnut was announced, speculators became enthusiastic and the announcement was greeted with a further rise in prices all round. It may be noted here that hedge selling in groundnut could now be resumed after a lapse of fourteen years. As the terms of the contract are already in existence, it is only a question of time for actual hedge

sales to be inaugurated in groundnut. As a result of the above announcement, forward business in groundnut oil may be expected to commence for the first time in Bombay shortly.

In the event, there has been an all round improvement in the oilseeds market. Already in the past two weeks, the castor futures market has been registering new high levels. During the week under review also, sentiment in this section continued to be equally bullish and this sentiment naturally infected both groundnuts and linseeds also.

Bullion

Peak Levels

ONCE again there was heavy bull manipulation in the bullion market which enabled both the metals to record peak levels not seen for many years. Although buying enthusiasm was at a low ebb early in the week in both gold and silver, bulls became aggressive towards the close when a handful of them got a firm grip over the market with scarcely any outside interests and the result was a phenomenal improvement in both the metals taking the quotation for gold to the peak level of Rs 98-8 and silver Rs 175.

MARKET LEADERS DURING THE WEEK

	Nov. 23, 1955	Week's Range		Nov. 16, 1955
		High	Low	
Steel Shares:				
Tata Ordinary	276- 0	276-12	264- 8	267- 0
Indian Iron	43- 9	43- 9½	42-10½	42- 1
Textile Shares:				
Bombay Dyeing	611- 4	611- 4	582- 8	585-10
Century	504- 8	506- 0	491- 4	488- 4
Kohinoor	369- 0	372- 0	365- 8	368- 8
Simplex	218- 0	221- 0	214- 0	216- 0
Swadeshi	247- 8	249- 0	240- 0	245- 0
Miscellaneous Shares:				
Associated Cement	229- 0	230- 0	220- 0	217- 8
Belapur	378- 8	382- 8	376- 4	379- 0
Burma Old	686- 4	702- 8	680- 0	695- 0
National Ryaon	255- 8	258- 8	250- 0	249- 0
Premier Const.	191- 8	196- 0	188- 0	186- 8
Scindia	19- 6½	19-12½	17-15	17- 8
Tata Chemical	19- 1	19- 3	18-14	19- 7½
New India Assc.	49- 8	52- 8	48-12	50- 0

OILS AND OILSEEDS

	Nov. 23, 1955	Week's Range		Nov. 16, 1955
		High	Low	
Seeds:				
Castor May 1955 (per candy)	109-10	111- 4	103- 6	102-10
Groundnut Dec.-Jan (per cwt)	23-14	24- 2	23- 2	22-12
Linseed Feb.-Mar.	25-10	26- 0	25- 8	25- 0
Kardi Ready	14- 0	14- 4	14- 0	13-12
Nigerseed	23- 8	23-12	23- 8	23- 8
Oils:				
Castor Oil Com. (per quarter)	12- 2	12- 4	11- 7	11- 4
Groundnut Oil RR	12-12	12-12	12- 4	12- 3
Linseed Oil	16- 8	16- 8	16- 0	15-14

Around Bombay Markets

Cotton Bullish

Thursday, Morning

THE cotton futures market has been characterised in the week under review by a very strong undercurrent of bullion sentiment with the ruling contract, at one time, making a jump of as much as thirty-two points in a single day. Evidently, the good performance of the cloth market on the moorat day and the entire week following Diwali, has been the main inspiration for the steady appreciation in value both in the cotton futures market and the stock exchange (cotton mill shares).

In the buying spree that followed, all the shorts were caught napping and ginneries in terminal markets were seen vying with each other to absorb the sparse quantities of new crop arrivals. The buying tempo was further accelerated in view of the fact that the quality of the

new crop arrivals have been damaged and the buyers were eager to enter the market early enough to make it possible for them to select the quality and cash in on the opportunity. By reason of these factors, the sentiment was not even affected by the option settlement as was appreciated earlier.

In the light of the above, it is not surprising that the cotton futures market experienced a continued firm trend throughout the week under review. The ruling contract opened the week at Rs 679-8 and sought the highest level of Rs 699-8, not seen so far in this contract, and closed the week at Rs 696-8.

In the Sewri spot cotton market, which was in sharp contrast to the futures market, there was hardly any business of note to report during the week under review. How-

ever, towards the close of the week, large-scale buying of the East African new crop cotton by Indian mills highlighted the market. It was reported that a prominent mill group purchased 6000 bales of Busoga at Rs 1395, Budama at Rs 1375 and Jinja at Rs 1240. The total purchases of East African cotton thus far have been computed at around 30,000 bales. The growing trend towards large scale purchases of East African cotton strongly suggests that the much discussed dollar-aid-cotton scheme has been once again kept in cold storage.

Cotton

Fresh High Levels

There has been no let-up in the boom conditions that were witnessed immediately following the moorat trading, when the Stock Exchange

CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Latest Week†	Rs Crores			
		A Week Ago	A Month Ago	A Year Ago	
1. Note circulation	1334.67	1332.24	1303.25	1166.05	
2. Rupee Coin	108.87	109.08	111.20	106.20	
3. Deposits					
a) Central Government's	53.06	56.82	48.34	82.74	
b) Banks'	57.54	53.57	57.59	78.51	
c) Other Governments'	13.72	14.25	25.47	14.37	
d) Others'	15.60	15.27	15.87	34.75	
4. Foreign Securities	647.06	647.06	627.09	623.15	
5. Balances held abroad	70.86	66.28	85.40	103.59	
6. Rupee Securities	548.61	548.61	533.66	417.74	
7. Investments	49.96	50.07	50.29	87.98	
8. Loans and advances to Governments	3.11	2.84	—	2.32	
Scheduled Banks					
1. Demand liabilities (net)	591.90	598.76	599.23	554.94	
2. Time Liabilities	424.25	423.69	422.07	361.93	
3. Cash on hand	32.87	35.20	32.56	33.50	
4. Borrowings from Reserve Bank	12.34	6.86	6.74	1.87	
of which against Usance Bills	8.53	4.80	6.00	.83	
5. Advances and Bills discounted	555.1	547.91	496.47	545.08	
of which State Bank's	96.30	94.36	91.35	93.92	
6. Investments of which State Bank's	393.79	391.71	390.47	352.23	
of which State Bank's	108.10	107.22	105.89	93.87	
Cheque Clearance	111.99	145.27	139.09	150.02	

†For Reserve Bank and Cheque Clearance week ended 18-11-55. Scheduled Banks week ended 11-11-55

Bombay Money Rates	18-11-55	11-11-55	27-10-55	19-11-54
Inter-Bank Call Rate	2½	2½	2½	1½
3 months deposits	3	3	2½	2½
6 months deposits	3	3	3	3½

Bombay Bullion				
In Rupees and Annas				
	17-11-55	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	98-1	96-5	94-14	87-13
Forward	98-1½	95-11	†	87-15
Silver (per 100 tolas)				
Spot	175-8	171-6	169-12	156-10
Forward	175-14	172-2	†	157-0
	† no trading			

COTTON STATISTICS
MILL CONSUMPTION

(in '000 bales of 400 lbs each)							
Description:	Aug '55	July '55	June '55	May '55	Apr '55	Sept '54 to Aug '55	
Indian	362.46	376.10	315.1	335.8	345.9	4138.4	
Foreign	41.98	49.50	47.7	48.1	47.2	630.4	
of which American*	5.1	7.45	8.39	9.6	12.6	156.0	
Egyptian	13.2	15.04	14.75	15.0	14.7	196.3	
E. African	15.3	18.82	18.19	18.4	15.3	217.4	
Sudan†	8.1	8.16	5.87	4.7	4.03	50.5	
Pakistan	xx	xx	xx	xx	0.12	4.9	

TOTAL	404.44	425.60	392.8	383.9	393.1	4768.8	
Consumption in corresponding periods a year ago:							
Indian	329.4	338.1	312.94	321.01	322.6	3888.7	
Foreign	61.9	66.1	65.10	64.80	61.7	719.0	

TOTAL	391.3	404.2	378.04	385.81	384.3	4607.7	
* Includes both United States and Peruvian cotton.							
† Includes both Sudan Egyptian and Sudan American							
xx Negligible							

MILL STOCKS OF COTTON
(in '000 bales of 400 lbs each)

	Aug '55	July '55	June '55	May '55	Apr '55	
Indian:						
1954-55	1443.4	1551.9	1637.4	1587.4	1478.4	
1953-54	1010.8	1117.7	1242.9	1280.2	1252.0	
Foreign:						
1954-55	179.2	180.7	161.1	145.9	138.9	
1953-54	200.4	212.8	213.0	209.0	201.8	

Source : East India Cotton Association

COTTON IMPORTS

(in '000 bales of 392 lbs each)						
Source	July '55	June '55	May '55	April '55	Sept '54 to July '55	
USA	1	1	2	5	93	
East Africa*	38	53	30	35	256	
Egypt & Sudan	39	21	20	15	200	
Other countries	1	3	1	2	13	

TOTAL 79 78 53 57 562

Total imports in corresponding months of the previous

year 78 69 114 96 655

*Includes Kenya, Tanganyika and Uganda.

Source : Indian Trade Journal

COTTON EXPORTS

(in bales)			
Exports from 1st Sept. to 10th Nov.			
Destination	1955	1954	1953
United Kingdom	17,464	1,994	100
Continent	35,914	7,975	2,022
China	34,651	—	—
Hongkong	17,302	475	151
Japan	73,838	180,95	11,506
USA	1,048	2,108	624
Other foreign countries	1,935	50	234
Total all foreign countries	182,652	30,697	14,637
Coast Ports	29,521	21,146	12,817

TOTAL 212,173 51,843 27,454

Source : East India Cotton Association.

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-Group	Week ending 5-11-55	Week Ago 29-10-55	Month Ago 8-10-55	Year Ago 6-11-54	
I Food Articles:	330.6	322.8	306.4	347.2	1948
Cereals	393	391	373	385	1949
Pulses	322	322	260	271	1950
Others	245	229	223	307	1951
II Industrial Raw Materials:	417.9	409.7	397.8	438.5	1952
Fibres	425	414	403	471	1953
Oilseeds	400	394	374	396	1954
Minerals	429	425	480	418	
Others	427	423	421	427	1954 :
III Semi-Manufactures:	335.2	332.2	329.4	349.5	March
Leather	358	341	335	367	April
Mineral Oils	202	202	202	221	May
Vegetable Oils	388	382	367	424	June
Cotton Yarn	408	408	406	453	July
Metals	276	276	277	241	Aug.
Oilcakes	362	349	351	409	Sept.
Others	330	330	330	306	Oct.
IV Manufactures:	372.7	371.1	373.6	376.8	Nov.
Textiles	404	402	405	421	Dec.
Jute	416	400	397	456	1955:
Cotton	399	399	404	415	March
Rayon & Silk	479	479	486	447	April
Woollen	278	278	278	310	May
Metal Products	371	371	371	340	June
Others	285	285	286	285	July
V Miscellaneous:	546.8	557.8	559.9	613.4	
All Commodities:	365.6	360.9	353.5	380.1	

COAL PRODUCTION AND DISTRIBUTION

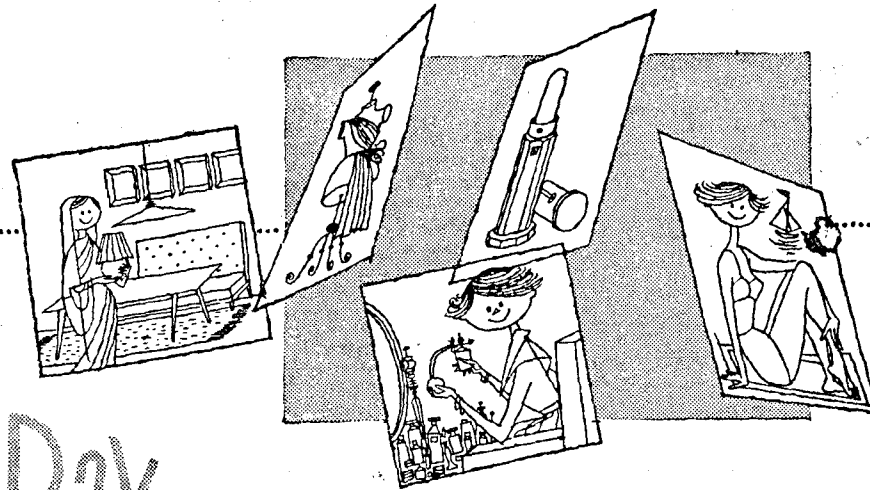
(Monthly Averages or Calendar Months)
('000 tons)

	Raisings	Despatches	Stock at Pit-heads
1948	2,485	2,155	2,262
1949	2,621	2,339	1,417
1950	2,666	2,401	2,008
1951	2,859	2,426	2,646
1952	3,019	2,566	3,519
1953	2,987	2,588	3,411
1954	3,064	2,662	3,771
March	3,071	2,594	4,003
April	3,037	2,599	4,051
May	2,977	2,621	4,093
June	2,885	2,576	3,950
July	2,966	2,810	3,693
Aug.	2,958	2,926	3,380
Sept.	3,171	2,888	3,210
Oct.	2,921	2,787	2,914
Nov.	3,323	2,728	3,161
Dec.	3,503	2,747	3,468
1955:			
March	3,305	2,765	3,961
April	3,230	2,692	4,062
May	3,175	2,743	4,094
June	3,075	2,658	4,122
July	2,956	2,755	3,885

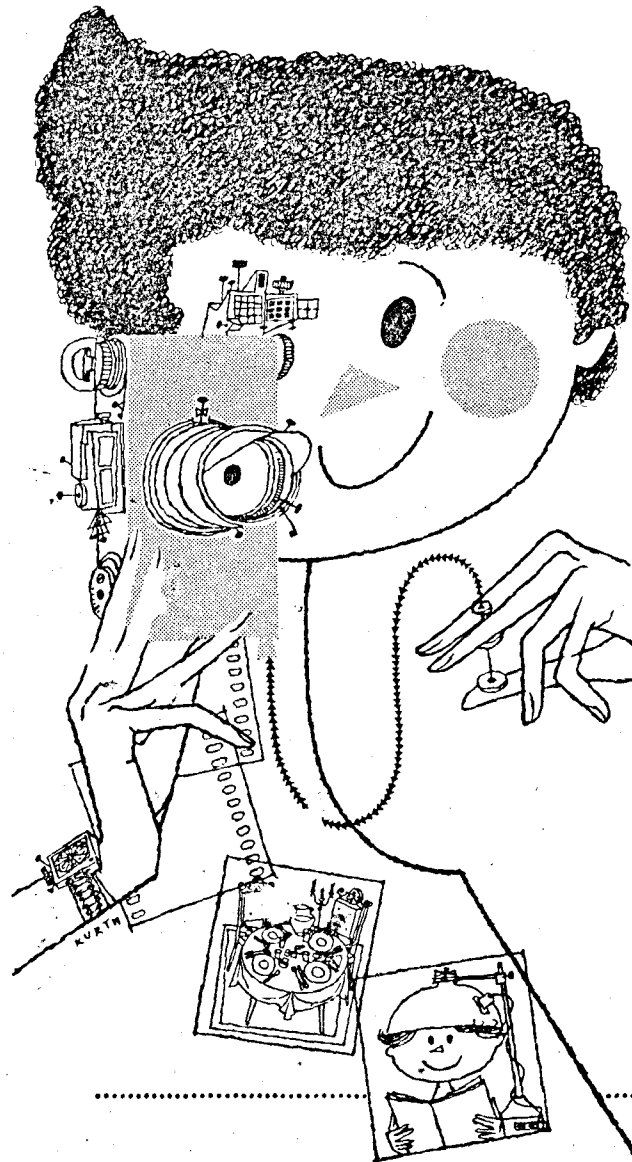
Sources : (1) Monthly Statistics of Production of selected Industries (2) The New Sketch.

INDUSTRIAL PRODUCTION

		1955						1954		Monthly Average		
		Units	Aug.	July	June	May	Apr.	Mar.	July	1954	1953	1952
I Consumer goods												
1) Cotton Textiles	Cröre yds	41.50	44.60	41.80	40.10	41.80	42.9	43.95	41.65	40.65	38.3	
2) Woollen Manufactures	lakh lbs	18.72	18.78	17.44	15.54	50.40	48.5	18.64	15.63	16.04	13.82	
3) Matches	'000 cases	—	49.00	50.10	50.10	24.67	26.56	44.6	45.0	51.5	51.6	
4) Sewing Machines	Nos	9,132	8,536	8,200	8,401	8,207	8,087	7,105	6,683	5,202	4,170	
5) Vegetable oil products	'000 tons	22.26	25.69	24.02	24.23	18.93	21.79	16.74	19.23	15.97	15.90	
II Raw Materials or Intermediate goods												
1) Cement	'000 tons	373.7	349.2	329.5	375.4	364.8	380.3	365.1	366.5	315.0	294.8	
2) Chemicals:												
a) Sulphuric Acid	tons	—	14,148	10,793	11,302	13,255	14,350	13,349	12,573	9,091	8,007	
b) Caustic Soda	"	—	3,232	2,806	2,603	2,682	2,992	2,337	2,442	1,909	1,422	
c) Soda Ash	"	5,367	7,193	6,768	5,509	6,570	6,955	3,132	4,024	4,739	3,694	
3) Coal	lakh tons	31.19	29.56	30.75	31.75	32.33	33.04	29.66	30.64	29.87	30.19	
4) Cotton Yarn	lakh lbs	1,370	1,440	1,330	1,250	1,300	1,350	1,357	1,301	1,255	1,208	
5) Jute Manufactures	'000 tons	81.4	84.1	85.7	81.7	85.7	88.9	80.7	77.3	72.4	79.3	
6) Non-ferrous Metals:												
a) Copper	tons	582	620	620	635.0	674.2	674.0	623.4	597.6	410.0	506.6	
b) Aluminium	"	680.5	610.8	613	653.2	599.3	627.5	438.6	407.2	313.2	297.2	
c) Lead	"	1610.0	206.6	174	170.7	222.4	211.3	150.0	149.0	141.2	94.3	
d) Antimony	"	40.0	36.0	50	75.0	80.0	80.0	5.8	44.9	10.9	15.1	
7) Paints & Varnishes	"	—	2,671	2,396	2,104	2,373	2,623	3,102	3,068	2,671	2,681	
8) Paper & Paper Boards	'000 tons	—	15.09	15.08	13.9	15.07	15.04	13.35	12.94	11.64	11.46	
9) Iron & Steel:												
a) Pig Iron	'000 tons	—	148.2	144.5	150.9	152.7	150.2	146.0	149.4	137.9	140.4	
b) Steel ingots & castings	"	—	137.5	133.1	143.0	144.6	149.1	141.4	140.4	125.6	131.5	
c) Semi-finished Steel	"	—	119.6	117.5	123.7	124.0	129.5	122.5	121.0	102.5	109.0	
d) Finished Steel	"	—	104.3	103.7	106.3	106.6	115.3	102.9	103.6	85.3	91.9	
III Capital goods												
1) Machine Tools	'000 Rs.	—	612.7	718.2	598.8	381.2	432.8	581.1	416.9	367.3	369.8	
2) Diesel Engines	Nos	—	909.0	795	801	893	914	704	721	310	354	
3) Electric Motors	'000 HP	21.8	16.8	20.7	19.4	20.7	20.6	17.6	15.6	13.5	13.1	
4) Power Transformers	'000 KVA	42.6	46.6	47.2	41.5	40.0	42.1	39.4	33.3	25.7	17.9	
IV Transport Equipment												
1) Bicycles	'000 Nos	—	38.7	42.8	41.04	39.41	38.99	31.5	31.03	22.01	16.41	
2) Automobiles	Nos	2,061	1,865	2,083	1,953	1,607	2,272	996	1,205	1,160	1,274	



Ladies' Day in the Oil Age



Oil is no men-only mineral. There is a very strong demand for its services among the so-called weaker sex. Oil helps to dress a lady—and her hair. Helps her to feed the brute. To furnish the home. Oil is a ladies' ayah-of-all-work and a most efficient one, too.

Spindle oils and ginning oils and special textile lubricants mean more saris and dresses in the shops. Cosmetic manufacturers use oil as a base for some shampoos, and nail varnishes. Oil helps the farmers to grow more food. It helps to turn trees into tables. Burmah-Shell oil the wheels in almost every Indian Industry.

Oil is a sport as well as a good servant. Does the lady iron? Swim? She may wear a swim suit fashioned from one of the wonderful new fabrics made out of oil. Does she play snap with a camera? Oil enters into the manufacture of photographic film.

Over 15,000 Burmah-Shell employees cater for India's thirst for oil. They keep a steady stream of oil products flowing to every corner of this vast sub-continent. They are—

IN INDIA'S LIFE AND PART OF IT

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United Nations Package Deal

TO-DAY, ten years after the end of the war, the Charter remains unfulfilled. Informed world opinion will not write the United Nations off as a failure. But it is aware of its imperfections. Some of its defects arise from its domination by the major powers, and specially by America. This domination by the big powers is a sequel to its incomplete structure. It is not representative of all the nations. At present, the political committee of the General Assembly is discussing the question of "widest possible membership" of the United Nations. During the debate, the sponsoring nations have introduced an amendment to the original resolution to the effect that the motion under consideration has reference only to the eighteen nations specifically included in, what has come to be known as, the "package deal". This amendment is aimed at excluding from membership, for the present, those nations which are still divided.

America is reconciled to the proposed admission of the eighteen nations. But it will be of interest to note that Cuba, a Latin American country, has put forward a further amendment to the resolution aimed at admitting South Korea and South Vietnam as members. More significant is Kuomintang's opposition to including Outer Mongolia as a member. Though the permanent Kuomintang delegate has not issued any direct threat of veto, Taipei's attitude is adamant. So is Moscow's. Russia has let it be known that she will oppose the "package deal" if Outer Mongolia is not admitted as a member. While the present deadlock is due to Russia's support of Outer Mongolia and the American-backed Kuomintang's opposition to the Russia stand, the problem of the "package deal" has a tortuous history which is revealing.

America is reconciled to the "package deal" only because she has been outmanoeuvred. To begin from the beginning, differences arose between America on the one hand, and Britain and Russia on the other, on the question of membership of the Security Council. Since the "gentleman's agreement" of 1946, an Eastern European power has always been a member of the Security Council. This time, Britain supported the candidacy of Yugoslavia, while Russia originally backed the claim of Poland. In opposition to Britain's and Russia's nominees, America supported the claim of the Philippines on the ostensible argument that non-Commonwealth Asian nations were not adequately represented on the Council. Russia promptly dropped her candidate, Poland, to lend support to Britain's nominee, Yugoslavia. As the issue turned out to be a straight fight between America and Britain, it became clear that a split could not be avoided unless a compromise formula could be evolved.

At the instance and initiative of Canada, and with the support of Russia and Britain, a proposal was framed. This "package deal", relating to admission of eighteen members, was the compromise device proposed by Canada. With eighteen new members, the strength of the Security Council would be increased from eleven to thirteen. It will, therefore, be possible for America to have its nominee, the Philippines, besides another Asian member, into the Security Council. As Russia is willing to support Britain's nominee, Yugoslavia can be the Eastern European member on the Council. That is why, to avoid loss of face, America has agreed

to support the "package deal". But America's attitude to this problem and the motive behind the compromise device of the "package deal" reflect the continuing conflict between Russia and America, which Taipei's subsequent action has only served to emphasise.

Circumstances may have forced America to accept the "package deal". But some of the arguments advanced by the Kuomintang delegate against the admission of Outer Mongolia indicate that the problem of admission of the eighteen new members is being complicated by the consequences of the "cold war". Suspicions are not unnatural that America is fighting the "cold war" in the United Nations by proxy, through Taipei, as she has come to realise, on second thoughts, the consequences of the admission of eighteen new members to the United Nations. Of these eighteen nations, only five are Communist, and the rest are non-Communist powers. So the "package deal" will not materially improve the bargaining strength of Russia in the United Nations. But it will serve to eliminate the dominance of the Latin American group, led by America. There are other implications of the proposal to admit eighteen new members. Kuomintang China is now a permanent member of the Security Council. With the proposed admission of eighteen new mem-

bers to the General Assembly, its composition will so change as to enhance India's prospects of admission in the Council as a permanent member.

These implications must be borne in mind in examining the arguments put forward by Taipei's delegate against the admission of Outer Mongolia. Taipei's delegate is clever in his reference to the Hague Court's ruling against the principle of "automatic universality" of membership of the United Nations. It is possible that the amendment proposed by the sponsoring members to their original resolution is aimed at bypassing this legal objection. But it is clear that America endorses the argument that admission of Communist nations is contrary to political and moral principles of the Charter. Taipei's delegate has also opposed the "package deal" on the ground of human rights. Here, it is not necessary to discuss whether Communist countries, Outer Mongolia or any other Communist Eastern European country, violate the principle of human rights. Of the proposed eighteen new members, two, Spain and Portugal, are Fascist countries. If South Africa, with its policy of racial discrimination, can remain a member of the United Nations, there can be no sense in denying admission to any Communist country on the argument of human rights.

In the interests of world peace, as well as of the United Nations, wider representation on the United Nations is desirable. With the acceptance of the "package deal", two consequences are likely to follow. It will, certainly, rid the General Assembly of its dominance by America and the Latin American bloc. It will also help to lessen the weight and influence of the Big Powers in the General Assembly. All small powers, including Asian-African nations, will welcome both these eventualities. Algiers is a visible demonstration of the growing influence of the Asian-African group of nations in the General Assembly. As this influence grows, the Western Powers will experience obstacles in exploiting the United Nations to further their purposes. Recent experience shows that the Western Powers can no longer rely on their majority in the General Assembly. To bypass the Russian veto in the Security Council, the General Assembly has, for sometime past, been used as the policy-making organ of the United Nations. With the proposed changes in the composition of the Assembly, and with the growing status of the Asian-African group, there may be a tendency to revive the importance of the Security Council. This raises the problem of amending the Charter. But that is a different, though highly complex, problem altogether.

Nagarjuna Sagar Project

YET another step in the adventure of building a New India will be taken when the Prime Minister lays the foundation stone of the Nagarjuna Sagar Project in Andhra. For the South, which has long felt neglected in the matter of economic development, this is a significant event, as the Nagarjuna Sagar Dam will rank among the biggest in the country. The ultimate irrigation benefits of this Project are expected to cover over 31 lakh acres in the States of Andhra and Hyderabad but even on the completion of the first phase in about seven years, the major part of the additional irrigational facilities should be available as over 23 lakh acres distributed in Andhra and Hyderabad States will be irrigated by then.

The project has immense possibilities; the additional yield of food-grains alone resulting from it has been estimated at 1.3 million tons.

When the possibilities of diverting some land at present under food grains to cash crops are considered—especially in the Guntur and Krishna districts—the resulting gains to agriculture may be much greater than is suggested by the figure of food grain. The power potential of the project, viz. 75,000 KW which will be available after the completion of the final project may not appear staggering compared to others. But even this modest supply holds out the prospects of development of Andhra's rich industrial potential which has remained untouched so far for lack of power among other reasons; in the first instance, to supply the needs for the construction and in view of the inaccessibility to the site (the nearest railway station at Macherla is about 10 miles away), the case for setting up a cement works near the site is strong; the analogy of the U.P. Government's

cement factory near the site of the Rihand dam suggests itself.

Incidentally there could be no more fitting occasion than this for Pandit Nehru to announce the decision to form Visalandhra next year as the Congress Working Committee has wisely recommended. For the full benefits of a project of this type to be achieved without administrative delays implicit in a division of responsibility between two states, it would be helpful to have unified control. This was what the States Reorganisation Commission had also in mind.

That the project will benefit greatly the two States of Andhra and Hyderabad is not doubted; there is, however, a disturbing thought: the price that will have to be paid for it and which cannot be calculated in monetary terms. It is that the dam's reservoir will submerge the historic and hallowed site of Nagar-

junakonda which, with nearby Amaravati, bears proud witness to Andhra's Buddhist heritage. We have had assurances both in the Union Parliament and the Andhra Legislature that steps would be taken to remove the relics to a safe site for preservation. Apart from the fact that preservation itself may not be properly done (one has only to see the tragic state in which the relics are kept in Amaravati to have these fears again), what guarantee is there that all the excavation work (and much undoubtedly remains to be done) would be completed before the area is submerged?

A further question suggests itself.

Andhra is watered by two major rivers. The Ramapadasagar scheme on the Godavari is one of the most ambitious projects thought of; could not priority have been given to that over the Nandikonda project so that the archaeological excavations could have proceeded at Nagarjuna Konda in a careful and unhurried manner? If the project had to be on the Krishna, were other alternative sites examined and was the technical superiority of this site so overwhelming as to outweigh the submergence of this site? The Government of India which is taking much pains for organizing, and rightly so, a great Buddhist festival next

year should have convinced itself about these points before abandoning the site of one of the centres of Buddhist learning in India. It is little consolation and almost childish in its naivete to call the Nandikonda dam after Nagarjuna; how does the erection of a pylon at the dam site in honour of Nagarjuna compensate for the loss of the relics. Perhaps the Prime Minister's philosophy which considers the development projects to be the temples and pilgrim centres of New India is being given concrete expression by building the Nandikonda dam at the cost of a famous religion centre of the old India.

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How banking serves the COIR INDUSTRY

INDIA is the world's chief producer of coir and coir products, her yearly output being around 130,000 tons. More than half this output is exported, earning about ten crores of rupees in foreign exchange. The coir industry, which is exclusively South Indian, is concentrated in Malabar and Travancore-Cochin, and employs over six lakhs of workers.

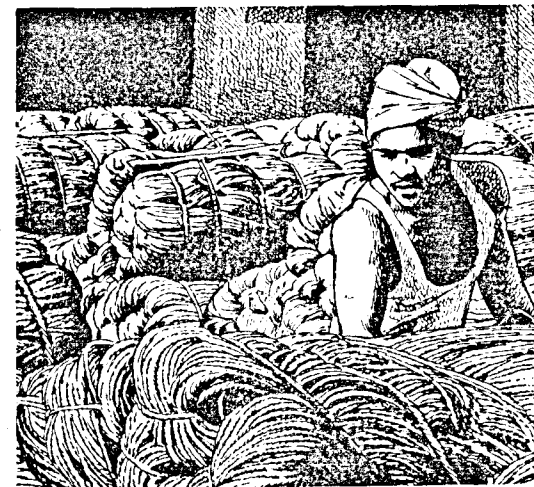
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Weekly Notes

No Decision Yet

IT would be unfair to the Congress High Command to imagine that the latter could have made up its mind about the future of Bombay when the Congress Working Committee has yet to come to a final decision. This the Working Committee is expected to do on the 23rd of this month, in the light of the debate in Parliament on the subject. The great debate on Reorganisation of States in Parliament begins on the 14th and is likely to go on for many days. So, there are many more rounds to go. Mama Saheb Deogirkar, President of the MPCC, on whom has fallen, of necessity, the heavy responsibility of securing agreement by persuasion among different groups has assured the people of Maharashtra that there is no reason for them to lose heart just yet. There would be time enough to move for and press the inclusion of Bombay City in Samyukta Maharashtra till the third reading of the reorganisation bill which will be introduced some time in Parliament.

This being the position in the Congress Working Committee, it is unlikely in the extreme that Pandit Nehru would have taken a firm line on the subject and could be adamant on the adoption of one solution or the other. What was the SRC report about, unless it was to make it possible for people speaking the same language and feeling strong emotionalities to live together to do so and to give suitable expression to this feeling in the best manner possible, with due regard to the administrative, economic and other factors? This the Commission has done, on the whole fairly enough, except in the case of the Bombay State, though the report repeats almost as a matter of ritual in connection with every important issue that the Commission was not guided by linguism as the most important factor.

Though the eventual solution still remains very much in doubt, one can be more certain about what the solution will not be. The proposal of a bilingual State as originally recommended by the SRC or as modified by the MPCC are both definitely out. And so is the Ashok Mehta-

Harris formula for including Bombay City in Maharashtra by giving a special position to it, such as by restoring to the city corporation its police force and establishing a convention for special representation of Bombay interests in the Government of Maharashtra.

Racing Against Time

WITH import control a permanent fixture and industries all sheltering under the Commerce and Industry Ministry's benevolent scrutiny on imports, the activities of the Tariff Commission and Government action on their recommendations have ceased to mean much to the outside public. Whether Government action on Tariff Commission's recommendations means anything at all depends very largely on the import policy currently being pursued or that will be pursued in the future in regard to the particular products concerned. On this crucial point, however, neither is the Tariff Commission very informative nor is Government.

The Commission, however, has been racing against time to complete the enquiries of all those cases where protection currently in force is to expire at the end of the calendar year. Much arrears have been cleared and only a handful of cases must be remaining to be disposed off. This is a striking improvement on the situation prevailing at the end of the last year. But the Commission is modest and is not in the same hurry to publicise its achievements for its Annual Report for 1954-55 has not yet seen the light of day.

Among the bunch of the Reports lately released there is the one on alloy, tool and special steels. The Commission has refused continuation of protection to this industry as "tariff protection has not been effective in securing the establishment of the industry in the country" and it is convinced that "even a high degree of protection will not serve to bring about the desired result, unless it is preceded by a concrete plan for giving the necessary assistance to individual units and rationalising their production". In the case of motor vehicle batteries, on the other hand, the Commission has found that tariff protection has suc-

ceeded so well that it is no longer necessary. There is no striking disparity any longer between ex-works price and the landed cost ex-duty of imported batteries. Government has agreed in both cases and accepted the recommendation. Also in the case of coated abrasives, one of the post-war babies which came up in 1946, the Commission found that the industry has consolidated its position and needs no further protection. This has been accepted by Government.

Aluminium gets an extension for another three years and the protection of automobile sparkling plug industry, which was given protection ad hoc in last August only upto the end of the year has been regularised. The Commission has recommended and Government has agreed that protection should be extended for five years to enable this industry to implement its manufacturing programme. This signifies a deliberate reversal of trend, of the uneconomic method of setting up new industries that has been forced upon us partly by lack of development in the past and partly by the short-sightedness of the manufacturing industries in that the latter have tried to make the whole range of parts themselves, as in automobile or bicycle industry, instead of buying most of these parts from others or encouraging others to set up their manufacture, and confining themselves largely to assembling and making the heavier parts themselves.

An industry on which Tariff Commission had taken a strong line and which has been softened by Government is that of steel baling hoops. Baling hoops are different for jute, cotton and coir. All three have been getting protection since 1947. In the case of coir baling hoops alone, the Commission wanted protective duties to continue. In the case of others it felt that domestic producers were well able to hold their own against imports. The Ministry of Commerce and Industry has accepted these recommendations but not the one about decontrolling cotton baling hoops, in view of the recent revival of demand. The present system of fixing selling prices and retention prices will continue, with periodic revisions, as long as control over iron and steel continues.

American Line-Up on Goa

IT would be foolish to presume that Mr Dulles is a Foreign Minister who is not familiar with international diplomacy. "From Mr Dulles's observations at a later Press conference, the implications of the joint communique, issued by him and the Portuguese Foreign Minister, emerge clearly. Mr Dulles takes elaborate pains to explain away the reference in the joint communique, to Goa as a 'province' of Portugal. Mr Dulles is as grotesque in his emphasis that the inhabitants of Goa have the same rights and privileges as the citizens of Portugal as the French claim that Algerians enjoy the same citizenship rights as those enjoyed by the inhabitants of Paris".

From the Reuter version of the joint communique, issued by the American Secretary of State and the Portuguese Foreign Minister, the circumstances which provoked the two Foreign Ministers to make certain policy statements on colonial issues in Asia and Africa are clear. Equally emphatic is the implication of that policy which Washington cannot disown, as it has been enunciated in a communique to which the American Secretary of State is a signatory.

Two days before Mr Dulles and Dr Cunha issued the joint communique, India's Prime Minister had, in his address at the public reception held in Calcutta in honour of the Russian leaders, challenged the Western Powers to define their policy to the Goa issue. Britain and France still remain "silent" on this issue. But the American Secretary of State has signed a communique which includes a reference to the Portuguese "provinces" in the "Far East." In the communique, the issue of Goa has not been directly linked to Portugal's responsibilities as a NATO Power. But one of the paragraphs of the communique, which discloses that the American and Portuguese Foreign Ministers have discussed the problems of defence within the framework of NATO, reveals that, during their discussions, the interdependence of Africa and the Western world "was also emphasised".

From the joint communique, two inescapable conclusions emerge. America acquiesces in the European metropolitan Powers' policy and determination to retain colonies in Asia and Africa. It is emphatically implied in the communique that America supports the policy of forti-

fying strategic colonial areas in Africa as NATO bases. Though there is no attempt, in the communique, to establish any casual link between NATO and Goa, reference to Goa and Macao as Portuguese "provinces" in the "Far East" would seem to make it evident that America is committed, under the terms of NATO, to defend and protect the "territories" of Portugal, a NATO Power.

All these policy statements and oblique references are included in a joint communique which has been issued after discussions between the two Foreign Ministers on "matters of mutual interest". There is agonised surprise in New Delhi that Washington openly admits that Portuguese "possessions" in India are "provinces" of Portugal, and that these are also "matters of mutual interest" between Washington and Lisbon. It should not, in the circumstances, be difficult for the American Ambassador to India to explain, to his people if not to his Government, why relations between India and the United States are not as cordial as they should be.

Mr Dulles is evidently irritated over the boisterous outbursts of the Soviet "rulers" visiting Asia. M. Khrushchev is accompanying the Russian Prime Minister in their tour of some Asian countries as a member of the Presidium, and not as First Secretary to the Soviet Communist Party. But even the Soviet Prime Minister, not to speak of the First Secretary to the Soviet Communist Party, would be entirely justified in criticising colonialism as a menace to world peace. Consistency may not be one of Mr Dulles's strong points. But it would not be inappropriate to remind the American Secretary of State that, after his visit to Asian countries some years ago, he expressed the opinion that colonialism was not only an invitation to Communism, but also a menace to peace and stability in the countries he had visited.

Faure's Bid for Power

MAURE has won a decisive first round in the battle against his political adversaries. He deliberately provoked his downfall to further his ulterior motives. By his subsequent action in dissolving the National Assembly, he has outmanoeuvred his political opponents. France will go to the polls on January 2, 1956. M Faure's political rivals are in favour of reforming the electoral system. They support single-member constituencies. It is not quite clear

whether M Faure has any serious objection to election reforms. But it is quite clear that he is more interested in hastening the general elections.

M Faure can claim that he has acted according to his convictions. He holds the opinion that a Government should have powers to dissolve the Assembly if it is defeated within two years of assumption of office. M Faure became Prime Minister only nine months ago. This is a democratic policy and procedure. But, with elections on the basis of proportional representation, this policy will involve fresh elections in France every few months. As M Faure's next elections will be based on proportional representation, stability in French politics does seem to be the prime motive of his moves.

Proportional representation favours the chances of Communists and Gaullists against those of Radicals, MRP and Socialists. Gaullists are no longer a united party. Communists have lost their opportunity. M Faure is, apparently, relying on these political trends. But how does his move help him with his party? His party, which has expelled him, is opposed to proportional representation. Is he trying to win the Radical Party away from M Mendes-France, his former Chief? A division in the Radical Party is not unlikely. But his bid for power cannot succeed unless he joins either MRP or Socialists. He is suspect in both these camps. M Faure is playing a risky game in his bid to oust M Mendes-France as the leader of the Radicals.

Chartered Bank to Finance Industry

THE Chartered Bank has set up a Development Corporation with an authorised capital of £2 million for medium-term credit for new enterprises in South East Asia. It is the first exchange bank therefore to take note of the changes through which the economies of the countries in which the bank operates are now passing. For British banking to enter the field of medium term credit for industry is perhaps a greater departure than for an exchange bank to go into fields other than that of foreign exchange. In fact, they have been doing it for long. Whether the intrusion of exchange banking into the field of domestic business in India, which had been such a sore point for Indian scheduled banks, was forced by the decline in foreign trade during the

inter-war depression period, it is difficult to say with certainty.

By entering the field of medium term credit for industries, however, the Chartered will be following in the wake of the Industrial Credits and Investment Corporation and may be able to supplement the latter, since ICIC would be handling permanently new issues and confining itself only to big enterprises. Other exchange banks will doubtless follow the lead given by the Chartered sooner or later. It is an open question, again, whether exchange banks are going into unorthodox banking while Indian scheduled banks stick tenaciously to the austere traditions of British commercial banking, for the accepted view regarding the activities of the latter appears to be somewhat out of date. The fact that Indian banks still carry a high ratio of time deposit to total deposits, by itself, does not argue the case either way.

U S Steel Prices and Deliveries

MUCH attention has been devoted to steel shortage, which was discussed in these columns last week, in the latest issue both of the *Economic Bulletin of Europe* as well as the *Economist*. The Bulletin notes that the United Kingdom and Western Germany have ceased to be significant net exporters of iron and steel in the course of the last twelve months; there has been however a shift, for France and Belgium sharply increased their net exports of iron and steel during the first half of 1955. Partly the explanation of the reduction of British and German exports and the increased reliance of these countries on imports of basic materials lies in the increase in their net exports of their engineering products, in spite of the pressure of demand for these products in their home markets. French exports of these products, on the other hand, continue at a very low level and are smaller in value than French exports of steel articles. UK and Western Germany earn twenty times as much from their net exports of engineering products as from their exports of steel.

The *Economist* reports that in US steel prices have not only been steadily rising but the announcement from the US Steel Corporation of an increase of \$2 per ton in the price of its carbon steel rolled strip will probably swell the trickle of recent price rises into a stream. In fact, steel producers make no secret of it that their prices will rise

still further. They must build up reserves to finance the future expansion and also pay higher dividends, so that they may raise fresh capital from the market by the issue of new shares, the tax concessions which facilitated previous expansion being no longer available. In the US, the industry is not only working to capacity and output is an all time record, present deliveries are inadequate and the producers are unable to give even firm promises for delivery in the earlier months of the next year. Automobile manufacturers are one of the chief causes of shortage and they have upset all expert calculations by taking more steel than thought possible and practically all users are pushing up their requirements. But calculations have not been upset only in the US. It will be recalled that ECE experts two years ago expected surplus capacity to emerge in strip mills as a result of the expansion effected under Marshall Plan unless the old and inefficient units were closed down. These expectations have been belied in Western Europe also.

So, understandably, attention is being focussed on prospects of steel production behind the curtain. While on the subject, it may be noted that US plans for expansion are for no more than three million tons a year for the next five years. And even this is considered ambitious, for it cannot be completed without building new plants which is a very costly affair under present conditions.

Letter to the Editor

Tell Us All About Steel

I HAVE read with keen interest your notes on steel in your last issue. It is indeed high time that Government issued a white paper on steel but all the following points will have to be covered:

1. The estimated demand for steel industry-wise during the next five years as well as the basis on which these estimates are framed.

2. Arrangements Government has already made or is making for the import of steel.

3. Will the same price be charged for imported steel as for domestic steel through a surcharge on the latter or will different prices be charged according to essential and non-essential uses? Or in other words, will the system of allocation be as in the past in that permits for obtaining steel at controlled prices will be issued for essential users

while imports are licensed freely for others who are willing to import steel on their own and pay the much higher prices?

4. In view of the present shortage which on present showing is bound to grow more acute for the next few months or years, what steps are being taken to economise the use of steel? This is of the utmost importance in view of the shortage that is envisaged and the difficulties that are likely to be encountered in obtaining imports, apart from certain general considerations pinpointed by M Khrushchev, when he said during his visit to the Integral Coach Factory at Perambur that 80 per cent of the steel used in the construction of the factory could have been saved by using reinforced concrete! M Khrushchev may or may not be wholly accurate, but there is little reason to doubt his general statement that little serious effort is being made currently to economise the use of steel. To this question, the principle of allocation according to categories is no answer; for the project or purpose for which the steel is required may be essential and of high priority, but it follows by no means that the actual use to which the steel is intended to be put is also essential without an expert examination of the possibility of substitution of steel by other materials e.g. reinforced concrete or timber.

5. Steps taken to induce private sector to expand production of steel.

6. Is it the accepted policy of the Government to allow mixed economy in the steel industry? The question is important and timely in view of the stipulation made in the Industrial Policy Statement of 1948 that Government is committed to non-nationalisation of this industry only for a period of 10 years, that is until 1958. That statement left the question open, what would be the Government policy after 1958 and certainly, if the Government has already taken a decision about this matter, the public has a right to know and should be told about it. No such declaration has yet been made, and the public has a right to know if the expansion programmes agreed to for the existing producers implies a commitment of this nature.

7. Finally, what are the functions of the proposed Steel Board and what are the reasons for the delay in setting up the proposed Board?

Surely it is high time for the Government to take public into its confidence, clear the air and make a definite statement.

"CURIOUS"

Off the Record

Between Two Camps

THANKS to the indiscretions of Mr Dulles, we are now in no position to assess the likely trend of foreign assistance for economic development in the coming years. M Khrushchev has, for reasons best known to himself, practically upset the Geneva apple-cart and given a twist to the concept of competitive co-existence. He appears to subscribe to the view that the best way of selling one's wares is to say that the other man is a cheat and his wares are poison. It may be that he is merely turning the tables on those who have been saying much the same thing about assistance from Communist countries. But it certainly strengthens the hands of those who want their countries and their allies to take an uncompromising stand in their dealings with the Communist world. And Mr Dulles's joint statement with Dr Cunha further contributes to an intensification of international suspicion and ill-will.

Against this background, those who have obstructed assistance to India on the argument that her 'dynamic neutrality' is and has always been a sham and a tactic will shriek with renewed vigour. Why should we, they will say, help India become stronger when we know she is not on our side? On the other hand, there are many who have come to the conclusion that the Western World should now rush more assistance to India and Burma—to forestall the Soviet Union and make these countries see who their real helpers are. Which of these groups will prevail remains to be seen, and on that might depend the magnitude of external assistance that would be forthcoming.

Back of all this are, of course, the roar and the dust of the recent H-bombs let off by the Soviet Union, and the deadlock on disarmament.

Faure's happy idea of diverting resources from armaments to development of underdeveloped countries had little support in July and will have no support now. Inevitably, the countries committed to a policy of negotiation from strength will devote more resources for guns than butter, at home or abroad, in the coming year. The 'summit' talks had no effect on the armaments efforts of the two blocs; but it generated a hope that in the near future,

the world as a whole might be able to concentrate on raising standards of living rather than standards of military power. That hope has, for all practical purposes, become a matter of history.

There is, nonetheless, one aspect of it all that might yet be important. It was part of the strategy of the cold war that for the containment of communism or for promoting world communism, as the case may be, mere military assistance to one's prospective allies was insufficient. Stemming from the thesis that poverty was the greatest ally to communism in the underdeveloped countries, the Western democracies' foreign economic policy had to some extent been directed towards helping the relatively underdeveloped countries to strengthen their economies. That thesis still underlies the argument of those who want the West to rush more economic assistance to India and elsewhere. The fact that the Soviet Union has started offering capital equipment and technical assistance in a big way could well stimulate competition in this field from the non-communist world. Just how much and in what manner the Soviet Union will be able to further economic development in countries like India and Burma is still not clear. But it is not impossible that the very offers which the Soviet Union is making might prompt similar offers from others.

The situation is altogether embarrassing and somewhat insulting to the under-developed neutral countries. Embarrassing because the alternatives facing these countries are that either too little or too much of assistance will be offered by the two blocs taken together. Too little, in case the Western Democracies refuse to help those who have normal trade relations with the Soviet bloc; too much, if the two blocs try to outdo each other. In the latter case, since utilisation of foreign assistance will to a larger or smaller extent involve utilisation of domestic resources also on the projects concerned, the recipient countries may have to pick and choose. And such a procedure could always be misinterpreted. Apart from it all, there is the basic assumption that the underdeveloped countries, parti-

cularly in the Afro-Asian region, are a lot of gullible fish and can be hooked by these baits. It is about time that the rest of the world realised one ineluctable fact. The young democracies in this part of the world are anxious to develop and are willing to take such aid as is bona fide. But for the very reason that they are young, they are even more anxious to preserve their independence and keep out of aggrandising blocs. And they would rather remain underdeveloped than be dependent. To think otherwise is to insult the intelligence and the desire for freedom of these nations.

Burrakur Coal

IN recent weeks, Coal shares have remained steady. This is mainly due to a better appreciation of the Government's coal policy during the second Plan period. To some extent, the recent steadiness in Coal shares is due to expectations of satisfactory working results of coal companies. An increase of Rs 39,000 in the profit of the Burrakur Coal Company, Ltd. for the half-year to June last shows that market expectations are not without basis. Despite higher profits, however, the dividend has been maintained, and not raised.

Though raisings were higher, despatches fell. Repairs to twenty-six ovens were completed. According to the report, the balance of the repair programme will be completed in the current and the next half-years. To ensure conservation of coal as well as maximum extraction, the Company's collieries must be able to continue sand stowing programme. Adequate availability of sand is, therefore, a matter for concern to the company.

Allocations are generally satisfactory. In this connection, the substantial increase in the provision for rope replacement reserve deserves notice. This is due to the fact that the condition of the rope has deteriorated far more rapidly than originally anticipated. It may be necessary to replace the rope in its entire length in the next twelve months. It is stated in the report that this problem is under discussion between the Company and the manufacturers of the rope.

From the London End

New Trends in British Taxation

SOME interesting revelations of the Treasury's intentions were given by the Chancellor of the Exchequer during the Parliamentary discussions on the Finance Bill giving legislative effect to the supplementary Budget proposals. Apparently it now turns out that the flat rate of purchase tax imposed on clothing and furniture in the autumn Budget was merely designed to ascertain how a general sales tax would work out in the next few months. This experiment aims at what Mr Butler calls "the broadening of the basis of taxation" or more explicitly at reducing the present heavy dependence on direct taxes (on income).

This possible change was long foreseen by the Labour Opposition. In the Budget debate last month, Mr Gaitskell had pointed out that the flat rate of purchase tax was merely a step in the direction of a general sales tax and suggested that the extreme regressive character of the change would create uneasiness among the trade unions.

The aims of the Government in broadening the basis of taxation appear to be two in number. First, there is the aim to reduce all-round consumption, which arises from the current inflationary situation of the economy. The second aim is more typical of the philosophic and social outlook of the present Government viz. that of reducing the proportionate burdens of the richer groups in the country arising from a system of taxation which in the period of the Labour Government had become highly graduated and progressive.

It is understood that the Treasury has been looking around to find out how the sales tax has fared in other countries. And it is worth noting that what started off as a purchase tax on a few commodities in the United States has now virtually become a general sales tax in that country. Originally the American commodity tax was levied only on tobacco and liquor. It now covers a wide range of products. In addition to these Federal taxes, many States and cities levy their own sales tax. The sales tax has been often criticised in the United States as being iniquitous. This criticism can no doubt be levelled against any sales-tax system. In Western Germany, there is what is called a turn-

over tax—this is a tax payable on all stages of manufacture and sales. It yields over £1,000 million a fiscal year. Similarly, a turnover tax—a major item in the tax structure—exists in Belgium and Holland. In effect these turnover taxes are so different from the sales tax. It is, however, usual for a sales tax to be collected by the retailer on the sale of the commodity as against the purchase tax or, in some cases, turnover tax, where it is the wholesaler and the manufacturer who collects the tax from the retailer. One of the arguments given as favouring the conversion of the present purchase tax to a sales tax is that the retailer will no longer be compelled to reserve a proportion of his working capital for payment of purchase tax on his stocks before he sells the goods. Further, it is said that when the purchase tax is reduced it is the retailer who suffers, the loss arising from his previously tax-paid stocks. Further, when the purchase tax is increased it is the retailer who is forced by competition to sell his existing stocks at pre-Budget prices.

Against these merits, there is the standard criticism of the sales tax that it is regressive and iniquitous. It was on this ground that the Labour Opposition had made out its case last month. Labour believes that the broadening of the tax system is merely designed to make the revenue of the country more heavily dependent on indirect taxes rather than on the progressive rates of direct taxes on income. It will lead to the poorer sections bearing a higher burden than they currently do.

The changes that are apparently being worked out by the Treasury are topical for two reasons. The Royal Commission on the Taxation of Profits and Income which published its report recently recommend that the Government should give serious consideration to the encouragement of individual and corporate savings by appropriate tax reliefs. It is possibly in line with this general recommendation that Mr Butler has now announced his "broad" agreement to the proposal that the existing profits and profits distribution tax levied on companies be amalgamated into a single corporation tax, and, more important,

to that of reduction of the level of direct taxes on income—particularly taxes required from the higher income groups—on the grounds that it will stimulate savings, provide a larger flow of funds for investment and so make economic growth depend upon the "more natural equilibrium" of the demand and supply of capital.

The suggested changes are topical for another reason. Mr. Nicholas Kaldor, who was a member of the Royal Commission on Taxation of Profits and Income, had suggested to the Commission that they should consider the virtues of a system of tax based on expenditure rather than on income. This suggestion was, however, turned down on the ground that it was outside the Commission's terms of reference. Now, Mr. Kaldor has published a study on the virtues of the Expenditure Tax.

The apparently novel idea of an expenditure tax has, according to Mr. Kaldor, a long history. The idea occurred to Hobbes and was later given full support by John Stuart Mill. In the present century, its most powerful exponent was Irving Fisher. This study is more than timely. For Mr. Kaldor argues that taxation levelled on income rather than on expenditure makes it easy for considerable abuses to take place. And here income arising out of capital gains, which is generally of sizable volume in an economy like that of Britain, completely escapes taxation.

The expenditure tax broadens the basis of taxation. It, however, broadens it by making the burden more heavy on those who have more money to spend—an idea which no doubt will be supported by the Labour Party. More important, under a system of taxation assessed on individual expenditure, income from capital gains (where it is spent on consumption) would immediately fall within the purview of taxation. At the same time an expenditure tax places a premium on savings. Those who wish to save increasing proportions of their income would pay correspondingly less tax.

One problem which necessarily arises from an expenditure tax system of the type suggested by Mr. Kaldor is whether it would not lead to a massive accumulation of pro-

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perty on the part of private individuals, thus accelerating the concentration of economic power in the hands of the few. For example, under an expenditure tax system, a person earning more than £5,000 a year can, even at a fairly high standard of living, accumulate property at a greater rate than a person earning £700 a year who tries to maintain a minimum standard. The gap in income between different classes of people can lead to a greater accumulation of capital in the hands of those who earn more. Mr Kaldor apparently sees no objection to the facilities which his tax system provides for such an accumulation of property.

Another new development is that relating to the taxes on companies. As indicated above, the Chancellor of the Exchequer expressed his agreement with the Royal Commission's recommendation that a single tax should be levied on companies rather than the present complicated profits and distributive profits taxes. At the present time there are two taxes on companies. On

distributed profits companies are taxed at a rate of 27½ per cent. and for that proportion of profits not distributed—retained—a profits tax of 2½ per cent. is levied. The Royal Commission, and now Mr Kaldor, claim that this discrimination against distributed profits distorts the market value of shares and has in turn stultified the rate of capital formation. Apparently gross trading profits of companies had increased from £669 million to £2,688 million between 1938 and 1953. The increase in dividend distribution over the same period was from £430 million to £609 million. In other words, while trading profits increased by over 400 per cent, dividend distributions increased by only 42 per cent. It is now claimed that but for the discouragement provided by the differential tax system, the rise in dividends would have been more in line with the increase in company earnings. This situation has led to share values, which are based on dividend declarations, being considerably lower or at a discount compared to what they would have been

if earnings were taken as the basis of estimation. More than that, it is claimed many companies have been encouraged to retain their profits rather than distribute them so that they could not be fruitfully used elsewhere. Thus, whatever other considerations bear upon the problem, the market value of shares is artificially depressed and is an obstacle in the way of raising new capital. In this regard the Royal Commission had recommended that there should be a single corporation tax not connected with the ordinary income tax. Mr Kaldor agrees with this view, but makes the proviso that a corporation tax will be a solution only if capital gains are taxed. He argues that an increase in dividends would have undesirable effects, not so much on account of the increased spending out of dividends itself, but because of the far greater untaxed benefits which shareholders may have obtained in the form of capital gains. The whole matter of taxation in Britain once again appears to rest on whether capital gains are to be taxed or not.

Book Review

A Story that Remains to be Told

The Great Inflation 1939-51 by A. J. Brown, Oxford University Press, London, 1955; pp 321; price: 30s.

Reviewed by R A Jahagirdar

THE second war period was not the most inflationary period in world history for both the first war and Napoleonic war saw greater inflations. But it was the most interesting period for the study of inflation. Prof. A. J. Brown seeks to trace the inflationary process as it developed during the 1939-51 period in different countries in the world. He deals with the impact of war expenditure on the price-wage spiral, the efficacy of price-control measures as also the impact of increased liquidity on interest rates and on inflationary pressures.

The great inflation came at a time when the great depression of the thirties had weakened the people's psychological defences against inflation; to harassed politicians, the war presented itself as a remedy for chronic unemployment; and whichever way we slid, the development of statistical data had made it certain that we would do so, if not with open eyes, at least with full knowledge. With their experience in the thirties the governments of many countries had much confidence in their capacity to control economic affairs, and had little compunction in using it. Finally, developments in economic theory, written in the light of the conditions of the thirties, though not necessarily applicable to these phenomena only, had to be applied and practically worked out in conditions exactly opposite to those in which they had been developed.

All that did not—in fact, could not—prevent inflation; but it did help to control it. At the end of the war, fewer currencies—and these mostly in occupied countries where the restraints to the issue of notes were wiped away by the invaders' very short-period, but very urgent, need to catch hold of as much of goods as possible in as short a period as possible—were tipped off the balance. The price rises in other countries were moderate, considering the degree of mobilisation required in each country and the extent of the world-wide conflict. If the war period is considered as a whole, prices rose sharply till 1942 mostly for two reasons: 1) this was the period when mobilisation was increasing; and 2)

it was also the period when the Governmental control machinery was in its formative stages. From 1942 onwards, price rises were smaller (in the U K and the U S A almost negligible), because mobilisation had by then been largely effected and machinery of control set up. This was, however not the case in India but that again, is quite a different story.

The author puts the end of the inflationary era in 1951 and finds the experience in the post-war period in some respects less satisfactory. For one thing, the end of the war, if it did not see the muddled events after the first war, did not see the end of inflation. What was much worse, the diagnosis of the post-war events, perhaps owing to inertia of thinking, tended to be influenced more by pre-war events than by the fundamental changes in economic situation that had been brought about by the war. And even when the realisation of the situation dawned upon the politicians, ideological predilections against, or lack of faith in, traditional remedies prevented their use. The result was continuation of inflation in all countries, though with varying degrees of intensity. The U S A was probably the first to dismantle controls, but owing to the fear of increasing the debt burden, or of running the banks by reducing their asset values, the Treasury failed to raise interest rates, letting other prices rise instead. In Belgium, the liberalisation of controls was accompanied by a tight money policy which avoided excessive inflationary pressures in the economy. In the U K, even after the disastrous Daltonian era of cheap money, reliance continued to be placed on budgetary methods, accompanied by exhortations for restraints on demand for higher income and by sporadic export drives. In France the doctrine of immobilisme was too strong to permit anything to be done—French prices continued to rise and the exchange continued to fall. The conditions in other countries fell into one or the other pattern described above.

The experience of the whole period 1939-51 was revealing in many respects. It showed that economic forces could be suppressed or moulded

only within limits; the doctrine of Government omnipotence was pricked. The naive refusal of Governments to use monetary policy was a self-imposed limitation which, had it been done away with, would have added to their prestige. However, there was a tendency to equate monetary policy not only with a blind mechanism to control inflation, but a mechanism which inevitably brought about social injustice.

For future guidance Prof. Brown emphasises that the danger lies not so much in possible failure of Governments to adopt appropriate policies as in the failure of economists to diagnose the situation or in the tendency of Governments to be governed by outdated dogmas. With increase in Government responsibility for maintaining economic equilibrium, the economist is becoming an essential part of the administrative machinery; but Prof. Brown finds little reason to believe that the power of economic prediction or of agility in thinking has increased correspondingly.

The factors responsible for the great inflation are summed up by the author as three. The first was, of course, the war and reconstruction after the war which gave rise to excessive demand for goods and services and which was fed mainly by budget deficits. Secondly, there were temporary increases in demand of a speculative nature resulting in price rises which themselves were made permanent, according to Prof. Brown, thanks to the prevalent bias in most economies towards inflation. Prof. Brown calls this bias "the most persistent and troublesome inflationary threat facing the western world". It is because of this bias that long-term stability of the price level of commodities can be purchased only at the cost of recurrent periods of unemployment. "The dilemma which the first sustained period of full employment in the history of industrial civilization has revealed seems to remain with us for some time". That at least is the way the author looks at the future.

There is little of any analysis of events; the book is mostly story and a story which, despite its broad canvas, tends to be dull in its descrip-

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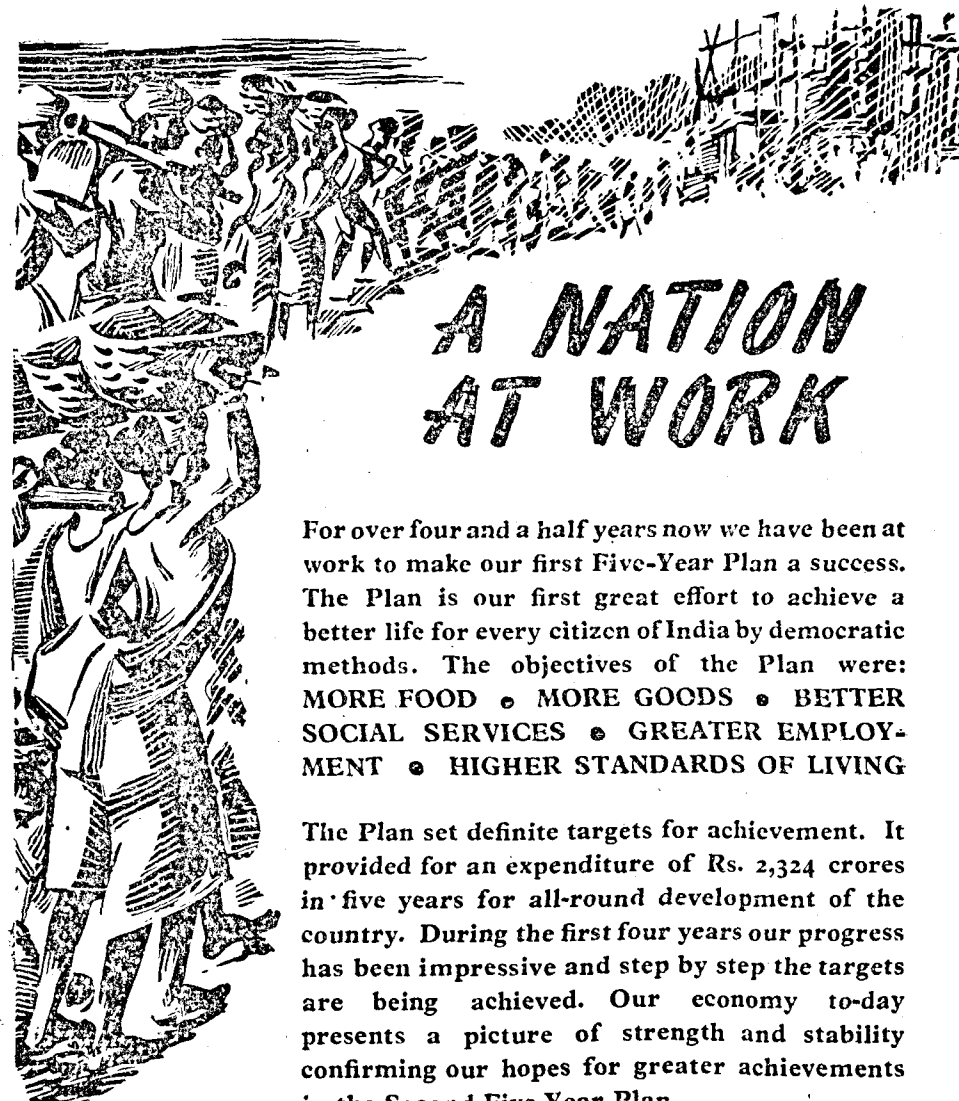
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tive parts. It may also be questioned whether the use of the Cambridge equations to explain the inflationary process does not make what little analysis there is excessively oversimplified. The great inflation was a product of similar forces acting independently in different countries

—at least during the war period. Once the war was over, the factors responsible for continuing the inflationary trend were more Governments' reluctance or incapacity to adopt appropriate measures than inherent conditions making inflation inevitable. In any account of infla-

tion, moreover, the omission of even a mention of the effects of inflation on capital must be regarded as grave. Prof. Brown's book is not the last word on the great inflation—a more complete history from a more analytical viewpoint remains to be written.

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Ten Years that Changed Poland

Oskar Lange

THE ten years that have passed by since the emergence of People's Poland, constitute a period of most momentous social and economic changes in the history of the Polish Nation. No other epoch in the history of Poland can boast of such profound and rapid changes in the conditions of people's life; in no other epoch were there such creative struggles embracing the entire Polish People. As a result of these struggles, the social and economic structure of Poland has been radically changed, and there has been an economic resurgence.

Pre-war Poland was among the most backward countries of Europe. Nearly two-thirds of her population lived by agriculture, and the percentage per capita of industrial production was far below the world average. The value of per capita industrial production in Poland was thirteen times less than that of the USA, eight times less than that of Germany, and nearly three times less than that of Italy. During the period between the two wars, the economic backwardness of Poland became even more serious. In the period from 1919 to 1938 production never reached the level of 1913; the peak reached in 1938 was but 99 per cent of 1913.

Agriculture in Decline

At the same time the productive forces in agriculture were regressing. The harvests and the number of head of horned cattle decreased steadily; the technical level of agriculture went down. The consumption of artificial fertilisers per hectare declined in 1938 by 46 per cent, as compared with 1928. In the same period, the sale of agricultural machines and implements decreased almost by half. The economic development of Poland was held back by big monopolies which were, for the greater part, in the hands of foreign capitalists. In 1929, there were in Poland 17 cartels; in 1936 their number rose to 379, of which 105 were international cartels. In 1931 the net profit of limited companies was 79 million zlotys and in 1937 it rose to 171 million zlotys. A considerable portion of these profits flowed into the pockets of foreign capitalists who exported it, thus depriving Poland's national economy of a source of accumulation and development of productive forces.

The regression of productive forces of Poland went hand in hand with the semi-colonial dependence of the country on foreign capital. Semi-feudal relationships prevailing in agriculture deepened.

It all resulted in a general pauperization of the working population. The index of real wages in 1935 was lower by 34 per cent as compared with 1913. The number of registered unemployed was more than double the number of persons employed in large and medium industries. The number of 'superfluous persons' among the rural population was estimated at 6 to 9 millions. The indebtedness of the peasantry went on increasing all the time. Consumption by the working population both in cities and in the countryside decreased steadily.

Weak and backward economically, pauperized, exploited by foreign capital and her own ruling classes unconcerned with the fate of the nation, isolated from potential allies by the reactionary and pro-fascist policy of her governments, Poland became an easy prey to Hitlerite aggression in 1939.

Further Destruction

The War and Occupation brought about further destruction of productive forces in the country. As a result of a deliberate, conscious policy of annihilation of Polish population during the occupation, over 6 million people lost their lives and 1.6 million were partially or totally disabled and made unfit for work.

As a result of war operations on Polish territory and the rapacious economy of the occupying forces, two-thirds of industrial and mining establishments, three-fourths of the rolling stock and one-fourth of rural buildings were destroyed. The number of head of cattle fell by 60 per cent. To sum up, 38 per cent of Poland's national wealth was destroyed.

It is in such conditions that the working people of Poland began the reconstruction of their country. The starting point of this reconstruction was land reform and nationalization of large and medium-scale industries.

The land reform, completed in the years 1944-45, resulted in the abolition of landed estates above 125 acres and the distribution of lands was thus obtained among the pea-

santry. In this way over 15 million acres of land passed into the hands of the peasants and over a million peasant families received land, thanks to land reform. Land was distributed, first of all, among agricultural labourers and landless peasants and then among the poor peasantry. Thereby, semi-feudal relationships in rural economy were removed. Over 87 per cent of land in Poland thus passed into the hands of peasants, while 84 per cent of privately-owned farm land under cultivation constitute medium-sized farms. The average amount of arable land owned per head of rural population has doubled.

The nationalization of big and medium industries, completed in January 1946, legalized to a great extent the conditions resulting from the liberation, when a considerable number of industrial establishments taken over by the Germans during the Occupation were left without owners. In principle, the reform applied to all establishments employing over 50 workers in one shift. Moreover, it extended over the entire field of transport including railways and air-ways, the most important storing and loading establishments as well as nearly all banks. The nationalization of big and medium industries, of transport and banks, resulted in the overthrow of the rule of monopoly capital, foreign and native. At the same time, an important socialist sector was created in the Polish national economy. This made it possible for the State to give planned direction to national economy, and it became the main factor in the speedy reconstruction of the country.

Fifth Plan

Planned industrialization of the country became the basis of further economic development of Poland. As a result of this industrialization, industrial production in 1953 was 3.6 times higher than in 1938, and the production per capita of population as much as 4.8 times higher. At present, Poland holds the fifth place in Europe in industrial production. Industrial production per head of population is 92 per cent of the industrial production per head of population in France. Polish industrial output is equal to that of Italy in absolute figures, while the percentage of production per head of popu-

lation surpasses that of Italy. In 1937 industry, along with handicrafts, contributed 30 per cent of the national income, while in 1952 it was 53 per cent. The number of persons employed other than in agriculture rose by about 3 million, as compared to the pre-war period, which means that it more than doubled.

Agricultural production also rose considerably. Agricultural production per head of population is now 30 per cent higher than in 1938. Production per head of population engaged in agriculture is 80 per cent more than before the war.

Thanks to industrialisation and land reform, unemployment and 'superfluous persons' in the countryside vanished. The average of real income per head of non-agricultural population was, in 1953, 40 per cent higher than that in 1938. The per capita real income of rural population rose by 75 per cent. This fact finds its reflection in the considerable increase in consumption.

The social and cultural services play a considerable role in raising the standard of living of the working masses. The number of beds in hospitals rose by 88 per cent as compared with 1938. The number of doctors rose considerably. Illiteracy has been liquidated. While in 1938, 136 persons in 10,000 went to colleges and universities, now there are 316.

Socialist Sector

The industrialization of Poland is intimately connected with the growth of the socialist sector in the national economy which is at present the decisive factor in national income. At present 99 per cent of industrial production is coming off the socialist sector. At the same time, a socialist sector has developed in trade. The wholesale trade is entirely socialistic. The growth of co-operative trade merits particular attention. The co-operatives have at present over 5 million members and 57,000 shops. Trade in the countryside is entirely in the hands of co-operatives. In cities two forms of socialist trade—the State and co-operative trade—exist side by side.

In recent years has also begun the process of socialist transformation of agriculture. The development of production co-operatives is at its root. At present, there are in Poland, over 8,000 agricultural production co-operatives, having over 200,000 members. State farms along with production co-operatives cover

20 per cent of land under cultivation. The development of agricultural co-operatives is an important factor in the modernisation of agriculture, the raising of the agricultural and zootechnical level, and increase of productivity. Already now the harvest and other indices of productivity are higher in co-operative than in privately owned farms.

Thus, the structure of national economy is being systematically orientated in the direction of Socialism. The social structure of the population, too, is in a similar process of transformation. Ninety-five per cent of the non-agricultural population is employed in the socialist sector of national economy. In agriculture small property still dominates; 88 per cent of peasant farms are of small and medium size. The capitalist elements have been pushed out to the very margin of economic and social life. They still retain a certain importance only in agriculture in the shape of kulak farms which constitute 6 per cent of the total number of peasant farms. The working people are nowadays the vast majority of the Polish population. Poland has become a land of workers, peasants and working intelligentsia. The Polish nation is being transformed into a socialist nation.

As a result of these changes, the position of Poland in the international sphere also underwent a change. Poland is no more an object of exploitation by foreign capital; neither is she any longer a mere source of raw materials and agricultural produce for highly industrialised capitalist States. The structure of Polish foreign trade has also changed. Before the war Poland mainly exported agricultural produce and raw materials; she imported finished goods. At present, she imports ever-increasing quantities of raw materials for further processing and industrial equipment, while she exports ready-made goods. The volume of Polish foreign trade, as compared with the pre-war period, has doubled. About two-thirds of trade exchanges are done with the Soviet Union and countries of people's democracies and one-third with capitalist countries.

The aid given to Poland by the Soviet Union as well as co-operation with People's Democracies played an important role in the development of Poland's economy. The Soviet Union extended to Poland credit facilities amounting to 2.2 milliards of

rubles for the purchase of industrial equipment from USSR. Soviet machinery, plants and technical help are of great importance for the industrialisation of Poland. Soviet supplies for light industries, of seeds for agriculture and of raw materials for production of fertilizers are of no less importance.

The development of the productive forces of the country, especially of industry, required the concentration of all efforts on heavy industry, especially on industries producing means of production. During the last four years, the output of means of production increased by 136 per cent while the production of consumption goods increased by 99 per cent. The particular attention paid to the development of heavy industries led to a certain slowing down in the development of agricultural production, which during the last four years increased only by 18 per cent.

Programme for Future

The achievements in the industrialisation of the country, especially in building up heavy industries, make it possible now to raise the tempo of production of consumption goods, both agricultural and industrial, which will bring about a quicker rise in the living standards of the population. The Second Congress of the Polish United Workers' Party, held in March last year, worked out a programme for the realisation of this goal. This programme contains, among others, the following points:—

1. Raising of agricultural production by 10 per cent during the next two years; that means doubling of the present tempo of development.
2. Putting the tempo of development of consumption industries on a par with that of the production of means of production.
3. Lowering of accumulation in the national income which in recent years has been from 25 to 28 percent to 20 per cent.
4. Transformation of the structure of foreign trade so as to increase the import of raw materials for production of consumer goods and of a certain amount of finished consumer goods.

Consequently, the real income of the working population is bound to rise by 15 to 20 per cent in the next two years. The first steps towards this goal were taken by three con-

secutive reductions in prices of consumption goods.

New Perspective

The abovementioned directives of economic policy open up a new perspective for the future and the prospects of increasing national well-being and of ever fuller enjoyment of the fruits of socialist construction.

These directives are a powerful factor in cementing the unity of the nation in the struggle for the economic development of the country and the prosperity of the citizens.

The Polish working class, working peasants and the working intelligentsia look back to-day, with pride, on

the road covered in the last ten years. They look back with pride on the successes as well as at the efforts and sacrifices made on this glorious voyage. The momentous historical importance of the last decade lies, however, not only in the successes achieved already, but even more in the prospects for the future which these successes have opened up.

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The Future of Bombay City

Arthur Souza-Godinho

OUR enthusiastic espousal and ardent avowals of the doctrine of non-violence have not entirely succeeded in taming the Adam in us. An unedifying exhibition of his distressing presence in our bosoms was afforded four times in ten days in our city, whose enviable reputation for tolerance was tarnished in unrehearsed displays of violence.

Bombay was not the only place, though, to suffer from such disturbances, for excitement was reported in also Poona and Kolhapur. These outbursts were, however, a minor affair compared with incidents in Rewa where a mob broke through a police cordon outside and inside the Vindhya Pradesh Assembly, entered the chamber while it was discussing the States Reorganisation Commission's report, severely manhandled the Finance Minister, threw a file at the Chief Minister and flung stones and shoes, forcing the Speaker to adjourn the House sine die. So scant was the respect for the sanctity of the House that stones were thrown by the demonstrators just before the House was adjourned. Such incidents are an unhappy omen for the progress of our incipient democracy. They show the extent to which passions can be aroused by issues affecting the inmost lives of peoples.

The interests of democracy are not served by such outbursts, and we have only ourselves to thank if the impression gains currency that a band of rowdies can disrupt orderly existence and hold a city to ransom as it did in Bombay. Occurrence of such deplorable incidents is symptomatic of frustration. A horse will surely kick when it is cheated of a carrot dangled before it.

Our leaders cannot complain at the turn of events, for when their party was in the wilderness and had not tasted the plums of office, it dangled before the people many carrots, one of which was provinces formed on a linguistic basis. The delay in the implementation of this part of the Congress programme has been unconscionably long.

Nor were the interests of democracy served by the Congress Legislature Party's whip directing its members not to vote on the official resolution approving of the States Reorganisation Commission's report,

although they might express their opposition to it during the debate. The whip amounted to a virtual gag. Elements were not wanting outside the august chamber to capitalise on this negative interpretation of democracy.

There is no doubt that such outbursts of ill temper as we have witnessed to our dismay stem from disappointment that the future of Bombay City has not been settled in a manner according with the aspirations of such people as comprise the largest section of its cosmopolitan population. Geographical considerations leave none in doubt about the area to which the city legitimately belongs.

This fact has been recognised by experts. Their views are reinforced by the pronouncements of public figures noted for their sober judgment. Such views have, however, availed the champions of a United Maharashtra naught. So far as the latter are concerned, the problem would seem to be very much where it has been all this time, and their dis-appointment is understandable in the circumstances.

Formation of a separate state for Bombay City is a counsel of despair, they feel. Detached from the hinterland to which it belongs, the City will be in about the same condition in regard to its vitality as the tail shed by a lizard or an appendage dropped by a crab. Despite assurances and safeguards to ensure its continuing vigour and importance, the City will languish from inanition.

Opposition to the separation of the City can, accordingly, be appreciated. To tear asunder what has been and must go together is partition. Political pundits, constitutional authorities and literary purists may quibble that territorial redistribution and administrative alterations are not partition. This contention is sophistry, for the fallacy inherent in it is patent. Territorial redistribution invariably involves subtraction from one unit and addition to another, but at times it takes the form of separation pure and simple.

Bifurcation of territories organically united is undesirable, as the pages of history are strewn with examples showing that it culminates in irridentism, which invariably ex-

plodes in violence. This tendency is always carried to dangerous lengths in the name of linguistic cohesion and self determination. Forces of unrest are unleashed, and unless effectively quietened, thrive on themselves.

A classic example is at hand. Britain was the pioneer among nations in our times to practise partition. The scene is our own country 50 years ago, when Bengal was divided, in 1905, into two provinces: (i) Bengal, and (ii) Eastern Bengal and Assam. This administrative redistribution of the functions of an area originally conducted from a common source was deeply resented. It evoked strong and violent opposition from the people. Serious political unrest followed. Leaders of all shades of opinion were unanimous in their denunciation of the partition, and clamoured for its abolition. The partition was undone in 1912, when the province was reconstituted and Assam again separated as it had been before its incorporation into East Bengal.

Moreover, the proposal to separate Bombay City and confer on it the independent status of a City State is hardly much less different from the demand recently voiced by Tamils in Ceylon for a separate state for themselves in that small island. On the same analogy, one need not be surprised if, amidst the din and strife over Bombay, the residents of Matunga moot a proposal tomorrow for union with Madras or Kerala!

Maharashtrian claims to Bombay rest on unassailable grounds as has widely been acknowledged, but no useful purpose will be served by a tedious reiteration of the familiar arguments. It is true that diverse communities have pooled their resources and labours, and contributed, each in its own way, to the raising of the imposing fabric which Bombay City is. Yet, one cannot deny that Maharashtrians were in the vanguard in the early days, a century ago, when the foundations of the city's present greatness were being laid. This fact may be gleaned from old records.

Thus, Maharashtrian names figure predominantly among the early graduates of the Bombay University, which was established in 1865. Even

a cursory glance at the records of the Town Council which preceded the establishment of the Municipal Corporation shows that Maharashtrians were at that time in the forefront of public life. This fact is evidenced by the names of several streets in what was then the city of Bombay lying outside the Fort. The names of Maharashtrians loom large, also, among property-holders in the last century, as old surveys and title-deeds show.

The British were undoubtedly the first to realise the immense potentialities of Bombay as a great entrepot of commerce and trade. The opportunities for successful business which they created were soon seized and exploited by, first, the Parsis and, then, the Kutchis, among whom the Khojas, specially, were prominent. They started mills, and it was not long before Bombay became, thanks to their venturesome spirit, India's Cottonopolis.

The overwhelming bulk of labourers in the mills, the port, the railways and the Municipality's outdoor works were none other than the burly Ghatis and the wiry Konkani, while Government and foreign business offices were staffed almost exclusively by Brahmins, Pathare Prabhus, Parsis and Christians. This composition of office staffs in those days may easily be verified by a reference to the records not only of official establishments but also of those foreign firms which have survived unto our day.

The commercial expansion of the city and its growing prosperity soon brought to Bombay a vast influx of people from all over India, who believed that its streets sparkled with gold, just as Dick Whittington thought that the streets of London were paved with gold. Steadily, the original structure of the population underwent a change, creating not only a marvellous demographic mosaic but also the present complexities about the city's destiny.

Meanwhile, opinion in Gujarat is strongly in favour of the establishment of a separate Gujarat State, though they have intimately been associated with every facet of the City's varied life. There is no denying the fact that, by and large, Gujarati business acumen has most conspicuously been connected in the past few decades with the development of the city to its present pre-eminence. There are, obviously, cogent reasons impelling them to sever the

present bonds and strike out on their own. The exit of Gujarati enterprise from Bombay will give Gujarat a unique opportunity to scale heights of prosperity which no other State in India will be able to attain. Every factor is in favour of this clearly foreseeable result. Its soil is productive. Moreover, the area is well industrialised, and new industries are being set up.

The inclusion of Kutch and Saurashtra in Gujarat gives it an unrivalled advantage over the future Maharashtra State. Saurashtra has several ports capable of berthing ocean-going vessels. The new port of Kandla in Kutch which owes its development to Sindhi enterprise, is being built on modern lines, and has an oil terminal to boot. The needs of Gujarat are at present served by the port of Bombay, but once the new Gujarat State is in being, it is almost certain that all cargo consigned to Gujarat will be shipped there directly and not routed via Bombay as at present.

The volume of traffic now handled in Bombay will thus shrink, and the prosperity of the port and the city will suffer. If the port of Bombay will serve the needs of Maharashtra, as it needs must, industrialisation of this region on an extensive scale will have to be promoted as rapidly as possible to ensure that Bombay does not sink to the level of the Heptanesia from which it has been developed.

Meanwhile, fears expressed by business magnates in Bombay have apparently led to second thoughts among Maharashtrians. The picture has been changing almost daily with the conflicting utterances made by leaders of Maharashtrian opinion. A Maharashtrian State without Bombay is not of much importance, so that we find that some spokesmen who were loudest in their demand for Maharashtra with Bombay or nothing are now not opposed to a bilingual state including Vidarbha, which, despite its smallness and similarity to the Part "C" States, whose disappearance is certain, has been made an independent unit, though its population is just about double that of Greater Bombay and its area is practically insignificant compared with the future States of India.

The controversy over Bombay's future has to a certain extent been complicated by the emotion and passion which was imported into the dis-

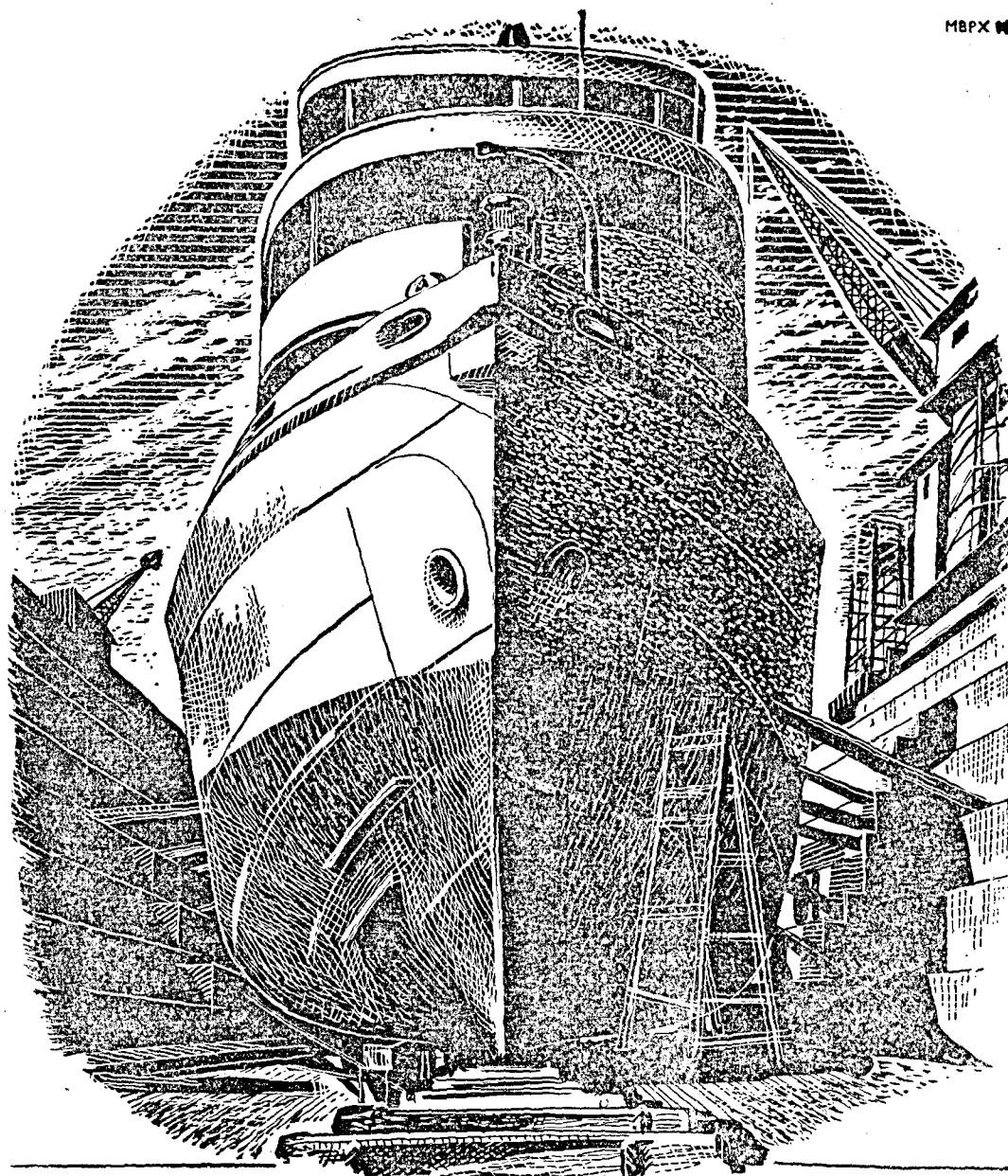
cussion on the morrow of the publication of the SRC's report. The miasma in the air continues, and unless it is cleared and the problem brought back to the plane of reality, the present acrimony will continue. Such a prospect cannot be viewed with indifference, as it will be a constant impediment in the way of the growth of the country to its proper stature.

Bombay as a city State, with its cosmopolitan population and its diversity of interests, will be, as Shri M R Jayakar, one of the country's elder statesmen, remarked at the celebration of the birth centenary of Sir Narayan Chandavarkar, a place fit for only vermin and worms. Even the boundaries for the proposed city State do not conform with the natural lines of geography. After all, the future of Bombay city itself is at stake. The wishes of its inhabitants, who are striving even today amidst a welter of confusing cries, for its advancement, should be consulted. No procedure would be more democratic.

The proposal that Bombay City will be able, if it chooses, to opt for Maharashtra savours of Fabian Tactics. The reason for the time-limit is not easy to fathom. If it is meant to blunt the edge of the present clamour, the device may not succeed, but may, on the contrary, give it further sharpness. There is no guarantee that uncertainty over the city's future will end, and that it may not be prolonged for another five, fifteen or fifty years. A bold solution of the problem at this stage will avert much subsequent bitterness.

Meanwhile, the attitude of the Sindhis at the present juncture must serve as an eye-opener to those who entertain fears and distrust. Having lost their homeland, the Sindhis, who are striving to build a new settlement for themselves in Kutch, with Gandhidham as its nucleus, find themselves completely swamped in the new Gujarat State. They will be an insignificant minority and find themselves immensely handicapped in their efforts to preserve their traditions and their own distinctive culture. Yet, no clamour has been raised by them any more than one has been raised by the small Maharashtrian community in Baroda, which will be a district of the new Gujarat State.

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Around Calcutta Markets

Hesitant Trend

Wednesday, Evening

BELATEDLY, the IISCO Chairman's speech has had its effect on Indian Iron. It is natural that the set-back in Indian Iron should have had a sympathetic effect on equities in general. But the behaviour of equities on the stock market here is a reassuring indication that the influence of Indian Iron is not as dominating as apprehended earlier. Miscellaneous and Engineering shares have lost some ground, but these groups remain quietly steady.

Technical factors have aggravated the fall in Indian Iron. As it became known that a prominent "bull" operator was finding it difficult to transfer his holdings to the next settlement, even after his willingness to pay as much as four annas as "budla" charges for a fortnight, professional operators sold heavily. As a result, Indian Iron touched as low as Rs 40 some days ago.

Market Position

In the last few days, Indian Iron have steadied down at lower levels. Selling pressure seems to have exhausted itself. That does not mean that the fall is over. There is no evidence of fresh buying. Friday, the clearing day for the Bombay stock market, may be a crucial day for Indian Iron. Market circles here are awaiting settlement developments in Bombay. Current steadiness is partly due to this factor. But it should not be ignored that even professional operators are afraid to sell Indian Iron "short" at current levels.

It was inevitable that Miscellaneous and Engineering shares would feel the impact of the sharp recession in Indian Iron. But it is reassuring to note that these groups have recovered a major portion of the ground lost as a result of the sudden break in Indian Iron. There is no selling pressure in these groups. What is more assuring is that, at all set-backs, these groups of shares attract investment support. This time also investors have lent their support to these shares at lower levels.

It is clear that investors are optimistic about the long-term outlook for Engineering and Miscellaneous shares. But the current steadiness is immediately due to another factor. Some engineering and miscellaneous companies have announced dividend payments recently.

Working results of many of these companies are satisfactory. Some other companies are likely to announce dividend payments shortly. Sellers are, therefore, scarce. Simultaneously, there is occasional buying to pocket the dividend.

There are other groups of shares, besides Miscellaneous and Engineering shares, which have not been materially affected by the drop in Indian Iron. Paper shares have remained steady for more than a year now. Inherent strength in Paper shares is reflected in the fact that the heavy fall in Indian Iron has not had, except temporarily, any adverse effect on these shares.

Coal Shares

Nor has the set-back in Indian Iron had any depressing effect on Coal shares. After a minor immediate fall, as a sequel to the sharp break in Indian Iron, Coal shares are gradually moving up. Throughout the current week, sound coal shares have been creeping up owing to consistent buying support. It is clear that the Government's coal policy during the second Plan period is now better appreciated. It is a welcome development that Coal, Paper, Miscellaneous and Engineering shares remain steady, despite the shake-out in Indian Iron.

Only Tea and Jute shares remain hesitant. Recent developments indicate that the fall in Indian Iron has halted the upward trend in Tea and Jute shares. As long as Indian Iron were moving up, these groups were either steady, or slowly creeping up. But the psychological atmosphere created by the fall in Indian Iron has made operators conscious about the major influences which are causing uncertainty in Tea and Jute shares.

Weekly tea auction results continue to be unsatisfactory. Only those unaware of facts could expect a fall in the tea export duty. But the lower export prices on which the export duty has now been based, shows that even current auction prices here are well above London quotations. This is one of the reasons which is affecting exports. Meanwhile, as current Calcutta auction prices remain, for certain kinds of tea, below production costs, investors feel shy to lend support to Tea shares even at the prevailing

low rates.

Despite the fall in raw jute and goods jute shares remain hesitant. But latest developments are not unencouraging. After prolonged steadiness, raw jute prices are falling. Also welcome is the recent set-back in jute goods. There are abundant indications that foreign buyers are unwilling to buy at prices ruling until recently. Jute shares are not likely to develop a firm trend before the IJMA decision on the question of the unsealing of looms is known. If the sealed looms are unsealed, the market will conclude that the export outlook for jute goods is not unpromising. In this event, jute shares may develop an upward trend.

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PST 151

Around Bombay Markets

Technical Correction At Long Last

Thursday, Morning

THE long overdue technical correction came at last and the overbought position of the stock market was lightened when bulls were compelled to liquidate their holdings. In the process, some of the bulls who were bent on manipulating the rates, despite heavy budla charges, did get their fingers burnt. Speculators cried a halt to their buying operations. The question is now being asked if share values bear any longer any plausible relation to yields; indeed the question has been bothering the investing public ever since the Chairman of the Indian Iron and Steel Co. Ltd. delivered his speech at the last annual general meeting. In fact, the subdued tone of his speech occasioned some bull unloading forthwith.

This was further accentuated by reports that the increase in retention prices of steel would fall far short of the market expectation which is around Rs 30 per ton. In the event, Indian Iron declined from Rs 44-5 at one time to Rs 40-12 on Friday last week and were further pushed down to Rs 40-1 on Tuesday this week. After this debacle in Indian Iron, prices of all pivotal issues came tumbling down. As though this were not enough, there were also reports that the Tata Steel Company would not be allowed to issue new shares at par. This also further accentuated the bearish trend.

In the face of the general slump in prices, Alcocks provided the one bright spot and recorded a substantial rise on reports that the Company had secured good contracts in Saurashtra and that the managing agency company was likely to change hands.

Textiles also Succumb

Although most of the scrips in the textile section forged ahead early in the week, they also succumbed to the general selling pressure and lost considerable ground towards the close. Bombay Dyeing, Century and Kohinoor, which enjoyed fairly good support at the opening of the week, receded subsequently on renewed selling pressure.

In the miscellaneous section, except for Alcocks, all the rest were more or less steady. Even Alcocks,

after touching a new high level of Rs 410 reacted to Rs 381-4 to recover at the close to Rs 407-8. Due mainly to tired long liquidation, Bombay Burma had a setback to a new low of Rs 43-12 while ACC and Scindia met with selling but closed better.

Cotton

What, no Export Quota?

Lack of confidence, especially at higher levels, characterised the pattern of trading in the cotton futures market. Often the bulls were in two minds about the strength of the market at a given time. This is understandable with so many uncertain factors at work. In the first place, operators have not yet got over the disappointment caused by the observation of the Union Minister for Commerce and Industry last week to the effect that there were no prospects of export quota for raw cotton. Secondly, the arrival of the new crop might well be a signal for the emergence of selling pressure. Bulls, of course, argue that as there

has been a deterioration in the quality of cotton owing to untimely rains, there was no need to be unduly anxious about selling pressure. On the contrary, the cotton to be tendered may not pass in survey either in February or in May and hence there will be scarcity of good quality crop which would only result in making the available cotton dearer and pushing up the prices in consequence. Caught between these two opposing views, the marginal operators were in a fix. In fact, the market swung one way or the other in accordance with the predominance of one view over the other.

Nevertheless, there was a distinct tendency to firm up at the close, thanks to renewed rumours that the export quota for cotton might after all be announced. Credence was given to these rumours as they were linked up with the visit to the city of the Commerce Secretary, Shri H V R Iyengar. Though no official confirmation came, the market was still inclined to be steady. It is held

MARKET LEADERS DURING THE WEEK

	Dec. 7, 1955	Week's Range		Nov. 30, 1955
Steel Shares :		High	Low	
Tata Ordinary	267-12	273- 4	263- 8	270-12
Indian Iron	40- 9½	42-13	40- 1	42-14
Textile Shares :				
Bombay Dyeing	608-12	624-6	600- 0	617- 8
Century	499- 0	501- 0	489- 8	495- 0
Kohinoor	358- 0	358- 8	354-12	356- 0
Simplex	206- 4	209- 0	203- 8	206- 0
Swadeshi	236- 0	239- 0	232- 8	235- 0
Miscellaneous Shares :				
Associated Cement	228-12	231- 8	227- 4	227- 4
Belapur	368- 0	373- 0	366- 8	372- 0
Burma Old	650- 0	663-12	643-12	658-12
National Rayon	242- 0	243-12	239- 4	241- 0
Premier Const.	187- 0	187- 4	184- 0	183- 8
Scindia	18- 9½	18-11½	17-14	18- 0½
Tata Chemical	18-13½	19- 0½	18- 5	18-14
New India	49- 8	49-12	48- 8	48- 8

OILS AND OILSEEDS

	Dec. 7, 1955	Week's Range		Nov. 30, 1955
Seeds :		High	Low	
Castor May 1955 (per candy)	107-10	109- 0	105- 4	107- 8
Groundnut Dec.-Jan. (per cwt)	23-12	24- 1	23-12	23-14
Linseed Feb.-Mar. "	25-14	26- 0	25- 8	25- 8
Kardi Ready "	14- 8	14-10	14- 6	14-10
Nigerseed Ready "	23-12	24- 0	23- 8	23- 8
Oils :				
Castor Oil Com. (per quarter)	11-14	12- 0	11-12	12- 6
Groundnut R.R. "	12-14	13- 1	12-12	12- 8
Linseed Oil "	16-10	16-10	16- 8	16- 4

THE ECONOMIC WEEKLY

in informed circles that the prospects of an export quota for 50,000 bales of 25/32" staple and one lakh bales of 3/4" staple cotton, in addition to some ad hoc quotas for export to the Iron Curtain countries, cannot be altogether ruled out. As the latter views gained strength towards the close of the week, speculators naturally became active and as a result, the midweek setback in prices was not only corrected but the market improved further. After opening at Rs. 689-8, the February contract crossed the Rs. 700-level on Monday (Rs. 704-8) and improved further on the following day to Rs. 708-0 to close firm at that level on the last day of the week. The May contract also fared equally well towards the end of the week, closing at Rs. 681.

Bullion

Influx of Kutch Silver

Although there was practically no change in the basic position of supply and demand, the bullion market experienced a sharp decline during the week under review. Some of the speculators who suffered heavy losses on the stock exchange were forced to part with their holdings in bullion. And this sudden

spate of liquidation somewhat unnerved the others. This apart, the influx of kutch silver as well as gold has been on a larger scale, and this also adversely affected the market sentiment. The setback, however, did not prevent shrewd operators from accumulating lines in view of the approach of the busy season when offtake is usually heavy. This, in turn, resulted in imparting some strength to the market towards the close of the week when arrivals of kutch silver were reported to have slackened a little.

Silver forward Maghshar opened the week at around Rs. 174-8 and after improving to Rs. 174-12 declined to Rs. 171-8, to finally close at Rs. 173-12.

Gold Forward moved between Rs. 95-4 and Rs. 92-8 and closed at Rs. 94-15-6.

Oils and Oilseeds

Madras Storm may Injure Crop

AS in cotton, in which damage to crop following untimely rains raised prices, the unexpected storms in the South during the past week have imparted some strength to the oilseeds market. As a result, despite

the efforts of speculative elements to keep the market down, the market has developed a distinctly firm trend. The supply position is tight as the crop this year has not been normal and arrivals also have been rather meagre. The unfavourable weather in Madras State during the past week, it is apprehended, will affect the crop and there is every indication to show that the present firm trend may be strengthened in the days to come. It is currently estimated that the groundnut crop this year would not exceed 20 lakh tons as against 24 lakh tons last year.

In the castor section also, there was a steady trend due to paucity of stocks and reported business in castor oil with overseas buyers. The U S A was believed to have bought during the week about 2000 f.p. castor oil from Brazil at around 12.80 cents per lb. while the Continent quoted higher at £112 per ton.

In the linseed section, the trend was weak in the early part of the week, due to lack of demand for Indian oil from overseas. U K and Continent were reported to have bought Canadian oil in bulk, while Argentina has also done some business in oil with the Continent.

Company Notes

Empire's Impressive Valuation

THIS is the second valuation of Empire after the Administrator took over. The Actuary's report, as expected, fully substantiates the claim that under the new management the company has maintained continued progress. For one thing the resulting profits have been large enough to enable the Actuary to recommend an increase in bonus to policy holders from Rs. 10 per thousand per annum on whole life policies in the previous valuation to Rs. 18 and from Rs. 10 to Rs. 15 per thousand per annum on endowment policies.

New Business

Of the three years covered, the last viz. 1954 was a difficult year of adjustments, when competitive reduction of rates of premium led to conversion of existing policies into paid-up ones and switch over to new policies at lower rates of premium. This and the unhappy events of 1951 explain why the total business valued consisting of 137,164 policies assuring, together with bonus ad-

ditions, equalled only Rs. 29.02 lakhs against 136,606 policies and Rs. 25, 60 lakhs as at the date of the previous valuation. Though the total sum assured has not improved much and average sum assured per policy is slightly lower, on all other counts the record is excellent, particularly when it is remembered that a very stringent basis has been taken for the valuation viz. 2-7/8 per cent rate of interest, which will compare very favourably with the basis of valuation adopted in the case of most other companies.

Expense Ratio

The management continues to exercise the same strict control over expenses, and during a period of rising expenses, both the overall expense ratio and the renewal expense ratio have been further brought down from an average of 31.4 per cent and 19.5 per cent for the last valuation period (1949-51) to 27.9 per cent and 19.3 per cent for the three years ending 1954.

Lower Mortality

The mortality experience has also shown a noticeable improvement, the percentage of actual to expected deaths, declining from 66.9 per cent for the quinquennium ending 1951, to an average of 47.6 per cent for the period 1952-54.

Interest

Empire's Life Fund as at 31st December, 1954 was Rs. 10.63 crores, (against Rs. 9.26 crores at the end of 1951) and the net yield on the company's funds at about 3.3 per cent is about the same as at the previous valuation.

The Actuary is gratified to note that he has been able to recommend a handsome bonus, despite the stringent basis of valuation. The result is due, he adds, "not only to the inherent strength of this very old company but also to the prudent management of it on the business and financial side by the Administrator".

CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Latest Week†	Rs Crores		
		A Week Ago	A Month Ago	A Year Ago
1. Note circulation	1335.72	1323.75	1317.54	1182.37
2. Rupee Coin	109.01	109.70	109.86	105.79
3. Deposits				
a) Central Government's	51.35	55.13	54.69	69.65
b) Banks'	62.37	63.90	59.05	76.29
c) Other Governments'	10.15	12.42	18.83	11.8
d) Others'	15.48	15.48	15.46	34.34
4. Foreign Securities	647.06	647.06	627.09	633.15
5. Balances held abroad	71.24	72.62	81.93	89.61
6. Rupee Securities	553.57	548.61	553.54	417.74
7. Investments	50.43	50.04	50.26	86.99
8. Loans and advances to Governments	2.00	1.89	1.04	0.80
Scheduled Banks				
1. Demand liabilities (net)	605.86	599.76	601.81	562.44
2. Time Liabilities	424.27	423.20	424.38	366.85
3. Cash on hand	35.27	37.52	36.97	32.42
4. Borrowings from Reserve Bank of which against Usance Bills	8.03	11.30	5.55	1.08
5. Advances and Bills discounted of which State Bank's	546.88	552.75	547.09	591.96
6. Investments of which State Bank's	394.76	393.46	392.34	349.79
Cheque Clearance	141.45	147.79	137.98	143.31

†For Reserve Bank and Cheque Clearance week ended 2-12-55. Scheduled Banks week ended 25-11-55

Bombay Money Rates	2-12-55	25-11-55	4-11-55	3-12-54
Inter-Bank Call Rate	2½	2½	2½	1½
3 months deposits	3	3	3	2½
6 months deposits	3	3	3	3½

Bombay Bullion	In Rupees and Annas			
	8-12-55	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	94-8	95-9	95-9	87-5
Forward	95-0	96-5	95-12	87-5
Silver (per 100 tolas)				
Spot	173-6	173-7	170-3	154-3
Forward	174-3	173-12	170-15	154-5

WORKING OF COTTON MILLS

State-wise—July, 1955

Number of Mills which during the month

State	Remained closed	Worked one shift	Worked two shifts	Worked three shifts	Total No. of Mills
Andhra	—	4	2	1	7
Bombay	9	9	70	92	180
Bihar	1	—	1	—	2
Madhya Pradesh	—	1	6	4	11
Madras	1	3	32	46	82
Orissa	—	1	—	1	2
Punjab	1	—	—	2	3
Uttar Pradesh	6	2	5	9	22
West Bengal	2	1	6	17	26
Hyderabad	1	—	1	4	6
Madhya Bharat	1	1	12	2	16
Mysore	—	—	6	3	9
PEPSU	—	—	—	1	1
Rajasthan	2	—	2	3	7
Saurashtra	—	1	8	—	9
Travancore-Cochin	—	—	2	8	10
Ajmer	—	—	4	—	4
Bhopal	—	—	—	1	1
Delhi	—	—	—	3	3
Kutch	—	1	—	—	1
Pondicherry	—	2	1	—	3
Total	24	26	158	197	405
Total (July 1954)	28	26	174	171	399

Employment in Cotton Mill Industry
State-wise—July 1955

State	Total on rolls	Average daily number of workers employed			Total
		1st Shift	Second Shift	Third Shift	
Andhra	2,878	1,722	567	301	2,590
Bombay	476,112	235,988	147,755	36,667	420,410
Bihar	765	430	264	—	694
Madhya Pradesh	39,855	18,068	10,980	1,979	31,027
Madras	111,523	50,983	33,097	10,494	94,574
Orissa	5,763	1,369	1,233	1,098	3,700
Punjab	4,569	1,334	977	957	3,268
Uttar Pradesh	59,819	18,243	10,452	3,868	32,563
West Bengal	40,821	20,717	11,957	5,671	38,345
Hyderabad	18,203	7,568	4,555	2,844	14,967
Madhya Bharat	46,391	21,354	15,181	2,236	38,771
Mysore	19,631	11,724	5,781	421	17,926
PEPSU	2,691	728	506	478	1,712
Rajasthan	7,335	3,550	2,245	697	6,492
Saurashtra	11,815	5,835	4,180	17	10,032
Travancore-Cochin	9,126	4,397	2,017	1,465	7,879
Ajmer	5,468	3,655	1,748	—	5,403
Bhopal	2,814	977	687	660	2,324
Delhi	19,712	6,113	4,568	6,269	16,950
Kutch	92	92	—	—	92
Pondicherry	7,884	2,434	1,202	24	3,660
TOTAL	893,267	417,281	259,952	76,146	753,379
Total July 1954	796,121	416,355	259,321	67,111	742,787

Source: Ministry of Commerce and Industry

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-Group	Week ending 12-11-55	Week Ago	Month Ago	Year Ago
I Food Articles:	327.6	330.6	319.4	336.8
Cereals	396	393	392	384
Pulses	324	322	393	270
Others	234	245	228	282
II Industrial Raw Materials:	414.4	419.6	407.5	449.4
Fibres	414	425	416	492
Oilseeds	402	400	383	398
Minerals	431	429	431	418
Others	452	452	421	429
III Semi-Manufactures:	337.4	335.2	330.0	349.1
Leather	379	358	335	370
Mineral Oils	202	202	202	221
Vegetable Oils	387	388	369	419
Cotton Yarn	409	408	408	455
Metals	277	276	276	240
Oilcakes	371	362	350	404
Others	330	330	330	306
IV Manufactures:	372.9	372.7	370.0	375.0
Textiles	405	404	400	416
Jute	418	416	391	447
Cotton	399	399	499	415
Rayon & Silk	479	479	379	415
Woollen	278	278	278	310
Metal Products	371	371	371	340
Others	285	285	285	285
V Miscellaneous:	541.3	546.8	559.0	610.2
All Commodities:	364.2	365.9	358.7	378.1

ALL-INDIA CROP ESTIMATES—1955-56

First Estimate

('000 acres)

	1955-6	1954-55 (Revised)	Change %
Rice	65,916	62,542	+ 5.4
Jowar	25,723	26,708	— 3.7
Ragi	4,993	5,049	— 1.0
Bajra	23,720	25,230	— 6.0
Maize	8,088	8,929	— 9.4

Second Estimate

	1955-6	1954-55	Change %
Sesamum	4,330	4,626	— 6.4
Groundnut	10,982	11,007	— 0.2

First estimates generally cover the period up to the middle of October, 1955 excepting in the case of rice. Second estimates cover the period upto the end of September, 1955.

ELECTRICITY GENERATION AND DISTRIBUTION

(Monthly Average or Calendar Month)

	Generation	Distribution (in million kwh)				Public works pumping	Total
		Domestic consumption	Commercial light and small power	Industrial power	Public lighting	Traction Irrigation & sewage	
1948-49	390.1	34.8	20.3	206.0	4.2	23.8	427.9
1952-53	525.1	51.5	29.2	275.6	6.0	27.7	464.4
1953-54	573.1	68.3	31.7	298.1	6.5	29.7	474.0
1954-55	646.6	62.6	28.9	344.6	7.5	31.7	517.4
1954 May	639.9	61.1	40.5	325.6	6.9	33.8	515.5
June	629.4	61.6	37.7	325.9	6.9	32.6	510.3
July	633.4	62.3	37.5	338.6	7.1	31.9	515.8
August	635.0	64.9	37.2	338.8	7.3	27.3	510.5
September	647.6	65.0	37.4	344.6	7.4	27.6	523.3
October	626.5	63.7	35.3	336.6	7.7	30.8	511.6
November	656.5	63.4	35.2	351.2	7.7	31.9	534.6
December	683.5	63.2	36.2	370.9	8.1	33.2	558.0
1955 January	668.5	62.1	36.3	362.5	8.0	32.1	545.2
February	628.7	60.8	35.1	346.7	7.5	29.4	521.8
March	698.7	63.3	38.7	375.5	7.9	35.2	568.3
April	691.1	62.6	43.6	368.9	7.6	32.0	563.9
May	706.5	64.2	39.7	377.2	7.8	34.1	569.4
June	716.2	67.8	38.5	379.7	7.6	33.2	576.1
July	724.8	67.6	38.3	390.2	7.8	34.2	583.3
August	708.9	69.5	39.6	380.4	8.3	34.2	574.4

Source: Ministry of Irrigation & Power

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Eight annas

Let's look at PROGRESS—Stanvac Quiz No 5



1 THE PLAN CALLED FOR **MORE VANASPATI**—A SOURCE OF IMPORTANT VEGETABLE OILS WE NEED IN OUR DAILY FOOD. IN 1954-55, THE MANUFACTURE OF VANASPATI WAS INCREASED TO:

A) 37,500 TONS
B) 364,017 TONS
C) 225,383 TONS



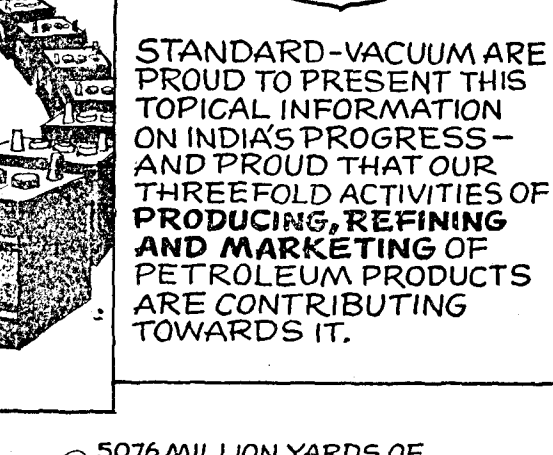
2 THE COTTON TEXTILE INDUSTRY HAS MADE REMARKABLE PROGRESS. IN 1954-55, IT FURTHER EXCEEDED THE PLAN'S TARGET FOR MILL-MADE CLOTH BY PRODUCING:

A) 1,359 MILLION YDS.
B) 5,076 MILLION YDS.
C) 679 MILLION YDS.



4 MINERAL PRODUCTION HAS INCREASED, TOO, RESULTING IN EVER LARGER EXPORTS. IN 1954-55, EXPORTS OF MANGANESE ORE TOTALLED:

A) 944,922 TONS
B) 311,307 TONS
C) 105,700 TONS



3 MORE AND MORE DRY BATTERIES ARE BEING MANUFACTURED IN INDIA; AND NOW AN EXPORT MARKET HAS BEEN ESTABLISHED. DURING 1954-55, THE NUMBER OF DRY BATTERIES MADE WAS:

A) 251,000,000
B) 148,400,000
C) 49,500,000



STANDARD-VACUUM ARE PROUD TO PRESENT THIS TOPICAL INFORMATION ON INDIA'S PROGRESS—AND PROUD THAT OUR THREEFOLD ACTIVITIES OF PRODUCING, REFINING AND MARKETING OF PETROLEUM PRODUCTS ARE CONTRIBUTING TOWARDS IT.

1 225,383 TONS OF VANASPATI—MAKING THIS VALUABLE FOOD AVAILABLE TO 3½ MILLION MORE PEOPLE THAN AT THE START OF THE PLAN!

3 148,400,000 DRY BATTERIES—11,900,000 MORE THAN IN 1950-51!

2 5076 MILLION YARDS OF INEXPENSIVE CLOTH FOR INDIA—MORE THAN THE TARGET FOR THE END OF THE PLAN BY 376 MILLION YARDS!

4 944,922 TONS OF MANGANESE ORE WERE EXPORTED, EARNING OVER Rs. 12.4 CRORES FOR INDIA.

ANSWERS

Visit. INDIAN INDUSTRIES FAIR, New Delhi—Until January 1

Economics of Co-existence

INFORMED opinion had never any cause for suspicion that India would forsake her independent foreign policy in return for offers of economic co-operation from Communist Russia. Those who had entertained such fears only disclosed their inadequate appreciation of India's foreign policy, and of her inherent democratic leaning. They will feel reassured by the joint statement issued by Pandit Nehru, M Bulganin and M Khrushchev, and signed by the Prime Ministers of India and Russia. No exception will, or can, be taken to the political aspects of the joint statement. But its economic implications do not yet seem to be widely appreciated.

Fantastic nonsense has been talked about the motives behind the Russian leaders' visit to India. It has been insinuated that Pandit Jawaharlal Nehru has been induced to adopt an open-door policy to Russia in return for a promise that Moscow will disown the Communist Party of India. Abolition of the Comintern, though not peaceful propaganda for the spread of the Communist ideology, is implicit in the acceptance of the principle of competitive co-existence. CPI may have been out-manoeuvred. But CPI's dilemma and predicament do not stem from the Russian leaders' visit to India, but from the joint enunciation of Pancha Shila by New Delhi and Peking, and its later endorsement by Moscow.

Informed opinion in the West is not unaware of the implications of Moscow's economic diplomacy. But the West, for reasons which are obvious, is perturbed over what it chooses to interpret as the problem of Communist economic penetration in Asia. There is consternation at what is described as the determined Communist trade offensive. Self-appointed well-wishers of the countries against which Russia's trade offensive is supposed to be directed are warning the peoples and countries concerned that Communist Russia's promise of economic help always lags behind performance. This is inevitable, it is argued, because Moscow has a habit of exaggerating Russia's economic strength. Professor Colin Clark may be goading some diplomats to such exercises in wish fulfilment. But many other competent experts in the West have repeatedly expressed concern over Russia's spectacular rate of economic growth. This is reflected in the hope, expressed implicitly or explicitly, that the Right-wing of the Republican Party in America will consider the implications of Russia's growing trade offensive before it can congratulate itself on balancing the U S budget.

Some of the arguments advanced against Russia's offers of economic co-operation reflect the consternation that these have created in the West. Insinuations have been made that Russia is not interested in offering aid, but only in bargaining economic advantages for her. From the joint communique on economic relations between India and Russia, it is clear that both countries are eager to expand mutual trade. Russia has extended credits, in the shape of deferred payments, to India in relation to the Bhilai steel plant. In the statement signed by the two Prime Ministers, the hope is expressed that, in view of the second Plan's emphasis on expansion of heavy industries, further similar opportunities for economic co-operation (presumably, on similar terms and conditions) will arise. Even so, it is clear that the joint communique on economic relations is

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concerned mainly with expansion of mutual trade between the two countries. India is in no position to reject offers of economic aid. But in asking for trade, and not aid, she is in the august company of all self-respecting nations, including Britain.

Some of the exuberant observations of M Khrushchev in his addresses before public meetings have been criticised both within and outside the country. But what he, as a member of the Presidium of the Supreme Soviet, or M Bulganin may have said in their public speeches, is not as significant as the policy statements on crucial occasions. For a proper appreciation of the real motive of their visit to India and of its probable outcome, it is necessary to read and digest the last few paragraphs of the joint statement signed by the two Prime Ministers, the whole of the joint communique on Indo-Soviet economic relations and, in particular, the farewell broadcast address of M Khrushchev, "To build up . . . industry, it is necessary to have your own native cadres, especially the cadres of technical personnel. Your cadres of technical personnel are growing". "But," M Khrushchev assured the people and the country in his farewell broadcast address, "to have more such people in your country, we are willing to share our knowledge and experience so that your country may rapidly cross the complicated and difficult way of creating her industry which was passed by our country."

India is a beneficiary of the Colombo Plan. She has received considerable economic aid and help from America. Bhakra Nangal, DVC and Sindri could not have been erected without American and Commonwealth aid. But it is doubtful whether Indian engineers have acquired the knowledge and experience to build a second DVC or a second Bhakra Nangal. Only twenty-four hours before M Khrushchev's farewell broadcast from New Delhi, Shri T T Krishnamachari had occasion to furnish a reason for scarcity of technicians in this country. In his address in Calcutta before the Associated Chamber, he deplored:

"If behind the foreign investor or would-be investor there is a feeling that by starting ventures in this country the market for home production will ultimately suffer or there is a hesitation to entrust the Indian concerns with the know-how for a period of years, I cannot help feeling that there is an atmosphere of suspicion. The atti-

tude of industry is directed by the atmosphere of suspicion and very often some of these negotiations with foreign capital break off and end in nothing."

TTK is one of the few Cabinet Ministers who is supposed to be a friend of Big Business. But his observations before the Associated Chamber in Calcutta reveal that he is prepared to toe the Marxist line in his interpretation of capitalist economics when the occasion demands it. Some of the intriguing questions and remarks of the Russian leaders during their visits to Bhakra Nangal, DVC and Chittaranjan become clear only when this aspect of economic relations between the industrialised West and the under-developed East is borne in mind. There is ample evidence that the Russian leaders and their technical experts have assured New Delhi and its technical advisers that Russia is prepared to offer not only plant and technical skill, but is willing to impart technical knowledge to Indian technicians and to help this country build machines to manufacture machines.

There is formidable evidence, no doubt, of Communist Russia's progress in technology. But if it has been TTK's experience that foreign capital from Western capitalist countries is reluctant to foster industrialization in India or that it is unwilling to impart technical knowledge and secrets to natives of the country, need one go to Marxist-Leninist economics to seek an explanation for it? The conditions under which capitalist enterprise—foreign or Indian—works in this country, the pattern of development that the Government has in mind, the regulations which TTK's Ministry has laid down for industry—do these not by themselves adequately explain why risk capital should be reluctant to flow to India, except to those soft spots where technological and other advantages give it a sheltered—call it monopolistic, if you like—position? Does TTK seriously maintain that the same obstacles are also encountered in getting assistance at inter-Governmental level or from international agencies?

It has been a pet theme of this paper which has often been aired in these columns that the kind of economy we are aiming at leaves little scope for the free flow of foreign private investments in the form of equity capital though all these years the Finance Minister has been obsessed with the one idea of making such capital flow in. That he has

not succeeded is pretty obvious, but that is not because of any lack of effort or persistence on his part.

No motives need be attributed but the fact is that we are aiming at a pattern of development which leaves only limited scope for the association of western capitalist enterprises with our development. The West has failed to develop, or we have failed to work out, a modus operandi through which adequate assistance can come forth and be effectively utilized. Russia has not to face those impediments which capitalists enterprise puts in the way of the western powers.

For the present, and for some decades to come, Russia can have no such negative attitude to under-developed countries. Industrialisation of these countries is not contrary to the ultimate interests of Communist Russia. Through offers of economic co-operation, Russia can hope to win friends among under-developed Asian and African countries. She has another over-riding consideration for adopting such an economic policy. Such a policy alone can lead to a gradual shrinkage in the markets for capitalist countries, a process which has been, and will remain, the prime motive behind Moscow's diplomacy.

Developing world events lend weight to the interpretation stressed here. Before this interpretation can be endorsed fully, two questions must be answered. Is it safe for India to pursue an open-door policy to Communist Russia, with all the implications of such a policy? India has received aid from both America and the Commonwealth without lining-up with the Western Powers. There is, therefore, no reason to assume that India will not succeed in securing economic co-operation from Communist Russia on the explicit understanding that such help is free from political or economic strings. There are, on the other hand, certain major considerations which Russia must bear in mind before she agrees to help India to create a native cadre of technicians and to build a machine tool industry. She must have a reasonable assurance that a future India, so economically strengthened with Russia's help, will not lineup against Communist Russia. In New Delhi's foreign policy, she now has this assurance. There are, however, certain circumstances which may upset the present calculations of both Communist Russia and non-Communist India.

Wool Gathering in Coal Fields

THE statement made by Shri T T Krishnamachari on coal is unexceptionable as a political statement. The railways and the three new steel plants in the public sector will be the biggest consumers of coal. Besides coal is definitely in the public sector in the Industrial Policy Statement of 1948; so the Minister for Commerce and Industry was not in a position to give any assurance that the industry would not be nationalized in the future. He himself, therefore, took a dim view of the future of private enterprise in this sector.

Now way back in 1948, when the Industrial Policy Statement was made, it was clearly laid down that in the case of coal, "the State will be exclusively responsible for the establishment of new undertakings, except where, in the national interest, the State itself finds it necessary to secure the co-operation of private enterprise subject to such control and regulation as the Central Government may prescribe." What has the Government of India done in all these years to discharge the responsibilities which it took upon itself in 1948? What are the new collieries that it has opened and what preparations has it made to increase the production of coal? The demand for coal has been steadily going up during these years and in the next five years, it is estimated, coal production has to be stepped up from an annual 37 million tons as at present to 60 million tons. How exactly is the Government going to set about its business and how could it have gone on all these years doing nothing about discharging the responsibilities which it had so solemnly taken upon itself?

Let us consider for a moment what it means to keep the sword of Democles hanging on the private sector so that colliery proprietors would be entirely justified in allowing their assets to run down and in not taking any more care than the minimum necessary to beat the law and turning their face resolutely against planning long term development. If the Estimates Committee are to be believed this is what has happened. The collieries, they say, have been wasting metallurgical coal which badly needs to be conserved. Their methods of production are uneconomic and result in higher costs; technically colliery operations leave much to be desired. Producers have not shown

any enthusiasm for adopting adequate safety measures nor are they likely to take initiative in introducing mechanisation or in improving their labour relations, both of which are essential for attaining the Plan target. The Committee come to the comforting conclusion that in the long run, nationalization is essential. But only in the long run, so the Ministry of Production may go to sleep again.

But that is neither here nor there. What about stepping up production to 60 million tons? There has been a lot of bargaining between the private and public sectors for their respective shares of the increase. Out of the total increase of 23 million tons, the private sector is expected to get 8 million tons while the public sector will produce the rest. To change the metaphor, what makes the public sector stick its neck out and go in for expansion, when the noose is dangling over its head? There are reasons for it, but all of them do not meet the eye. The Finance Minister has given an assurance that the private sector will be fully compensated for the fresh investment incurred for raising the additional 8 million tons, notwithstanding the amendment to the Constitution after which compensation ceased to be a justiciable issue. But what about maintaining present output which also will entail substantial investment by way of replacement, particularly if the maintenance is to be done properly, with due regard to economical operation and future development? The people who run the collieries are hard headed business men and it is to be presumed that either they have received the needed assurance on this point also, or they do not believe that the Government really means what it says or is capable of carrying out its professions.

The economy cannot be run without coal and the second Plan cannot be implemented without more coal. Whoever can deliver the goods, will have the last say in the matter; so colliery owners may have to keep on shouting but they need not worry, not seriously.

The Government scheme for raising 15 million tons in the public sector, it has been estimated, will involve a capital investment of Rs 75 crores and Rs 30 crores of working capital. The scheme for expansion, however, is thin and has not

yet been worked out in a manner that gives any reasonable assurance of its workability or about the final result. True, financial considerations may not be the determining factor where larger national interests are involved, but it is worth noting in passing that of the 11 Government-owned collieries, six have been running continuously at a loss, three were running at a loss in some years while only two were making any profits between 1951-52 to 1954-55. And what about costs? The New Sketch, the well known coal journal, hazards the estimate that in some of the Government collieries, the cost exceeds Rs 46 per ton against the selling price of about Rs. 15 per ton. This may be a guess but not far from the truth, judging from the general experience of public undertakings which may do better in the future, but the public sector has yet to win its spurs in the field of coal production.

Those who believe in a public sector and have taken the Avadi resolution seriously cannot feel happy about this state of affairs. Socialism is a serious business; it is not wool gathering. And no country can progress towards anything by following a dog in the manger policy. There is another aspect of the coal industry which will cause equal misgiving. It is that the Coal Commissioner has found and the Estimates Committee agree that regulations have completely failed and if collieries are to serve national interests, they have to be taken over. It is a pathetic admission of defeat indeed for the Coal Commissioner to say that regulations have failed when he is the person responsible for enforcing them! Whether it is conservation of metallurgical coal, or sandstowing, or even the adoption of safety measures, nothing can be done without nationalisation. If this is accepted, then the only alternative left is full fledged state capitalism. This is certainly not what Avadi had in mind.

Whether it is the final figure or not, a production target has been fixed for the private sector. But how is the increase going to be allocated among different coal fields and individual collieries? What is the breakdown of the total by grades? And what about coal prices and allocation? Nationalisation as an ultimate solution does not solve any of these issues.

Weekly Notes

British Experts on Soviet Steel

THE Soviet offer of a million tons of steel to India confirms the earlier reports about steel behind the iron curtain. Though Russia has never been a significant exporter of steel, after their return visit to the Russian steel industry, the team of steel experts from Western Europe were left in no doubt about its efficiency, superior technique and capacity to compete in this field. The British team's report has not been published but some of the individual members of the team have given out their reactions. The British visitors found that much of the Russian plant resembled the American in design. Technically, however, the industry has been standardised on "good western practice" rather than displaying outstandingly new developments. Output per head in the larger integrated plants, one of the British experts estimated, was broadly comparable to the "top end" of British plants.

The data on comparative costs supplied by the British experts are as follows: Iron ore is abundant and cheap. A lower grade (38 per cent iron) ore was available to the blast furnace operator at a little more than one third the price of (imported) ore in Britain. Coking coal was slightly dearer, but other coal cheaper, particularly in relation to oil, which may explain the shift they noted from oil firing to producer gas. The low real wages of the Soviet worker, according to the British team, is the measure of comparative advantage which the Soviet Union has got. The upshot of it all is summed up by one of them thus:

"So long as the Russian worker accepts half the real standard of living of the British worker and achieves a somewhat comparable level of productivity, Russian industrial products can well be sold cheaply on world markets".

Which means that for Britain, there is "every reason for a very real concern over the competitive power of Russia."

Clearing the Peronist Mess

IT is not often that professional economists are in the limelight, even though the present generation has produced economic statesmen of the highest calibre. The appointment of Dr Raul Prebisch, the Executive

Director of the Economic Commission for Latin America, as Economic Adviser to the new regime in Argentina is a richly-deserved recognition of a perspicacious economist, who has left his impress on the working of the Commission in the form of exceedingly competent Economic Surveys of Latin America. The very first of these Surveys made a penetrating analysis of the problems of growth, including the terms of trade and the diffusion of technical progress. In fact these Latin American studies have as unmistakably the Prebisch touch as their European counterparts have the Myrdal touch, and they are certainly far above the ordinary run of the economic publications of the United Nations and its affiliated bodies.

Dr Prebisch's new assignment consists partly of unscrambling the Peronist scrambled egg. His report on the economic consequences of Peron forms the starting point of the economic policy of the new regime. He is reported to have advocated a liberalisation of the economic apparatus of the former regime with its paraphernalia of a syndicalist society. The abolition of multiple exchange rates was among the first fruits of Dr Prebisch's recommendations. Foreign capital and enterprise may also be called upon to play an important role in course of time, if his other recommendations are carried out.

An Argentinian national and a product of the University of Buenos Aires, Dr Prebisch was the General Manager of the Central Bank of Argentina from 1933 to 1944, when he initiated the experiment of the bank issuing its own securities for the purpose of reducing the liquidity of the banking system. He went into voluntary exile on the advent of Peron. In the present state of fluidity of Argentine politics it is difficult to say how stable the new regime will be, but there is no doubt that it has chosen the proper economic mentor.

Great Eastern Wins Its Case

THE Great Eastern has won its point. There is no doubt about it, though the company had to go to the extent of submitting its resignation from the membership of the Indian Coastal Conference and the Indian National Steamship Owners' Association to convince the others

of the error of their ways. This was, however, only a gesture, an essay in the gentle art of persuasion. For, Shri A H Bhiwandiwalla, the Chairman of the Company, told the shareholders at the annual meeting that the Great Eastern "fully appreciates the importance of wholehearted collaboration among the shipowners in order to build up a vigorous shipping industry for India. It is, therefore, a matter of great relief as well as of gratification to me that the other members of the Coastal Conference have unanimously evolved a formula which, subject to certain agreed safeguards, will allow charters on the coast to supplement owned vessels and also to replace them in case they are transferred overseas. As soon as this understanding was reached, the notices of resignation were withdrawn".

The controversy appears to be entirely pointless. Why use a race horse to draw a hackney carriage? There seems as little sense in confining ships that can do a much better job overseas to coastal waters, particularly to force a 10,000 tonner into it, when the draught on the Hoogly makes it physically impossible to operate economically a vessel larger than 8,000 tons on the Coast?

Shri Bhiwandiwalla has taken the opportunity to put in a word for freedom of a charter both ways, for Indian companies to charter foreign vessels and use them on the coastal run as well as to charter out their own vessels to non-Indian concerns, this being the secret of successful chartering all over the world. Then there is also the general question of tramp shipping which carries 40 per cent of our overseas trade but not even one per cent of the tramp ships that enter our ports carry the Indian Flag! The second shipping corporation, which has so long been in coming, should be definitely for tramp shipping, he said.

Ships are getting increasingly difficult to acquire. Shipyards the world over are booked ahead for the next two to three years, and costs are the highest ever. How can tonnage be expanded quickly enough, even if the Government followed a stable and dynamic policy? The need for a second ship-yard is obvious and the demand for it would be widely endorsed; and so will be the demand for tankers under Indian Flag.

Pattern of Employment

IT will not be news that the total volume of employment in the organised private sector of the city of Calcutta declined by 3.7 per cent in the first three and a half years of the first Five Year Plan. But some of the findings of an enquiry, undertaken jointly by the departments of economics and of statistics of the Calcutta University at the instance of the Planning Commission, may serve to remove some of the popular misconceptions about the course of employment since the beginning of the first Plan.

Unemployment has been growing since 1951; 1953 was the worst year. There was some improvement in the employment situation in 1954. These broad findings are not contrary to popular impressions. But the major findings of the survey would seem to contradict some of the prima facie assumptions of economic development between 1951 and 1954. Informed opinion had been aware of the growing unemployment in the last few years. But the steady growth of industrial output and the comparative lack of mechanisation had fostered the impression that rising unemployment was due to fluctuations in employment in the tertiary sector. So far as employment in Calcutta is concerned, this impression is not confirmed by statistics.

Between 1951 and 1954, the volume of employment in the various office establishments in Calcutta rose by 2.2 per cent. It has been rising steadily every year with the exception of 1953. But employment in the works, factories, etc., has declined consistently by 6.4 per cent over these years. Though the rate of decline slowed down, employment in these works did not, unlike that in office establishments, revive in 1954. Factories and office establishments in Calcutta are not unrepresentative of the all-India make-up. Also, the sample on which this survey is made seems to be fairly adequate. It may not, therefore, be unreasonable to assume that the behaviour of employment in Calcutta faithfully reflects the pattern for the country as a whole.

Equally interesting are the survey's findings on the trend of employment among different groups of employees. In office establishments, the strength of the subordinate staff remained almost the same. In works and factories, employment among unskilled, semi-skilled and skilled workers declined. But in both office establishments and in factories,

the number of assistants, officers and managerial staff increased. In office establishments, the number of officers increased by 9.2 per cent. Those who are never tired of deploring the deteriorating economic status of the educated middle class may find some solace in the survey's finding that the volume of employment available for the educated middle class has increased in the organised private sector. In the public sector also, the subordinate staff seems to have more than maintained its position.

Growing unemployment among the educated middle class is the major economic menace to Bengal and Bengal. It should, therefore, be welcome information that in both offices and factories, the number of officers and managers has increased, despite the overall decrease in employment. There is, however, the other side of the medal. Can it be that this trend in employment is an indirect consequence of high taxation? To the extent that this employment trend is a reflection of unduly high establishment charges, the consumer, the investor and perhaps, the Treasury may have a legitimate grievance.

Railways' Operational Efficiency

IT must have cost the Railway Board a terrific mental effort to

overcome its resistance to a probe into the operational efficiency of Indian Railways. This it has woefully neglected and has not encouraged others to look into. As a part of the Indo-US technical assistance programme, we may be soon having a team of American experts for recommending steps that could be immediately taken to reduce the increasing pressure on the rail transport system.

Apart from short term measures which can be implemented quickly, the team will also carry out a thorough survey, as a result of which we may expect a long term programme to be implemented by stages. It is to be hoped that the programme will not be heavily capital intensive, and that it will enable the Indian Railways in the next few years to attain optimal utilization of the existing capacity without much additional capital investment. The team will also examine problems of rail-sea co-ordination at expert level, primarily for the shipment of preliminary bulk cargoes to lighten the present load on railways of heavy coal traffic. In view of its rich and wide experience in this particular field, USA is obviously the country to look to for the right type of technical assistance.

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Letter to the Editor

Economics for Economists' Sake?

WHO wrote that review of Lewis in your issue of the 3rd? With due humility, I shall say that my reactions were similar. I also felt that the idea of export trade for stimulating the growth of under-developed economy was suggestive; but export what? I could not follow Lewis in his forays into International Trade. Only one objection I have to the review, in fact, to one word—'qua economist' or economics. This 'qua' business won't do in discussing any plan for under-developed economies. First: planning posits a theory of State—therefore, it is political economy and economic juristics. Secondly, under-developed economy has, by definition, a highly sophisticated but irrational social structure which restricts the transition to rational economy. India has had no economy in this sense of rationality.

She has only had Society and some history, that is, traditions. All that is going, no doubt. But what is going must enter into the analysis of going, that is, a going concern?

So 'qua' is symptomatic of a fashion merely, a fashion that is more indicative of vested interests, intellectual exclusiveness and snobishness than of the needs of a discipline. Art for Art's sake (Wilde, Pater, Goncourt were snobs); economics for economists' sake? If not, for whose sake? It seems that such pure creatures are not interested in India. They are pre-occupied with their discipline solely, and wholly. I am also for discipline but not at the cost of reality, of an insight into it. But all young men are economists whereas I am a 'sociologist', that is to say, a realist.

That's my objection to the word 'qua' and also to one remark by Aye-a-Sigh in his article "Economists Panel—the Pity of it, Iago", in your Draft Plan-frame Number of June 18. Such words are vain because they remind me of the vanity of one discipline to hold the key to the Universe. "Vanitas Vanitatum". Still the review was very good, indeed. My congratulations to the author, whoever he is.

D P Mukerji

Aligarh University,
December 10, 1955.

["The trouble with fiction", says one of the characters in Aldous Huxley's 'Genius and the Goddess', "is that it makes too much sense. Fiction has unity, fiction has style. Reality has neither".—Ed.]

Calcutta Insurance's Excellent Valuation

STEADY increase in new business, leaving out the abnormal jump in the boom years of 1948-51, a striking improvement in mortality experience and handsome yield on the investments of the Life Fund are the highlights of the seventh Valuation Report of Calcutta Insurance Ltd., for the triennium ending December 31, 1954. The valuation has disclosed a surplus of Rs. 9.01 lakhs and the Actuary has recommended the declaration of a reversionary bonus at Rs. 17 per thousand per annum on whole life assurances and Rs. 15 per thousand per annum under other classes of assurance.

There has been an appreciable expansion in the value of new business written by the company, and although the business procured during the triennium 1952-54, at Rs. 2.81 crores, is much lower than the record figure of Rs. 5.23 crore at the previous valuation for the four-year period ending December 31, 1951, business written in each year of the valuation period is satisfactory both from the standpoint of the lives assured and the sums assured.

Year	No of policies	Sum assured (Rs. crores)
1952	3,115	0.80
1953	3,296	0.84
1954	4,120	1.17
As at the end of the valuation period		

1952-54, total net business in force amounted to Rs. 5.17 crores against Rs. 4.73 crores at the end of the previous valuation period, 1948-51.

The Company's Life Fund stood at Rs. 1.40 crores at the end of the latest valuation, as against Rs. 0.99 crore at the end of the previous valuation and the net yield on the Life Fund during the triennium averaged 4.14 per cent. Since the valuation has been made on the basis of a 3 per cent rate of interest, the actual rate earned leaves a comfortable margin, which contributes to the surplus substantially.

On the basis of Oriental's 1925-35 Ultimate Table, the ratio of actual to expected deaths has shown a striking improvement, dropping steadily from 80 per cent at the 1943-47 valuation to 64.3 per cent at the valuation for 1948-51 and to an average of 45.1 per cent at the end of the triennium under review.

The average renewal expense ratio during the triennium declined to 17.5 per cent from an average of 18.5 per cent at the last valuation. The Company expects to be able to bring down the expense ratio further, as it has now crossed the Rs. 5 crore mark in respect of business in force, and has entered the next large-sized group of insurers, who are allowed a lower expense ratio under the Insurance Act.

On the basis of the results of the valuation and the Company's experience respecting mortality, the Actuary forecasts equally good results for the next valuation also.

Turner Morrison

THOUGH interested buying of shares is no longer an active influence on the Calcutta Stock Exchange, rumours have been current for some months past that some companies whose shares are not listed on the Calcutta Stock Exchange are either on sale or are likely to change hands. Such rumours have been current in relation to Turner Morrison and Co. Ltd. According to rumours circulating in the market, a minority shareholding of Turner Morrison has been purchased by British Indian Corporation. Shri Haridas Mundhra, who recently acquired controlling interests in Jessop, Richardson and Cruddas and B.I.C., is reported to have stated that he is purchasing a shareholding in Turner Morrison on behalf of one of the units of his group of companies.

Turner Morrison have interests in shipping, trade, and industry. They are managing agents of the Lodna Coal Company, Angelo Brothers and Alcock Ashdown, the well-known Bombay engineering firm.

Off the Record

Thinner Top-dressing for the Second Plan

THE fact that this year's annual general meeting of the Associated Chamber of Commerce was addressed by the Minister for Commerce and Industry, instead of the Minister for Finance as in the previous years, probably means something in itself. The occasion is usually reserved for a major announcement of policy, particularly policy vis a vis private investment and enterprise. In the past, as in this year, it has been the practice of the president of the session to comment on the handicaps to private initiative, affirm the eagerness of entrepreneurs, especially foreign, to contribute their utmost to the planned development of the country and exhort the Government to make it possible for them to do so by suitable adjustments in fiscal, foreign exchange and labour policies.

It is probable that in the past, the Finance Minister took on the task of replying to this because of the great stress laid on financial matters by the presidents of the Chamber's meetings. Subsequent to the last meeting, the Avadi session of the Congress, the publication of the Taxation Enquiry Commission's report, the preliminary work on the Second Plan etc. have perhaps given the business men an idea of the inevitable shape of things to come. Government initiative in regard to expansion of steel production, coal-mining and power generation have probably turned the thoughts of private business to the future role of Government as a competing producer. Maybe this explains, in some measure, the appearance of Shri T T Krishnamachari at Calcutta instead of Shri Chintaman Deshmukh. Or it could just be an evidence of increasing agreement in the Cabinet on matters of policy regarding large-scale private industry and trade. Or it might merely be that Shri Deshmukh was busy otherwise.

Whatever the reason, it is a good thing that Shri Krishnamachari, who for one reason or another has been considered more sympathetic to organised private industry than many other members of the Cabinet, has been the mouthpiece of Government on this occasion. He has been very lucid and very forthright in explaining policy in regard to private investment, foreign capital and labour.

There is no question now but that Government's adherence to the policy of building up a socialistic pattern of society is wholehearted and real. And there can equally be no question about the determination of the Government not to bargain the country's independence, political and economic, for a mess of foreign aid.

Some of Shri Krishnamachari's statements deserve to be remembered not only by Clive Street but by many others. He drew attention to the fact that no Government worth its name could frame its domestic policy always with an eye on its effects on foreign capital. It is, of course, true that inflow of foreign capital would be of assistance in furthering the objectives of the Second Plan. But such an inflow could only provide, to use the Commerce and Industry Minister's felicitous phrase, "top-dressing". One cannot over-

emphasize the relevance of this point. The elementary fact that in order to put to use such foreign resources as become available, we shall have to utilize complementary domestic resources in a considerable measure is apt to be forgotten even by those who ought to know better. It is even less appreciated that unless foreign assistance is used in such a way that, by association, the quality and quantity of domestic productive resources improves no lasting upward trend in development will be established. It follows from these that the vital role of foreign assistance will have to be that of making domestic resources more effective rather than of supplanting them. Like independence, economic development can never be a gift from one country to another. Each country has to sweat for it, or go without.

That India has rich fields to offer to private enterprise to develop is not disputed. But the richness of these fields cannot be measured in terms of immediate pecuniary gains alone. This is an inevitable corollary to the need for sweating; the easiest avenues for quick profit, such as consumer goods industries, have to have a relatively low weight in the apportionment of investible resources. And genuine enterprise has necessarily to take a long view of things, and has to count among the returns on its investment the excitement of pioneering new industries and creating for themselves as well as for others new opportunities for the exercise of their talents. This applies to foreign enterprise no less than to domestic enterprise.

Shri Krishnamachari's plain speaking comes at a time when the whole question of the place of foreign assistance, private or otherwise, in the Second Five Year Plan is in a somewhat unsettled state. This is not just because N Khrushchev has irritated and upset Mr Dulles and Sir Anthony Eden and complicated the aid business. Basically, there is as yet no concretisation of the plans for spending or for raising the resources necessary for the public sector. The size of the public sector's plan is poised precariously at Rs. 4800 crores, nearly half of which is more than what is reasonably expected to be covered by existing taxation and enhanced borrowing.



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Additional taxation, foreign assistance, deficit financing—which, between them, have to fill the gap—are all indeterminate. Apart from the Draft Plan estimate for deficit financing of Rs 1000—1200 crores, not much progress has been made in deciding whether this is feasible, adequate or inadequate. And this cannot be settled unless opinion crystallises on how much we can get from additional taxation, how much from abroad, and to what extent the public sector's expenditure could be tailored to suit these.

This is rather a pity. For extreme pre-occupation with the arithmetic of financial resources can play tricks with the planners' thinking. Way back in April, the Panel of Economists suggested in their Memorandum that instead of worrying too much about the five-year total of deficit-financing, we might go ahead with whatever priority projects we want to implement in the first two years of the Plan, see how much deficit-financing occurs and take a second look at the prospects for the remainder. This was advocated, it would seem, on grounds of caution. But it could well be argued that such

a procedure would have both a psychological and practical significance. The psychological gain is the one emanating from flexibility. And the practical gain is that the effects of deficit-financing in the first two years or so could be closely watched with a view to discovering whether and to what extent it adds to the incomes of those individuals or institutions who can be 'tapped' through additional taxes or loans. This is vital because this determines, along with the general increase in national income, the extent and directions in which further tax measures become possible—and, by implication, the future course of deficit-financing.

But the ineluctable fact is that the Governments, Central and State, cannot soft-pedal in the matter of taxation and borrowing. This has to be recognized, and whatever may be the amount of foreign assistance flowing in, it cannot obviate this trend towards higher taxation. And private enterprise has to take this into account in assessing possible returns on its investment. It is noteworthy that just when Shri Krishnamachari was telling the Associated Chamber of Commerce that he can-

not hold out any hope of lowering taxation, as a means of offering incentives, Shri Deshmukh was explaining to the Finance Sub-committee of the Congress Parliamentary Party the need for greater effort in the direction, amongst other things, of taxation. Shri Deshmukh is further understood to have observed that even the Draft Plan estimate of Rs 400 crores of foreign assistance seems now to be on the high side. Which, in other words, means that the top-dressing for the Second Plan may be very thin indeed.

That, probably, is a little unfortunate in the short-run, but by no means a tragedy. Indeed, it might help us realise more clearly the sacrifice and sustained effort necessary for implementing the Plan. What Shri Krishnamachari has done is to point out to the entrepreneurs also that some adjustment in their attitudes is required. Given that adjustment, the disincentives to business enterprise and inflow of private foreign capital may turn out to be less real; but to refuse to make this adjustment will be to shun reality altogether.

Attlee: Man of Moderation

THE departure of Mr Attlee from the British political scene is certainly an event of considerable moment. His resignation now paves the way for a struggle for leadership which might well give cohesion and unity to the many factions which make up the Parliamentary Labour Party. The principal contestants for the enviable post of "H M Leader to the Opposition" and thus the alternative Prime Minister have already started lobbying in an effort to win over without regard to the consequences which such a struggle necessarily involves for the prestige of the Party. And in a significant way, the contestants each represent viewpoints and factions which in the past have been reconciled and where not, kept at bay, by the experienced hand and skilful disinterest of Mr Attlee. Mr Morrison has found the question of his intentions, if not elected, to be "cruel and terrible". As for Mr Bevan, his (political) hatred for Mr Gaitskell has at the time of his resignation led him into an adroit withdrawal from the struggle in support of the veteran Mr Morrison.

Mr Attlee, who rose from a small-time social worker in the slums of Whitechapel to be the first Socialist Prime Minister with something like a workable majority, was, and remains, essentially conservative in outlook and demeanour. The Times has called him "a great Englishman"—a characterisation pregnant with meaning. Patriotism for the English is a value almost wholly assessed in terms of adulation for existing institutions, and in particular, for institutions like the British Empire. And the Englishman in Mr Attlee did certainly contribute greatly to the continuance of these institutions or to what the Times now otively calls "English-speaking democracy". In less thinking, but more popular circles, the "Social Revolution" or the inauguration of the Welfare State in the first five years of the post-war period in Britain was supposed to have been presided over by Mr Attlee. Equally Mr Attlee's reputation stems from the independence which he is supposed to have brought to India, Pakistan and Ceylon. That either of these developments could justifiably be considered in terms of more fundamental forces is often forgotten. What is more remarkable is that his con-

tribution to these developments is based on the remarkable grounds of his "considerable patriotism" and "political courage".

It is certain that historians will come to recognise Mr Attlee as one of the more skilful preservers of "British" institutions. In this, he equals the most English of British political statesmen and leaders. Like his more robust contemporary, Sir Winston Churchill, Mr Attlee was of essentially Victorian origin and his instinct was, therefore, guided by the materialism of the middle class or bourgeoisie from which he came. A Tory in his youth, he was moved by the poverty around him to join the Labour Party. In the general confusion and disillusionment surrounding the "sell-out" of Mr Ramsay MacDonald, this "unknown" man was placed at the helm of an essentially ideological movement, and ever since, it has been the fortune or misfortune of the British Labour movement that Mr Attlee was able to exercise moderation and caution, whenever basic questions relating to the social, economic, and political environment came to exercise the minds of the labouring classes. The Times has described this most elegantly:

"Here is an honest man who leading an ideological party in an ideological age has held simply to his principles of common right conduct".

He was able, when called upon to be Prime Minister in 1945, to state without hesitation that all those great resolutions of the Labour Party Conferences "have become obsolete" and, therefore, been "tacitly dropped". He injected what many of his apologists term "the realities of political power" into the Parliamentary Labour Party when the Labour landslide shook the country in 1945.

On imperial questions and on foreign affairs, the direction which he gave Ernest Bevin or to the Colonial Office often put these aspects of Government outside the field of party politics—bipartisanship has been the hallmark of British party opinion on almost all external affairs. In one important way, however, Mr Attlee became so overwhelmed by the pressures of the Cold War that he allowed develop-

ments to occur which at times caused surprise and diffidence to his chief opponent, the then Mr Churchill. It will be remembered that when in 1951 the Conservatives regained power, Sir Winston made it his duty, as one of the first acts of his office, to obtain an undertaking from the Americans that they would not use their air bases in Britain without the consent and sanction of the British Government. It was this agreement which for once secured the otherwise waning status of Britain in the Anglo-American alliance.

By the time this despatch appears in print, the new leader of the Labour Party will have been elected. There can, however, be no doubt that whoever occupies the leadership, the election will have been conducted with recriminations and intrigue, and that these will all have a permanent effect on the structure and the homogeneity of the party. At the time of writing, the trend of Labour opinion appears to place the chances of Mr Gaitskell fairly high relatively to those of Mr Morrison. Mr Gaitskell's attributes arise largely from the fact that he is possibly the clearest thinker in the Labour opposition today. That he belongs to the right wing and that he comes from the University rather than from the work bench is, of course, likely to make him less of a popular figure in the Labour movement. Those who scheme and intrigue for the sake of the party are now aiming to find a place for Mr Bevan in the leadership in such order as to give the new leadership a sufficiently working class colour and thus remove the donnish and "superior" bearing with which Mr Gaitskell approaches political problems. It is a fact that the Trade Union wing of the party is powerfully in favour of Mr Gaitskell. On the other hand the constituency parties treat him with an odium no less serious than that with which Mr. Bevan treats him. It is most difficult to see how a leadership can in the present circumstances be chosen which will be able to find support and, more important, give confidence to all the sections that make up the Labour Party.

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From the Chair

The Great Eastern Shipping Company Limited

Speech of the Chairman Mr A H Bhiwandiwalla

THE following is an abridged version of the Speech of the Chairman, Mr A H Bhiwandiwalla, at the Seventh Annual General Meeting of the Company held on December 16, 1955:—

Gentlemen,

It gives me great pleasure to welcome you all at this Seventh Annual General Meeting of your Company.

Before proceeding further I must refer to the misfortune that has befallen us this year in the sudden death of my old friend and colleague, Shri Navinchandra Mafatlal, which has filled me with great sorrow and a keen sense of personal loss. The tragedy is heightened by the fact that such a valuable life filled with so much enterprise should have been prematurely cut short in the midst of its manifold activities. A business man and industrialist of outstanding calibre, Shri Navinchandra had been a pillar of support to your Company from its early days. His untimely death has not only left us poorer, but has deprived the Indian business community of one of its ablest leaders.

Review of Progress

As you will notice from the Report and Accounts which have already been circulated to you, the working of your Company during the year ended June 30, 1955 has, on the whole, yielded satisfactory results. The cargo lifted amounted to 5.54 lakh tons as against 5.16 lakh tons in the previous year, although the larger ships were employed in the overseas tramp trade to a much larger extent than ever before. The gross freight earnings, inclusive of charter hire receipts, increased by Rs. 38 lakhs, from Rs 171 to Rs 209 lakhs. This improvement was due to a favourable freight market and the addition of two ships to your fleet. The gross profit for the year, however, amounted to Rs 30.34 lakhs as against Rs 440.30 lakhs in the previous year.

The present market value of the fleet well exceeds its original cost of acquisition; a sum of Rs 82 lakhs has been accumulated in the fleet depreciation reserve; liquid cash amounting to Rs 50 lakhs is available for future expansion. These

facts testify to the financial soundness of your Company.

One unit of the fleet was sold during the year, but orders have just been placed in Japan for a motor vessel of 12,080 deadweight tons as closed shelter decker, costing around Rs 120 lakhs. With the addition of the new Japanese-built ship, the fleet will consist of 8 vessels with a total of 61,371 deadweight tons.

Hurdles Ahead

We are fully conscious of the keen desire of the Government as well as of the public that the Indian-owned tonnage should grow at a much faster rate. Nor need I assure that your seven-year-old Company, which has hitherto done its best in building up its own fleet, is only too eager to play its appropriate role in fulfilling this national aspiration. But the problem is far from easy. First of all, there are unusual difficulties at present in acquiring fresh tonnage. Practically all the world over, shipyards are fully booked with orders for the next two or three years, deliveries are unusually long, and prices have soared to record levels. Second-hand tonnage, too, is extremely scarce, with prices ruling abnormally high. Our own shipyard at Vizag has only a limited capacity to build and deliver ships; and even that capacity has been very seriously affected by long delays in construction.

On top of this, the problem of tonnage expansion encounters another stubborn difficulty, though of a different nature, namely, the lack of a stable, clear-sighted, dynamic shipping policy. Shipping is a highly capital-intensive industry—a 10,000 d.w.t. modern cargo vessel costs well over a crore of rupees, or as much as the entire capital of a fair-sized shore industry. Shipowners, as businessmen, can embark upon such large-scale capital outlay only when they are reasonably assured of the prospects of economically working these floating factories. Until this condition is satisfied, the expansion of our shipping is bound to remain slow, as it has hitherto been the case.

Coastal Charters

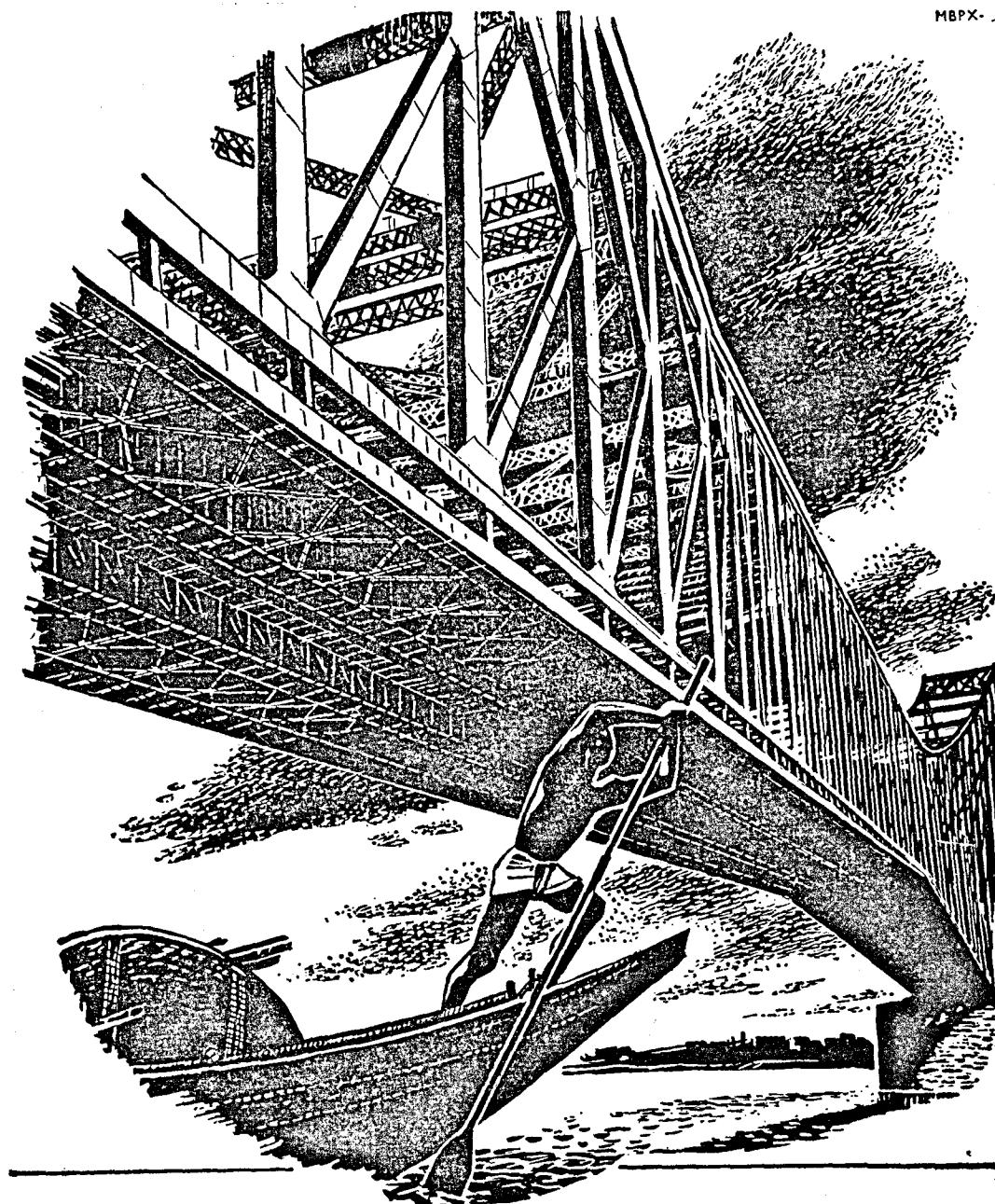
The instability of official policy is illustrated by the decisions that were

taken from time to time about the employment of coastal charters. In November 1954 a decision was taken to eliminate chartered tonnage from the coast, which became effective from the 1st of April. As the tonnage position on the coast progressively deteriorated, it was soon found that Indian-owned vessels were no longer adequate to cater to the traffic. Accordingly, time-charters were again allowed, though at first in a piecemeal fashion. In October last the shipowners reached a unanimous decision that the ban on charters should be lifted for a period of two years subject to certain agreed safeguards. The Consultative Committee, at its last meeting held in Bombay on November 28, arrived at decisions, the net effect of which is to allow a substantial relaxation of the ban on charters. We are now painfully retracing the step that was hastily taken a year ago.

Resignation from Conference and INSOA, and Its Withdrawal

You are no doubt aware that your Company, while building up its fleet, took a long view and acquired, whenever possible, large oil-burning units that could be economically employed in the overseas trade. In doing so, your Company had always taken it for granted that such units would be allowed freely to go overseas whenever opportunities occurred, although initially they could be licensed only for coastal trading. It was unthinkable that the Government could be averse to such a policy when it was so obviously conducive to the development of our shipping. Yet the ban on charters introduced last year was followed by a de facto ban on the overseas employment of our larger vessels so that these vessels, for all practical purposes, suddenly came to be treated as coasters, and nothing else.

You can well imagine the intolerable situation this unexpected development created for your Company. There was the immediate problem of meeting firm commitments for lifting sugar from the UK to India. What upset your Company most is the fact that, owing to the draft restrictions on the Hooghly, it is not possible to operate economically a vessel larger than 8,000 d.w.t. on



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the coast. Your Company has been fully alive to its coastal obligations as entailed by coastal reservation; and it has been ever ready to meet them to the fullest extent. But the obligation is to maintain adequate tonnage on the coast so as to carry a given quantum of cargo. Surely, it would be an unwarranted extension of the obligation to insist that all the cargo must be carried exclusively in owned vessels. It would be logical to insist that no tonnage should be withdrawn from the coast unless, more or less simultaneously, equivalent tonnage, whether owned or chartered, were substituted. But what logic could there be in insisting that there must be no charters, and that no vessel must therefore be withdrawn from the coast, even when, for some vessels, this involved a 25 to 30 per cent waste of their carrying capacity?

For a time the prospects of your Company looked bleak, though for no fault of its own. In such a quandary your Company saw no other alternative than to submit, as a mark of protest against an unrealistic policy, notices of resignations from the membership of the Indian Coastal Conference and the Indian National Steamship Owners' Association. This step, let me assure you, was only a measure of our desperation; it was taken only as a last resort, and with the greatest amount of reluctance. For, your Company fully appreciates the importance of wholehearted collaboration among the shipowners in order to build up a vigorous shipping industry for India. It is, therefore, a matter of great relief as well as of gratification to me that the other members of the Coastal Conference have now shown full appreciation of our point of view and have unanimously evolved a formula which, subject to certain agreed safeguards, will allow charters on the coast to supplement owned vessels and also to replace them in case they are transferred overseas. As soon as this understanding was reached, the notices of resignation were withdrawn.

Larger Issues

The question of coastal charters is directly linked with larger policy issues which I would like to touch upon, even if briefly. There can be no question about the objective that one hundred per cent of our coastal trade should be carried in owned vessels. It has our wholehearted support. But the moot point is how soon we can do so. Coastal self-

sufficiency obviously depends on the rate of tonnage expansion. In dealing with this issue, we should remember several important considerations:—

First, the Shipping Policy Sub-Committee in its Report of January 1947, had assessed the coastal trade at 24 lakh tons per year, for which, under the conditions then prevailing at our ports, we would have needed at best 150,000 gross tons or, say, 7 to 8 per cent of the 2-million gross ton target recommended by it. Today our fleet, coastal and overseas combined, consists of only 480,000 gross tons; the traffic has already gone up to 28.5 lakhs; with the present slow turnaround of ships at our ports, we would need around 260,000 gross tons, or about 55 per cent of the present fleet. Would it be a wise policy to immobilise such a high proportion of our small fleet on the coast?

Second, the coastal trade itself is growing; in fact, had there been enough tonnage, owned or chartered, to carry all the cargo that has been, and is being, offered, more especially coal and salt, our traffic in the current year would have easily crossed the 3-million ton mark. The growth in coastal traffic is bound to be accelerated when the second Plan, with its emphasis on basic industries, gets into its stride. Insistence on immediate coastal self-sufficiency will correspondingly reduce our capacity to expand in the overseas trade. Would it be wise to relegate, even if unwittingly, our overseas shipping to the status of a secondary objective and go so slow with it, especially when both the public and the Government have been demanding more rapid progress in this field?

Third, at present we carry only about 5 per cent of our total overseas cargo. Is it the best policy for us to be one hundred per cent self-sufficient on the coast along with 95 per cent dependence on foreign vessels in the overseas trade? Or, shall we be better off by reducing our overseas dependence on foreign-flag vessels to, say, 90 or 85 per cent, even though this may mean a corresponding increase of charters on the coast? Should we not judge the issue, above all, from the angle of what course would maximise our earnings of freight and foreign exchange?

Fourth, our Government has

been importing large quantities of bulk cargo which is carried almost entirely in overseas charters even at a time when the charter market is unusually high. How can we reconcile such complete dependence on overseas charters with the unwillingness to allow any coastal charters at all? Since coastal charters, which can well be old and low-speed vessels, even coal-burners, are, as a rule, appreciably cheaper than overseas charters, would it not be desirable to use Indian ships as far as possible for the ocean carriage of bulk cargo and to charter less ships for the purpose, even though we may need correspondingly more charters for the coast?

And fifthly, the reserved coast has been acclaimed as the nursery of Indian shipping, and rightly so. Yet the concept of a nursery can be meaningful only when the coast is consciously utilised, to help our shipping so that it may be better equipped to venture out of the sheltered waters. A wise shipping policy will, therefore, give every possible inducement to the shipowners to build up fleets of deep-sea vessels by using the coast whenever possible to meet the challenges on the high seas.

The present policy is pursuing a course that is diametrically opposite. Your Company, over the last year, has been repeatedly denied permission to employ its larger vessels in the overseas trade; they were tied down to the coast even when this entailed a serious waste of their carrying capacity. By pursuing such a policy are we not throwing away what could be the biggest advantage of coastal reservation and hindering, instead of helping, the growth of our deep-sea tonnage? Are we not thereby converting the coastal nursery into a coastal strait-jacket, and inadvertently nursing our infant shipping into a permanent weakling?

Uneconomic Coastal Working

The first and foremost task before an under-tonnaged country like ours is to build up its tonnage as fast as possible and to ensure, as best as possible, that the expanded tonnage will find gainful employment.

By far the most important factor that is now hindering a more rapid expansion of the coastal fleet is the precarious character of coastal working. Costs of operation have gone up all along the line, including prices

of ships, stevedoring labour, salaries of floating as well as shore staff, bunkering; and, superimposed on all this, is the extremely slow turnaround of ships at our ports. Given the high costs of operation, a 10 per cent increase of coastal freights, as desired by the shipowners, would have been more than justified, especially since the freights have remained practically unaltered since May 1951. The Government, however, suddenly decided to intervene in this matter and, after holding it up for months, finally agreed only to a 5 per cent increase.

A good deal has been said in the past about the privileged position enjoyed by Indian shipowners in the reserved coastal trade. Let us not overlook the fact that the privileges do not include what is the inherent right of businessmen in other industries, namely, to adjust rates or prices to cover a rise in costs.

Dock Labour

The worst factor affecting the costs of operations is the steep fall in the output of stevedoring labour since the introduction of the decasualisation scheme and the consequent delays in the turnaround of ships. It has been playing havoc with our shipping. For an 8,000 d.w.t. coaster one day's extra delay at a port means a direct loss of Rs 4,500 to Rs 5,000. To this we have to add the extra port dues.

For more than a year Indian shipowners, with a striking unanimity, have been drawing pointed attention of the Government to the crippling effect of the port delays and have been pressing for effective remedies. The Dock Labour Enquiry Committee, which was appointed as a result, submitted its recommendations early in September. To judge from the brief press reports, the Committee has made balanced and constructive recommendations which, while fully safeguarding all legitimate interests of dock labour, should go a long way to restore healthy conditions at the ports and put an end to the ruinous delays. Yet up till now we have heard nothing about the decision to implement these recommendations. The overriding urgency of the problem has long been recognised by the Government as well as the public. It certainly brooks no further delay. It is our ardent hope that the Government will soon come to grips with it and settle it satisfactorily.

Port Facilities

There is also a great deal to be

done by way of improving the existing port facilities. Without up-to-date mechanical appliances for handling bulk cargoes, our ports will never be able to ensure a sufficiently quick turnaround of vessels. Besides, measures like better maintenance of equipment, adequate supply of spare parts, more and newer cranes, better utilisation of godown sheds, etc. could immediately raise the overall efficiency of our ports. Such improvements ought to be effected forthwith, since even if a piece-rate system is introduced, as recommended by the Dock Labour Enquiry Committee, the dock workers will be able to give the best possible output only when they are given better tools and greater facilities.

Rail-sea Co-ordination

Lastly, for the future of coastal shipping, there is the all-important question of proper co-ordination between rail and sea transport. As you might recall, last year I had occasion to bring to your notice how our railways were increasingly cutting into the coastal trade, particularly into the coastal shipment of coal, and how this, in its turn, was weakening the very foundation of our coastal shipping. Since then the nature of the problem has changed—today the coast is faced with a shortage not of cargo, but of tonnage; the total traffic in the country has been growing; the railways, unable to cope with it, have already begun to pass increasingly more cargo to the coast; this trend will almost certainly be accentuated in the coming years. In fact, transport is fast becoming a major problem in our economy; on it will largely depend the success of our second plan.

In such a context it is particularly important to form a realistic estimate of the anticipated traffic and to allocate as much of it as possible to coastal shipping. This is undoubtedly the most important task before the Rail-Sea Co-ordination Committee which is now investigating this matter.

Tramp Shipping

For a rapid expansion of overseas shipping our best hopes lie in early and systematic development of tramp shipping. It is unfortunate that hitherto so little attention has been paid to such a vital matter. Talks of floating a Second Shipping Corporation with the primary object of promoting the tramp trade have been in the air for one whole year;

but little headway has so far been made in this direction.

According to the best available estimates, the total dry cargo in our overseas trade amounts to 13.5 million tons. Of these no less than 5.7 million tons were carried, in 1953-54, by tramp steamers. It has been further estimated that, in the same year, 524 tramps entered our ports, but other than Calcutta which would no doubt account for another couple of hundred tramp ships. Of these 524 tramps, 519 were foreign-owned; only the balance of 5 carried the Indian flag.

These figures, rough and ready as they are, reveal a pathetic situation. What justification could there be for such an overwhelming dependence on non-Indian tonnage in our tramp trade? And when our Government is the largest single shipper in the country and controls several million tons of dry cargo, what could be more logical than to build up our tramp tonnage to carry, as far as possible, our own cargo?

All advanced maritime countries have developed liner and tramp trade, and both these wings of shipping are flourishing side by side. All that we need to do is to follow their example and pursue, in the same spirit, the same policy of co-existence between the liner and the tramp.

Letting out Indian Ships

A de facto ban has recently been imposed on letting out Indian-owned cargo vessels on a time-charter basis to non-Indian parties. Yet two-way time-chartering is an integral part of shipping, especially of the tramp trade; at times this is particularly useful in covering business risks; besides, long-term chartering out of ships at favourable rates can directly stimulate tonnage expansion since it widens the opportunities for gainful employment of vessels and also enables a shipowner to plough back booked profits on a planned basis rather than depend on anticipated profits from trading, which may or may not come true; for all these reasons it has been extensively resorted to by other maritime countries. There is no reason why the same freedom should not be allowed to Indian shipowners subject to whatever reasonable conditions may be found necessary to prevent any dislocation of regular trades.

Tanker Trade

Our overseas trade includes 3.5 million tons of petroleum and pet-

roleum products. In addition, it is estimated that about 18 lakh tons of refined products from the Oil Refineries will need to be distributed in coastal tankers. The Indian fleet does not contain a single tanker, whether for the overseas or the coastal trade.

The Government recently assured the shipowners that in view of the peculiar hazards of the tanker trade, they would be prepared to grant special concessions to those who would be willing to venture into it. Should this inducement fail to produce the desired effect, the Government will themselves go ahead and acquire a couple of tankers. In any case since the tanker trade has hitherto been completely neglected, it would be very desirable to acquire immediately some tankers, second-hand if necessary, so that an early start may be made in this line of business.

Hindustan Shipyard

Last year I had occasion to refer to the relatively high cost of ships built at the Hindustan Shipyard. As I then remarked, the principle of the U. K. parity price, as applied to Indian-built ships, in effect means that Indian shipowners are required to give a part-subsidy to the Shipyard when, in fairness, the entire subsidy that might be needed by our young shipbuilding industry, should come direct from the Government. I am glad to note that this matter is now seriously engaging the attention of the Government, and I hope that a satisfactory formula will be worked out soon. Since the price of ships will directly affect the competitive position of our shipping, it is important that the shipowners should be allowed to acquire tonnage at competitive prices.

A Second Shipyard

The question of starting a second shipyard in India has been blessed by the Government in principle. Early steps in this direction would appear to be not only desirable, but very necessary. Unless the capacity of our own shipbuilding industry is substantially raised, our ability to expand the merchant fleet will, in all likelihood, be seriously affected. Besides, on a long view, the comparative advantages of this industry lie definitely in favour of India. With our low-cost labour and low-cost steel there is no reason why, after another decade or so, India should not be able to produce ships at costs well below those of Western countries.

Equity Capital

Hitherto coastal reservation and liberal Government loans have been the two main props of our shipping policy. These were historic steps without which it would have been impossible for our shipping to show anything like the progress it has made during the last few years. But it would be unrealistic to assume that this is all that our shipping needs. The rate of progress is still far too slow; and it can be speeded up only when we are able to evolve a more comprehensive and more adequate shipping policy. Coastal reservation has to be supplemented by measures that would ensure economic working on the coast.

Besides, all over the world shipping has been developed with the help of large-scale risk-bearing equity capital. In India it has to make-do with interest-bearing Gov-

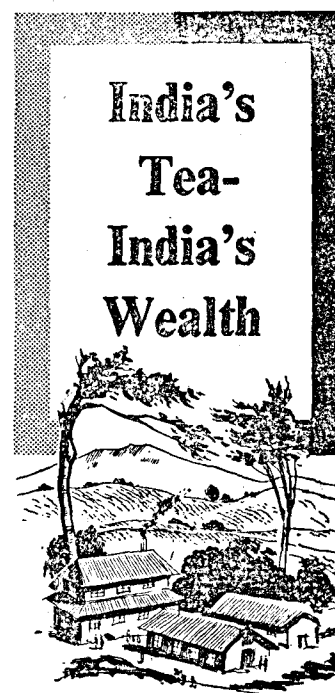
ernment loans, which carries the liability for repayment within a prescribed period. Such loans, welcome as they are in the prevailing circumstances, cannot take the place of equity capital. Here is a grave deficiency that our industry is faced with. It can be partially remedied if, as proposed by the shipowners, profits when ploughed back into the industry, are exempted from taxation. There is no doubt, however, that equity capital on a substantial scale can be attracted into the industry only when the Government, through appropriate measures, makes it possible for the shipowners to earn a fair return on the capital. For, only then will the investing public feel sufficiently confident about the future of the industry and will be willing to invest their savings in it.

Conclusion

Today we stand on the threshold of historic developments. The second Five-Year Plan, with its emphasis on basic industries and its bold targets, is now in the offing. Our economy, thanks to the far-sighted policy courageously pursued by our Government in so many fields is now marching from strength to strength. We, as shipowners, do not want to lag behind in that march. It is no longer enough for us to dream of high tonnage targets; the time has come when we must do our best to realise them. Our most pressing need today is a more adequate and more imaginative shipping policy directed to tackle the problems mentioned above. Such a policy, I have no doubt, can greatly speed up our progress and will hasten the day when India will be able to take her rightful place among the maritime nations of the world.

Before concluding I would like to express my appreciation of the help we have continually received from the Director-General of Shipping and his staff, and of the co-operation of our own staff, ashore and afloat, and of our Agents in India and overseas, which has made another year of successful operations possible for your Company.

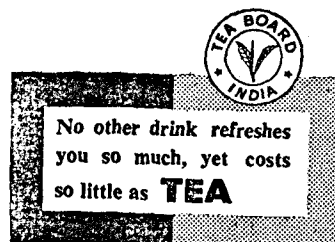
I am grateful to you, Gentlemen, for having so patiently listened to this survey of the position of your Company and of the larger problems that beset our shipping industry as a whole. May I now request you to adopt the Report and the Audited Accounts for the year ended 30th June, 1955.



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The Industrial Disputes (Amendment) Bill

Mrinal Kanti Bose

THE Industrial Disputes Amendment Bill will come before the Lok Sabha at its next session. It is of outstanding importance both for employers and employees and requires therefore most careful consideration. At the outset I must point out that the Bill coming, as it does, after the declaration of policy of the Government that it aims at a socialist pattern of society, reflects none of the characteristics of that pattern. It assumes, on the contrary, that the relation between capital and labour must continue as it is. The Bill gives no scope to workers to participate in the management of the concern. In my opinion that Bill should be re-drafted so as to reflect the socialist pattern of society. I shall, however, confine remarks to the Bill as it is.

Should be Renamed

I propose that the Bill should be renamed Labour Disputes Bill. Already bank workers and insurance workers have been included within the scope of the Bill by certain amendments. Even now the definition of "Industry" is so wide that various other classes of workers have been included as coming within the scope of the Act, such as employees in hospitals and dispensaries, and employees of the Universities.

The main feature of the Bill is the setting up of three types of Courts, namely, Labour Courts, Industrial Tribunals and National Tribunals. The Labour Appellate Court is abolished. The courts proposed to be set up have jurisdiction over subjects specifically mentioned in the schedules given in the annexure of the Bill.

Another important feature of the Bill is the introduction of a provision for a certifying officer whose duty would be to go into the question of justness or otherwise of the standing orders provided for in the Industrial Employment (Standing Orders) Act, 1944.

Features—Good and Bad

It is proposed to empower both the certifying officer and the Labour Court to take into account the fairness or reasonableness of the Standing Orders before they are certified. Under the present law only the employer has the authority to frame Standing orders and modify them from time to time according to his

discretion. The existing Act provides that if any employer wishes to make any change in the conditions of service applicable to workmen such as wages, contribution paid or payable to the Provident or Pension Fund, hours of work, rest and interval, compensatory and other allowances, leave with wages and holidays, starting or alteration or discontinuation of classification of grade, withdrawal of any customary concession and privilege, introduction of new rules of discipline, rationalisation, standardisation or improvement of plant or technic which is likely to lead to retrenchment of the employees and increase the reduction in the number of persons employed or to be employed, he has simply to notify the changes proposed by him. Under the new amendment he will not be able to do so.

A workman may, within 21 days after the notice of standing orders, apply to the certifying officer to have the standing orders modified. The final decision will rest with the Labour Court concerned. There are several other improvements made in the Act. It must be said at the same time that there are reactionary proposals as well. There are again provisions, new in their nature, but which are of doubtful value. There are several defects in the existing Act which have not been remedied.

Taking a view of the whole picture, however, one would think that the employers rather than the workers will gain more if the Amending Bill is passed into law as it is.

Executive Over-shadows Judiciary

I shall give certain illustrations. One serious defect in the existing Act is the discretion that has been given to the Government to refer or not to refer a dispute to a Tribunal for adjudication. Another defect, even more serious, is the discretion left to the Government to modify or reject an award given by the Tribunal even when Government is a party to the dispute. There have been many cases where these discretions have been improperly exercised in the interest of the party, generally the employer. These defects have been left in the Amending Bill as they are, without any modification. The abolition of the Labour Appellate authority only makes the executive Government even more un-

restricted in the exercise of its arbitrary power. The new Bill should have left to the parties concerned the freedom to move either the Labour Court or Tribunal or National Court. It should have been left to the Court concerned to decide on preliminary objection if it was proper for the Court to entertain the dispute. As matters stand now, it is the executive that overshadows the judiciary so far as the Labour Judicial machinery is concerned. The number of Labour Courts and Tribunals should be sufficiently large to deal with the number of disputes. The executive Government should not have the power to reduce the number of cases by its free will.

Section 33

Here is an instance of how privileges to the workers given by one hand have been taken away by the other. I refer to Section 33 of the Industrial Disputes Act. That Section provides against the victimisation of workers who have moved the Tribunal for redress of their grievances against the employers. The original section (Section 33) was a bar against the employers for altering, to the prejudice of the workman concerned in the dispute, the conditions of service applicable to him immediately before the commencement of the proceedings and punish him, whether by discharge or otherwise, "save with express permission in writing of the conciliation Board or Tribunal as the case may be". If the employer contravened this provision, the aggrieved employee could move the tribunal with a complaint in writing and the Tribunal on receipt of such complaint was to adjudicate upon it.

This has been changed in the new amendment. The employer would now be in a position to change the conditions of service of the employees, punish them whether by discharge or otherwise. All that he has to do is to apply to the presiding Court for "approval" of the action taken by him. In the statement of Objects and Reasons given in the amending Bill, it has been stated in justification of this change that "employers have complained that they are prevented from taking action even in obvious cases of misconduct and indiscipline unconnected with the dispute till long after the offence has been committed."

All that the employer has now to do in such cases is to pay to the discharged or dismissed workman one month's wage pending the proceedings of the case for "approval" of action taken by him. If the delay in the disposal of such cases is the excuse, who knows that the proceedings in connection with the cases of the approval will not take as long a time as that in connection with the complaint made by the workman?

This change has obviously been made under the pressure of the employing class and in their interest.

"Protected" Workmen

Another change has been made in Section 33 of the Act. It refers to workmen who have been described as being "protected". It is explained that a "protected workman" in relation to an establishment means a workman who, being an officer of a registered trade union connected with the establishment, is recognised as such in accordance with rules made in this behalf. It is forgotten that every establishment may not have one union and a number of similar establishments may have only one duly registered union. Then again the condition is "recognition". Recognition by whom? Employers at present have no obligation to recognise even registered unions. It is further provided that in an establishment, the number of workmen to be recognised as protected workmen shall be only one person of the total number of workmen employed therein, subject to a minimum number of five protected workmen and maximum number of 100 protected workmen. This number is grossly inadequate. As if this is not enough to adversely affect the interests of workmen, it is provided that the appropriate Government may make rules for the distribution of the number of protected workers among various Trade Unions, if any, connected with the establishment, and the manner in which the workmen would be chosen and recognised as protected workmen. My suggestion is that the choice should be left to the Trade Unions concerned. They should also decide as to the number of protected workmen in every establishment.

Section 29 (Punishment)

There has been an improvement in the amending Bill in regard to the penalty for breach of settlement or award. Section 29 of the Act provides for only fine for breach of any term of any settlement or award. This has been changed in the amending Bill into one of imprison-

ment for a term which may extend to six months or fine or both. It is well known that employers, generally speaking, are very reluctant to give effect to awards which they do not like. Almost equally unwilling are the Government to enforce the award in such cases. In the Act there is no provision for imprisonment. In the amending Bill, the Court trying the offence may take steps for the realisation of fine but there is no provision as to the power for the enforcement of imprisonment. Why is the provision silent on this point? Obviously Section 34 of the Act relating to cognizance of offences will continue to apply. This section provides that no Court shall take cognizance of offences punishable under this Act, save on complaint made by or under the authority of the appropriate Government. Here is an amazing fact. So far as punishment by fine is concerned the Court will have authority but for imprisonment it is the Government that must move. Is it for sympathy to the workers or the employers?

As for Courts and other authorities that have been set up under the amending Bill, certain observations are called for. There may be an

arbitrator or a conciliation officer or a board of conciliation, a Labour Court, a Tribunal and a National Tribunal.

There is no provision for arbitration in a dispute in the present Act. The amending Bill is an improvement in this respect. The conciliation officer and the Board of Conciliation will be continued, only their recommendations will not be binding on the parties.

The jurisdictions of the Labour Court, the Industrial Tribunal and National Court have been defined. The reference to the National Tribunal will be made by the Central Government and it will cover disputes which involve questions of national importance or which are of such a nature that establishments situated in more than one state are likely to be interested in, or affected by, the dispute. The jurisdiction of the Labour Court and Industrial Tribunals have been defined in the second and the third schedules. It is difficult to understand the principle that has been followed in defining the jurisdictions. Both include matters of major and minor importance. For instance, discharge or dismissal of employees, illegality or otherwise of a strike or lock-out come within the jurisdiction of a Labour Court while such questions as hours of work or rest and interval, leave with wages on holidays come within the jurisdiction of the Industrial Tribunal. Would it not have been simpler to have one designation of Courts, either Industrial Tribunal or Labour Court, to dispose of the cases specified? The qualifications of the Judges of such a court might have been those of the Industrial Tribunal. The importance does not lie so much in the nomenclature of the Court as in their number and in the qualifications of the Judges and assessors. It is proposed that there will be one National Tribunal. I doubt if this will suffice.

As for public utility services, their number is six including Postal and Telephone service and any industry which supplies power, light or water to the public. The number in the amending Bill has been increased, excluding some and including others. Coal, cotton textile, food-stuff, iron and steel, Defence Establishments, service in hospital and dispensaries and Fire Brigade service have been mentioned as public utility services. Transport is the common factor. But it is difficult to see why the other items are included. Disputes in these concerns may also be

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Subscribed Capital	5,76,66,125
Paid-up Capital	3,14,54,250
Reserve Fund and other Reserves	4,01,00,837
Deposits as at 31-12-54	1,24,21,26,680

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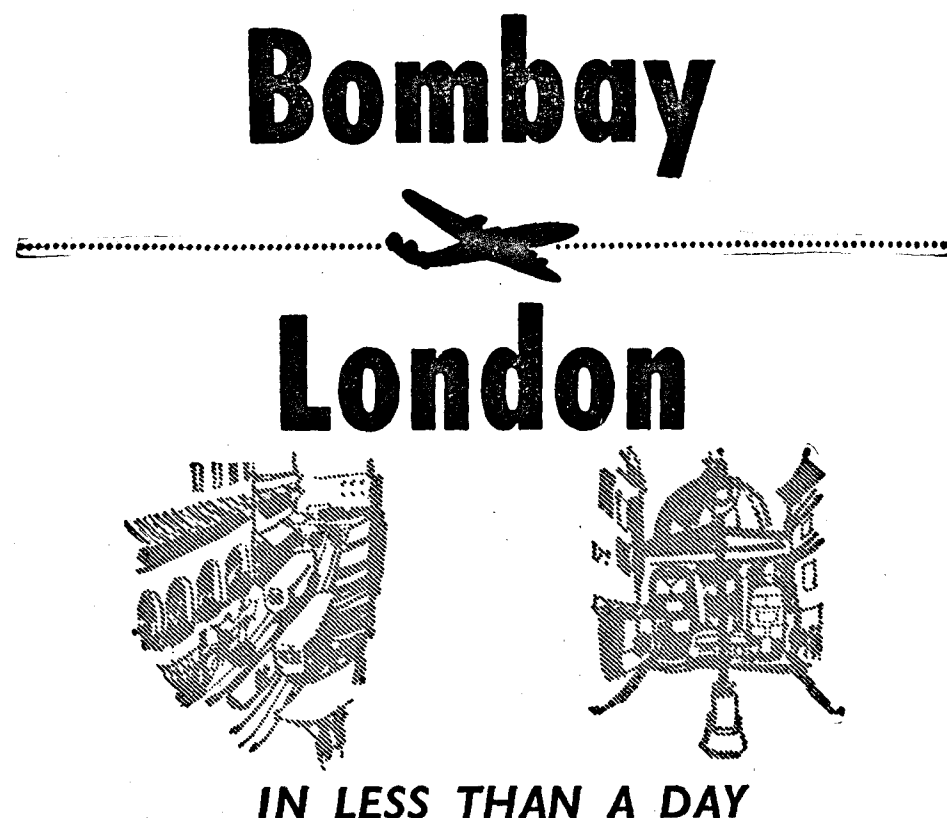
referred to the relevant authority but it is at the discretion of the Government. Inclusion of cotton textile in the Public Utility Service has obviously been made in the interest of the textile magnates.

The definition of "workman" has undergone some change in the amending bill. "Workman" in the Bill includes any person whose functions are "supervisory or technical". That is no doubt an improvement but a limitation has sought to be imposed by the provision for the ex-

clusion of any person "who is employed mainly in a managerial or administrative capacity or who being employed in a supervisory capacity draws wages exceeding Rs. 500 per mensem". It will often be difficult to draw a line of demarcation between a person working in a supervisory capacity and another discharging mainly managerial or administrative function. Besides, the "basic" salary should be Rs. 500 as many persons who may be willing to come within the definition of workman draw Rs 500 or more inclusive of

allowances. As regards others whose basic wages are more than Rs 500, the discretion should be left to them whether they would be willing to come within the definition of "workman".

From the modified definition of workman persons employed in the police service or officers or other employees of prisons have been excluded. Is not a policeman a worker? Why should he be deprived of the privilege of fighting for his rights as any other employee?



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Organizing Hand-loom Weaving

—A Year's Experience in Orissa

Shrimati Haimanti Chakravarty

What follows is an unvarnished and first-hand account of the writer's experience during the year she was engaged in organizing hand loom weaving for a project that is being run in Orissa by the American Friends Service Committee.

The account will be found exceedingly interesting as raw material for the study of cottage industries. What appears below, however, is not the official version of the report but the first draft of a note prepared by the author for submission to the Friends headquarters in Philadelphia.

ORISSA textiles, which comprise a great variety of weaving and designs from many parts of Orissa, have long been appreciated outside the state. But as there was no steady and dependable supply of standard materials, they remained more or less a rarity, with little commercial possibilities beyond occasional sale at rather high prices of particular pieces of weaving. The tie-dye materials for which Sambalpur has a reputation were no exception to this general rule. An occasional consignment of table-cloth or bed-spread reached Calcutta but regular orders could not be placed with the certainty of getting the specified colour and design. This was the general state of weaving, when we started our project in Barpali.

The Weaving Project.

Awakening of Nationalist sentiment has led in recent years to a demand for designs and materials which are typically Indian, and along with it, interest in cottage industries and handloom weaving is reviving. Moreover, in order to lessen the pressure on land, Government has been supporting village industries in various ways so that supplementary employment may be created for villagers in their own homes. It is increasingly being recognised that village artisans and weavers will have to fall back on land, if mill-produced cloth puts them out of employment. The competition between mill-made and handloom cloth is real and obviously, only the cheaper goods will appeal to people who live on the margin of subsistence. It is interesting to note, however, that in our area where tradition is very strong and standards of clothing very high (being a centre for weaving), even the poorest women wear sarees that cost Rs 10 to Rs 15. When asked, they say that three handloom sarees will last them a year, but mill-made sarees will not. Among men, on the other hand, use of mill-made dhoti

used to be almost universal. I once asked a weaver how he could expect to sell his woven materials if he himself wore mill-made dhoti? He told me it was the "fashion", but later, neither he nor the other weavers appeared in anything but home-woven materials.

Statistics, social survey and report prepared about the weavers in our thana by our social analyst had given us a preliminary idea of the caste-composition of the weavers and of the caste distinctions among them as also of the vocational specialization of each of the four divisions of the group. The actual work with the weavers began in the spring of 1953 when some of our members went to Bheran. This is a village in the thana of the same name, 11 miles from Barpali as the crow flies across a river and a nala. It is accessible by vehicle only during six months of the year. This village is well-known for its tie-dyeing technique and execution of fine details in designs on cotton materials. Friendly relationships had been established with the weavers of the village on market-days and we had an invitation to come to their village, which we gladly accepted.

The first six months went in acquainting ourselves with the socio-economic problems involved in weaving. Bheran, was chosen as a typical weaving village as knowledge gained here could be used in other villages in the project area and elsewhere. We intentionally selected this village outside the Barpali thana. The reason for this was that if our attempt failed or there was hostile criticism in this new field of activity, it might not affect the project adversely in its early period of establishing itself in our area. Also, one of us had been selected to deal with aspects of industries and co-operatives in Barpali thana and an attempt at working with weavers in our project area might have impeded her work, if we did not succeed.

During the early months, we got a great deal of encouragement from the Government in our attempts at standardising designs, material and colours. A grant of Rs 500 was received in July for experiments. This was the first official recognition of our work and also our initial working-capital. Later in the year, we got a standing monthly order for kerchiefs and an order for 6,000 yards of designed material. This made the villagers realise that the Government was interested in helping them in their work. Government was also interested in the adaptation of old designs to modern use and wanted to collect samples of these adaptations for copying and use at different weaving centres. In March, 1954, the largest single lot of these samples was acquired by the Government at the Exhibition in Cuttack during the Weavers' Week. The samples fetched more than Rs 1,000. Adaptation of old designs, however, was incidental to the work among the weavers.

Economics of Weaving

The daily wages for adult unskilled male labour in Barpali is Rs 1-4-0, and that of a woman As 12. A weaver, or rather a loom, involves the labour of three persons—of the man who weaves, the wife who does the dyeing, tying and setting of the loom and of a young member of the family who does odd jobs, of which there are many in a weaving shed. Such a weaver is happy if he can have enough to do for five days in the week, earning Rs 2-8-0 a day. This means that a highly technically skilled person plying the trade of a weaver earns less than a daily labourer who carries earth for road building. Among the Harijan weavers or the Gandars, a great number take to manual labour to keep themselves going during the months when demand for cloth is slack. Few of the weavers own land for it is only those who can set themselves up as middle-

advance on some order, though knowing fully well that it will not come forward except under special circumstances. But it gives them a satisfaction if they get such an advance even though it may not be really necessary.

Their needs are few. Their houses are usually mud-huts with a thatched roof; a joint family may have one or more looms. The men weave, the women prepare the yarn, the dyes and the patterns, and are co-workers with the men and an economic asset to the family.

Women are Co-workers

The status of women in these social groups is high and at the time of marriage, the bridegroom has to pay a brideprice for his wife to her father. Wives are treated well by their husbands as their livelihood is dependent to a great extent on their help. A very remorseful husband one day came to ask my help to bring his wife back from her parents' home where she had gone after a domestic argument. His loom was lying idle for want of spun silk. In another case a wife died and the husband had to hire himself out for wages under another weaver who had a mother and wife to work the initial stages of yarn for the looms. A drain on their resources is the habit of gambling in the villages and extravagant expenditure on ceremonies and seasonal festivals.

The general practice has been to work through middle-men who give the weaver his yarn, cash advance and an order for certain materials. The advances in cash are generally paid back when the woven material is brought back, but a further advance is again taken, with the result that over the years, loan keeps on increasing. The mathematics of such a loan is beyond the capacity of calculation of the weaver and unpaid loans pass on from father to son. Generally only the interest is paid up and the capital stands, but the interest paid is often many times the initial loan amount. There is almost no way for the weaver to get out of such a situation. It results in apathy and hopelessness and is a bar to new enterprise, new beginnings and improvement in looms, tools and patterns. In a few instances some weavers to whom this state of affairs had become intolerable have managed to get out of it by getting a loan against further work from our project. This is strongly resented by the middle men in the villages who see a threat to their position and purse in the work of our project in their area.

And yet, middle-men are also taking advantage of improved weaving and the designs introduced by us. As there are no patent-rights on designs, these very patterns are

used by other weavers by the project for material and sold in the state. They are far from being of standard colours that seemingly they are produced but as sweated labour. The pressure of are now rubber stamps sent from our project, avoid having inferior sold elsewhere under the our project.

Designs-Foreign and National

In weaving, as in other fields, artistic crafts, imitation of western designs was in fashion a time but the insistence by our project on original local patterns and colour-schemes has created a demand for indigenous patterns in excess of what we are able to produce on the basis we have set up. A much larger staff is needed, especially for supervision, and co-operative production at a high level can alone ensure a steady demand for designs and materials peculiar to our region.

So far my contact has been mainly with two groups of the weaver-community, the tassari, or raw-silk-weavers, and the tie-dye weavers. Expansion would include all groups in our area and beyond. The following villages have come forward for assistance.

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th Sarandapali	5
s	
Total looms	140

As a loom represents about three persons, about 420 persons have found whole-time or part-time occupation for six months in the year. In this are not included people who are engaged by weavers and who come occasionally to me, for some rush order.

Felt Needs

Certain felt needs have been repeatedly expressed by the weavers: They are:

- (1) A dyeing centre for yarn.
- (2) Arrangements for whole-sale supply of yarn direct from mill.
- (3) Adequate marketing arrangements for sale of product.
- (4) Establishment of a Co-operative Weavers' Association.

(5) Adherence to local designs and patterns.

The toughest problems that have to be faced seem to be:

- (1) Lack of credit facilities.
- (2) Indebtedness to middle-men.
- (3) Out-dated marketing practices.
- (4) Standardization of goods and patent rights on designs.
- (5) Inter-State competition.

This note is the outcome of my experience over one year and covers only the main points. The weavers' problems are closely tied with village life as a whole and they cannot be isolated. The stress and strain, the happiness and sorrows of all are reflected directly in each weaver's home as his own sorrow or joy.

Around Calcutta Markets

Obscure Trend

Wednesday, Evening

ONE clear fact emerges from the recent price fluctuations on the Calcutta Stock Exchange. Drop in Indian Iron may not have caused any loss of market morale. But it is equally clear that equities are not likely to move up as long as Indian Iron remain hesitant. It is, in this context, not without significance that clearing rates for Indian Iron, fixed on Tuesday, are lower than those of the previous fortnightly settlement.

By far the most disappointing development of the last few days is the set-back in Coal shares. These shares were moving up on the argument that the Government was interested mainly in maximising coal output during the second Plan period, and not in nationalising the industry. Improvement in Coal shares on some such ground offered the stock market a welcome respite as it was feeling the impact of the drop in Indian Iron.

Coal Outlook Bleak

TTK, Shri Reddy and Mr G A S Sim, President of the Associated Chamber, do not share the market's optimism. Mr Sim is pessimistic of the outlook for the coal industry. As the Chairman of Bengal Coal, he should know what he is talking about. TTK has confessed that he shares Mr Sim's pessimism about the coal industry. On Tuesday, the stock market here is forced to revise its views about

the coal industry in the light of opinions expressed by the President of the Associated Chambers and by the Union Ministers of Commerce and Production.

TTK informed the Associated Chamber that the Government could not give any undertaking that the coal industry would not be nationalised. Coal was one of the industries included in the 1948 Resolution as fit for nationalisation. Steel projects and the Railways are the major consumers of coal. As the Railways and the three new steel projects belong to the public sector, there is every justification, TTK claimed, for nationalising the coal industry. There is nothing wrong with this logic. But "bears" should not ignore that TTK was talking about long term prospects.

No Change

There is nothing new in the information furnished by either the Commerce or the Production Minister. It is not news that the private sector of the coal industry will be allowed to expand output by only eight million tons as against the planned increase of 23 million tons by the end of the second Plan-period. But the authorities reaffirmed the Government's policy of paying full compensation, in the event of nationalisation, to those private collieries which undertook expansion projects. Though the Production Minister

has refused to offer any guarantee to the private sector in the coal industry that coal will not be nationalised, the statements by the authorities in the last few days have not, in any substantial aspect, altered the known policy of New Delhi to the coal industry. That being so, the fall in Coal shares may seem to be due partly to psychological factors. But the same psychological factors suggest that Coal shares may take time to regain the recent buoyancy.

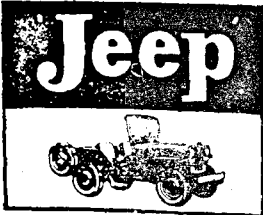
Depression

In the last few days, events have coincided to foster a depressed feeling on the stock market here. There were hopes that the load of mounting tea stocks will gradually ease as the Calcutta market gets habituated to clearing larger stocks through local auctions. These hopes have not yet materialised. Auction prices are falling. Export demand remains poor. Consequently, Tea shares are slowly losing ground. Buyers are keeping away from this counter. Selling pressure is not urgent. But in the absence of investment support, Tea shares are gradually falling.

For a long time, Jute shares have remained friendless. Developments in the last few weeks have not been discouraging. Since the release of data relating to stocks at the end of October, there have been expectations that IJMA may decide to un-

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seal the sealed looms. End-October data about mill stocks of jute goods proved clearly that exports and despatches of jute goods were satisfactory. End-November data, released a few days ago, confirmed the healthy state of the industry.

Looms Unsealed

Reports current to-day, Wednesday, indicate that IJMA has decided to unseal 2½ per cent of the sealed looms. There were expectations that 6½ per cent of the sealed looms would be unsealed. At present, 12½ per cent of the total loomage remain sealed. That only 2½ per cent of the sealed looms will be unsealed, is capable of more than one interpretation. On this report, the goods market has developed a steadier trend. This can only mean that the gunny market was confidently expecting unsealing of a larger percentage of sealed looms.

On the assumption that sealed looms will be unsealed, jute goods were falling while raw jute prices were steady. Raw jute prices are likely to remain steady on the news that 2½ per cent of the sealed looms will be unsealed. Though the stock market's reaction to the reported IJMA decision could not be known as the market was closed on Wednesday, it should have a sustaining influence on Jute shares.

Investors are not likely to enter the market for Jute shares immediately. But sellers should become scarce.

Looms Unsealed

It is unfortunate that Coal shares, which have had a sustaining influence on the market in the last fortnight, have developed a downward trend. Also discouraging is the continued drop in tea auction prices, which is affecting Tea shares adversely. No less disturbing is the uncertain trend in Jute shares. All these uncertain factors are being aggravated by the drop in Indian Iron. Only Paper and Engineering shares remain quietly steady. Can these groups of shares succeed in propping the market up to higher levels?

That depends on the developing circumstances. If Indian Iron fail to move up, the market as a whole is likely to remain uncertain. Recent developments indicate that even Engineering shares may need some wooing before these can look up. Whether Paper shares alone can remain steady when all other counters are falling or remaining stagnant, is doubtful. Last Tuesday's clearing rates for other forward shares were not discouraging. But some days must elapse before the market is likely to take a decisive trend.

Karanpura Development

FROM a perusal of the report of the Karanpura Development Company, Ltd. for the half-year to June last, the reasons behind the recent spurt in these shares become evident. It is disclosed that the Government's programme is to quadruple the output of coal from this area in due course. Sales of fireclay were satisfactory. There are good prospects for increased sales of limestone.

According to the managing agents, prospects for Scott and Saxby, Ltd., a subsidiary of Karanpura, for the coming year are fair. As the recent improvement in Karanpura Development is partly due to rumours about legal decisions, it will be of interest to note that the Company's legal advisers think that the appeal against the decision of the Patna High Court may be heard by the Supreme Court before the end of this year.

Raisings improved, but despatches were lower. After the necessary provisions and allocations, there remains a debit balance which is being carried forward. Under the advice of the Company's lawyers, the ordinary dividend has again been passed over.

Around Bombay Markets

Bullish Fervour Returns

Thursday, Morning

DESPITE heavy budlas paid on Friday, the pattern of trading in the stock market during the week left no doubt about the return of bulls. The flare-up in prices after the close of the market on last Friday, however, was due to a paucity of floating stocks and did not indicate any fresh development. Profit-taking and heavy carry-forward charges brought about some nervous long liquidation on Monday and the closing was at the day's lowest. Towards the close of the week, however, bulls had got back their grip on the market and equities regained most of their earlier losses.

Steels were active throughout the week. Opening at Rs 268-12, Tata Steel reached their highest for the week on Monday at Rs 273, helped by bear covering and renewed speculative support. After fluctuating between Rs 266-8 and Rs 268-8 on Tuesday, they closed steady at the latter level. Indian Iron opened at Rs 40-10-6 ex-dividend (against cum-dividend closing last week at Rs 42-1) and closed steady at Rs 40-11, although at one time they went down as low as Rs 40-1. The highest for the week was Rs 41-5-6.

Among textiles, most of the scrips were able to make striking advances under the stimulus of satisfactory offtake in the piecegoods market and encouraging exports. Century were prominent and rallied to Rs 515 on strong support from Calcutta. However, in the long liquidation towards the close of the week, they had to bear the brunt of the selling pressure. Bombay Dyeing and Kohinoor also suffered and declined at the close to Rs 608-2 and Rs 361, respectively, from the week's highest of Rs 618-12 and Rs 365.

In the miscellaneous section, banks and insurance shares were steady while electrics displayed a distinctly subdued tone, at the beginning of the week at any rate. They were adversely affected by the Electricity Bill the provisions of which are regarded as un-helpful to electricity undertakings. Towards the close, however, electricity shares also picked up and almost recovered their lost ground.

Since they have been quoting ex-dividend, Bombay Burma seemed to have lost their glamour. Alcock

were in the limelight on reports of a change in their managing agency.

Cotton

Strong Sentiment

ALTHOUGH the cotton futures market opened on a subdued note, sentiment in the main continued to be predominantly bullish. This did not, however, prevent the market from registering occasional dips. Thus, on the opening day, prospects of export subsidy on American cotton unnerved the bulls and the market opened lower at Rs 707-8. Again, during the middle of the week, when doubts arose about fresh quota for export, the market lost several points. Towards the close, again, reports of increased arrivals in up-country centres generally depressed prices.

In spite of these unfavourable factors, there was an undercurrent of

firmness in the market, which asserted itself on Friday, when the February Contract jumped by over 14 points on heavy speculative buying and registered the highest quotation for the week at Rs 724-8. Reports of a barter deal between India and Russia for exchange of Indian raw cotton and textiles for Russian steel was responsible for it. When these were officially denied, there was an immediate setback. However, at every dip, there was resistance and the market managed to maintain a firm undertone well up to the end of the week, when the February contract closed on Tuesday at Rs 717. The May contract also moved more or less in line with the February contract and closed firm at Rs 639. The market was closed on account of Solar Eclipse on Wednesday.

During the week under review, Government announced a change in its cotton import policy. The link

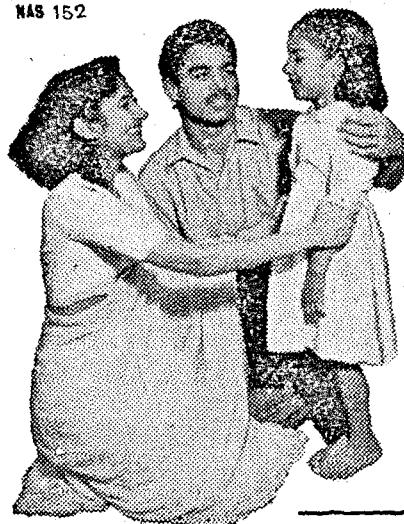
MARKET LEADERS DURING THE WEEK

	Dec. 13, 1955	Week's Range	Dec. 7, 1955
		High Low	
Steel Shares :			
Tata Ordinary	268- 8	273- 0	267-12
Indian Iron	40-11	42- 3 CD 40- 1 XD	40- 9½
Textile Shares :			
Bombay Dyeing	608- 2	622- 8	608-12
Century	515- 8	515- 8	499- 0
Kohinoor	361- 0	361- 0	358- 0
Simplex	209- 0	210- 0	206- 4
Swadeshi	236- 0	238- 8	236- 0
Miscellaneous Shares :			
Associated Cement	227-12	232- 0	228-12
Belapur	371- 8	373- 0	368- 0
Burma Old	630- 0	661-14 CD	650- 0
National Rayon	250- 0	251- 0	242- 0
Premier Const.	213- 0	213- 0	187- 0
Scindia	18-11	18-14	18- 9½
Tata Chemical	18-15	19- 0	18-13½
New India	49- 8	50- 4	49- 8

OILS AND OILSEEDS

	Dec. 13, 1955	Week's Range	Dec. 7, 1955
		High Low	
Seeds :			
Castor May 1955 (per candy)	109-12	111- 8	107- 8
Groundnut Dec.-Jan (per cwt.)	25- 6	25- 8	24-12
" Feb.-Mar. "	25-14	26- 6	25-11
Linseed Feb.-Mar. "	26- 0	26- 8	26- 0
Kardi Ready "	14- 8	14- 8	14- 8
Nigerseed Ready "	23- 8	23-12	23- 8
Oils :			
Castor Oil Coml. (per quarter)	12- 0	12- 0	11-14
Groundnut RR "	13- 4	13- 6	13- 2
Linseed "	16- 6	16- 8	16- 6

NAS 152



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between the import of East African cotton and that of US cotton under the aid programme has been severed and both mills and shippers will now be allowed to import non-dollar cotton, without any obligation to import US gift-cotton. This was generally welcomed by the trade which also welcomed the Government's decision to restore the facility, provided to importers previously, of importing on their own account.

In the international field, reports that the US might very shortly launch sales of cotton on a big scale at cut-throat prices imparted a bearish tone to all the world cotton markets. This may be necessitated by the expansion in US cotton production, despite severe acreage limitation, and the sharp decline in exports of US cotton. Whatever be the reason, cotton producing countries outside the US would take a strong exception to such a step which would run counter to the avowed declaration of the US Secretary of Agriculture that the US has no intention of dumping her cotton overseas. Moreover, the policy of selling cotton at rates much below those prevailing in the home market will amount to dumping. Fuller reactions to this development in the world cotton markets will become known when the US starts her cotton sales programme from January 1, 1956.

Oils and Oilseeds

Firm Tone

THANKS to untimely rains in the south and the consequent damage to the crop, the oilseeds market continued to be firm all round. Arrivals in dribbles in terminal markets produced a bullish effect, as there was a general tendency on the part of the trade to revise crop estimate downwards. This apart, steady buying by Calcutta dealers and Vanaspali interests enlivened the groundnut section, where ready delivery and prices of quality groundnuts improved considerably. The bullish trend was further sustained by firm foreign advices. Italy was reported to have bought about 2,000 tons of oil at around £109 while Burma was reported to have bought oil at around Rs 1450 per ton. Groundnut HPS quality, (the validity of the quota of which has been extended by another month, up to March 1956), was also sought after at £82.

Groundnut ready quality started the week at Rs 25-4 and steadily advanced to the peak at Rs 25-8 on Friday and closed quietly steady at Rs 25-4. December-January delivery

sharply moved up from Rs 24-13 to Rs 25-6 at which level it closed on Tuesday. February-March delivery also ruled firm, closing at Rs 25-14 the highest level being Rs 26-6 reached on Saturday. Oil ready which improved to the highest level of the week at Rs 13-6 on Saturday, came down a little, at the close, to Rs 13-4.

In the castor section, there was a distinct improvement at the close of the week. Castor May opened at Rs 107-8, gradually improved to attain the highest level on Friday at Rs 111-8, but closed fractionally lower at Rs 109-12. Sentiment in Castors was mainly influenced by heavy buying by prominent local speculators and covering by Saurashtra and South Indian traders.

Linseed was also firm for the greater part of the week. After opening at Rs 27-12, linseed ready closed firm at Rs 28 while February-March quoted Rs 26. Kardi and niger were placed at the close at Rs 14-8 and Rs 23-8, respectively.

Bullion

Bull Support

THANKS to reports that Government are taking steps to keep a close watch over smuggling activities, there was fresh bull support and bear covering, causing a firm-up in prices of bullion during the week. Bulls continued to hold a firm grip on the market, despite heavy arrivals of katcha silver and gold.

Gold arrivals on the last day of the week were reported to be around 2,000 tolas as against an offtake of 3,000 tolas. Arrivals of unrefined gold were placed at 4,500 tolas.

In the case of silver, arrivals and

offtake on Tuesday amounted to five bars apiece while arrivals of unrefined silver were 27 bars.

Gold Magsar opened at Rs 94-15 and after fluctuating between Rs 95-5 and Rs 93-12 closed at Rs 94-13. Gold spot bullion improved to Rs 94-14 on Thursday before closing at Rs 94-6.

Silver Magsar opened at Rs 174-0 and after touching a new low level of Rs 173-13 on the same day closed lower at Rs 173-10.

Indian Aluminium

SPURT in Indian Aluminium some days ago was due to factors which had been in operation for sometime to cause improvement in some Engineering and Miscellaneous shares. Some of these shares are being bought on dividend considerations or on rumours of capital reorganisation. Both these factors were responsible for the recent spurt in Indian Aluminium.

Recently, the Company announced an interim dividend of four per cent on ordinary shares. An extraordinary general meeting will be held on January 16 next to endorse a scheme to split the existing ordinary share of Rs 100 each to ten shares of Rs 10 each. This Company, which is associated with Aluminium Limited, a Canadian concern, has plans to establish a smelter of 10,000 ton capacity at Hirakud in Orissa.

To finance this plan, fresh capital will be necessary. On the assumption that the Company's present plan to split the existing shares into smaller units is a prelude to issuing right or bonus shares, Indian Aluminium were bid up some days ago.

West Germany Opens Window on South Asia

THE recovery of West Germany has ceased to be headline news. It is now an accepted and accomplished fact. So, when one is told that, West German steel production has lately been running at a rate higher than that of Britain, one is no longer excited about it. But what hopes does the industrial recovery of West Germany hold out to the under-developed countries of the world? We know more about West German exploits in Latin America than in this part of the world though the Federal Republic has staged a come-back to India also and in a big way. But it has done so in a form which is so very different from what it was before the war that few of the old names would be found among the German trade agencies that have set up business in India. Krupp-Demag, of course, have attained all-India fame. They are not only building the steel plant in Rourkela, but they have also taken the contract for planning a brand new steel town. They hope that the careful balancing of industrial requirements in this model steel town of Rourkela, will help the inauguration of similar projects in other tropical countries. But Krupp-Demag are not only supplying India; They are supplying and installing metallurgical plants in Egypt and Burma also. At the moment, they have under construction a steel plant in Egypt.

All this is from Handelsblatt, the well-known commercial tri-weekly published from Dusseldorf, which has brought out a special South Asian Number opening a trade window on this part of the world. Trade is, however, no longer the proper word, for the issue does not feature the bazaar scene, nor pagodas and palms. New markets are, of course, the aim for which West Germany's heavy industries and basic chemicals provide a solid foundation. Far from shrinking from industrialisation of Asian countries, West Germany actually welcomes it, for industrialisation opens up wide opportunities for selling equipment and supplying technical skill. And though the new factories of South Asia may produce consumer goods, experience has shown that a progressive raising of the standard of living of people brings about increased consumption also; so that, for example, despite the establishment of domestic industries in India, exports of con-

sumer goods from the Federal Republic continued to be 25 per cent of the total.

In this South Asian Number, the potentialities have been studied from the standpoint of German industry, and the situation in the countries of South Asia has been surveyed by well-known experts of the countries concerned. Thus, Shri B M Birla writes on India, the Chairman of the Pakistan Industrial Development Corporation surveys the situation in Pakistan, Indonesia is covered by her Director-General of Foreign Economic affairs and so on.

And turning over the advertisements in this lavish production, what names to conjure with: Jena Glass Works, Bayers for chemicals and dye-stuffs, Koppers, Humboldt; and there are, of course, many others.

The Federal Minister of Economics, Professor Erhard, writing under the caption "New markets are our aim", says that West Germany's foreign trade with West European countries and their overseas posses-

sions presently accounts for the major portion of her total foreign trade—but this by no means implies that the Federal Republic is confining its attention or even the weight of it to West European markets. "The aim of our trade policy is, and will remain, the opening of new markets, in which the Federal Republic can buy the necessary products for its economy and dispose of its goods". The recent liberalisation in West Germany, all the German contributors agree, holds out immense possibilities of expansion of trade with South Asia.

Professor Erhard concludes: "Possibilities are afforded in the countries of Southern Asia which, although fully appreciated in economic circles, have by no means been utilized to the desired extent. It would give me much pleasure if this Special Supplement contributes to a closer economic contact with the individual countries of Southern Asia."

This purpose will be adequately served.

Valuation as at 31st December, 1954 Reveals Excellent Position of the Company.

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CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1350.86	1335.72	1332.24	1212.05
2. Rupee Coin	108.14	109.04	109.08	104.59
3. Deposits				
a) Central Government's	54.18	51.35	56.82	67.79
b) Banks'	57.93	62.37	53.57	65.65
c) Other Governments'	5.99	10.15	14.25	7.72
d) Others'	15.67	15.48	15.27	34.59
4. Foreign Securities	647.06	647.06	647.06	663.15
5. Balances held abroad	69.55	71.24	66.28	69.40
6. Rupee Securities	563.51	553.57	548.61	417.74
7. Investments	50.52	50.43	50.07	87.13
8. Loans and advances to Governments	3.79	2.00	2.84	2.67
Scheduled Banks				
1. Demand Liabilities (net)	604.23	605.86	598.76	564.37
2. Time Liabilities	423.33	424.27	423.69	365.47
3. Cash on hand	34.11	35.27	35.20	33.16
4. Borrowings from Reserve Bank of which against Usance Bills	10.62	8.03	6.86	2.53
5. Advances and Bills discounted of which State Bank's	554.46	546.88	547.91	501.53
6. Investments of which State Bank's	95.10	93.07	94.86	98.60
Cheque Clearance	152.30	141.45	145.27	143.15

†For Reserve Bank and Cheque Clearance week ended 9-12-55. Scheduled Banks week ended 2-12-55

Bombay Money Rates	9-12-55	2-12-55	11-11-55	10-12-54
Inter-Bank Call Rate	2½	2½	2½	2½
3 months deposits	3	3	3	3½
6 months deposits	3	3	3	3½

Bombay Bullion	15-12-55	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	94-15	94-8	96-5	87-3
Forward	95-5	95-0	96-11	86-15

Silver (per 100 tolas)	173-0	173-6	171-6	153-11
Spot				
Forward	173-9	174-3	172-0	154-1

AREA AND PRODUCTION OF JUTE IN INDIA—STATEWISE 1953-54 & 1954-55

States	1953-54 (Partially Revised Estimate)	1954-55 (Final)
Assam	256.70	283.05
Bihar	303.47	302.10
Orissa	58.71	87.40
Uttar Pradesh	27.13	34.15
West Bengal	534.70	547.90
Tripura	15.00	19.25
TOTAL	1,195.71	1,273.85

Source: Agricultural Situation in India

SECOND ESTIMATE OF SUGARCANE 1955-56

	1955-56	1954-55 (Adjusted Estimate)	Change %
Area ('000 acres)	3,930	3,718	+ 5.7
Production ('000 tons)	50,282	48,103	+ 4.5

†Covers the period up to the middle of October 1955

INDEX NUMBERS OF SECURITY PRICES

(Base: 1949-50 = 100)

	3-12-55	Week Ago	Month Ago	Year Ago
Industrial Debentures	101.1	101.0	100.8	100.9
Electricity	102.5	102.5	102.2	102.5
Jute	98.0	98.0	98.0	98.8
Plantations	99.1	99.1	99.3	99.6
Sugar	99.0	99.0	99.0	99.3
Coal	90.6	90.6	90.6	90.6
General Engineering	100.9	100.9	100.9	101.0
Shipping	102.3	102.1	101.4	100.2
Others	101.1	101.1	101.0	100.8
Preference Shares	87.8	87.9	87.5	88.2
Electricity	95.4	95.7	96.3	96.7
Cotton	79.7	79.9	79.9	79.4
Jute	86.7	86.7	86.8	88.6
Coal	91.9	92.2	92.6	89.7
Iron and Steel	90.1	89.9	89.7	90.6
Sugar	86.2	86.2	84.9	79.7
Paper	87.2	87.2	87.1	92.0
Plantations	101.9	101.9	100.6	95.5
Miscellaneous	85.2	85.3	84.1	87.3
Govt. & Semi-Govt.				
Bombay	90.5	90.5	90.5	89.7
Calcutta	90.9	90.9	90.9	90.2
Madras	91.3	91.3	91.3	90.5

Source: Reserve Bank

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-Group	Week ending 26-11-55	Week Ago	Month Ago	Year Ago
I Food Articles:	322.2	320.7	322.8	323.4
Cereals	384	390	391	389
Pulses	332	323	322	250
Others	234	226	229	272
II Industrial Raw Materials:	421.4	419.5	409.7	442.3
Fibres	424	425	414	480
Oilseeds	406	403	394	400
Minerals	436	421	425	390
Others	452	452	423	441
III Semi-Manufactures:	340.8	338.8	332.2	348.1
Leather	385	382	341	376
Mineral Oils	202	202	202	221
Vegetable Oils	397	395	382	413
Cotton Yarn	415	410	408	455
Metals	277	277	276	240
Oilcakes	365	365	349	392
Others	330	330	330	306
IV Manufactures:	373.7	373.6	371.1	377.2
Textiles	406	406	402	422
Jute	427	425	400	461
Cotton	399	399	499	415
Rayon & Silk	479	479	479	448
Woollen	278	278	278	310
Metal Products	371	371	371	340
Others	284	284	284	285
V Miscellaneous:	543.4	542.4	557.8	592.0
All Commodities:	364.5	363.2	360.9	371.7

COAL PRODUCTION AND DISTRIBUTION

(Monthly Averages or Calendar Months)

	Raisings ('000 tons)	Despatches	Stock at Pit-heads
1948	2,485	2,155	2,262
1949	2,621	2,339	1,417
1950	2,666	2,401	2,008
1951	2,859	2,426	2,646
1952	3,019	2,566	3,519
1953	2,987	2,588	3,411
1954	3,064	2,662	3,771
1955:			
April	3,037	2,599	4,051
May	2,977	2,621	4,093
June	2,885	2,576	3,950
July	2,966	2,810	3,693
Aug.	2,958	2,926	3,380
Sept.	3,171	2,888	3,210
Oct.	2,921	2,787	2,914
Nov.	3,323	2,728	3,161
Dec.	3,503	2,747	3,468
1955:			
April	3,230	2,692	4,062
May	3,175	2,743	4,094
June	3,075	2,658	4,122
July	2,956	2,755	3,885
August	3,118	2,879	3,697
Sept.	3,378	2,802	—

Source: (i) Directorate of Statistics
(ii) Indian Trade Journal

INDUSTRIAL PRODUCTION

	Units	Sept.	Aug.	July	June	May	Apr.	1954	Monthly Average
I Consumer goods									
1) Cotton Textiles	Crоре yds	—	41.50	44.60	41.80	40.10	41.80	41.65	40.65
2) Woollen Manufactures	lakh lbs	20.40	18.72	18.78	17.44	15.54	17.36	15.63	16.04
3) Matches	'000 cases	—	52.70	49.00	50.10	50.10	24.67	47.70	51.5
4) Sewing Machines	Nos	9,608	9,132	8,536	8,200	8,401	8,207	6,301	6,683
5) Vegetable oil products	'000 tons	21.11	22.26	25.69	24.02	24.23	18.93	14.44	19.23
II Raw Materials or Intermediate goods									
1) Cement	'000 tons	350.1	373.7	349.2	329.5	375.4	364.8	342.50	366.5
2) Chemicals:									
a) Sulphuric Acid	tons	—	14,577	14,337	10,298	11,302	13,255	14,829	12,573
b) Caustic Soda	"	—	2,960	3,232	2,806	2,603	2,682	2,615	2,442
c) Soda Ash	"	6,018	5,367	7,193	6,768	5,509	6,570	3,788	4,024
3) Coal	lakh tons	33.78	31.19	29.56	30.75	31.75	32.33	29.58	30.64
4) Cotton Yarn	lakh lbs	—	1,370	1,440	1,330	1,250	1,300	1,301	1,255
5) Jute Manufactures	'000 tons	87.4	81.4	84.1	85.7	81.7	85.7	78.20	77.3
6) Non-ferrous Metals:									
a) Copper	tons	590	582	620	620	635.0	674.2	606.00	597.6
b) Aluminium	"	—	680.5	610.8	613	653.2	599.3	514.60	407.2
c) Lead	"	187.3	161.0	206.6	174.1	170.7	200.0	94.50	149.0
d) Antimony	"	40.0	40.0	36.0	50	75.0	80.0	35.00	44.9
7) Paints & Varnishes	"	—	3,280	2,676	2,396	2,104	2,373	2,777	3,068
8) Paper & Paper Boards	'000 tons	—	15.53	15.09	15.08	13.9	15.07	12.80	12.94
9) Iron & Steel:									
a) Pig Iron	'000 tons	—	148.50	148.2	144.5	150.9	152.7	153.40	149.4
b) Steel ingots & castings	"	—	142.80	137.5	133.1	143.0	144.6	146.40	140.4
c) Semi-finished Steel	"	—	126.00	119.6	117.5	123.7	124.0	126.00	121.0
d) Finished Steel	"	—	105.90	104.3	103.7	106.3	106.6	100.40	103.6
III Capital goods									
1) Machine Tools	'000 Rs.	—	601.30	612.7	718.2	598.8	381.2	382.10	416.9
2) Diesel Engines	Nos	—	821.00	909.0	795	801	893	624	721
3) Electric Motors	'000 HP	—	21.8	16.8	20.7	19.4	20.7	16.00	15.6
4) Power Transformers	'000 KVA	—	42.9	46.6	47.2	41.5	40.0	35.60	33.3
IV Transport Equipment									
1) Bicycles	'000 Nos	45.71	40.21	38.74	42.81	41.04	39.41	29.71	31.03
2) Automobiles	Nos	1,950	2,061	1,865	2,083	1,953	1,607	1,293	1,205

Source: (i) Directorate of Industrial Statistics
(ii) Indian Trade Journal

The Economic Weekly

A Journal of Current Economic and Political Affairs

(Established January 1949)

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Volume VII—No. 52

Eight annas

Let's look at PROGRESS—Stanvac Quiz No 6

YOU KNOW THAT INDIA'S 5-YEAR PLANS MEAN A BETTER LIFE FOR ALL. BUT DO YOU REALISE THE PROGRESS ALREADY MADE UNDER THE FIRST 5-YEAR PLAN? TEST YOUR KNOWLEDGE AGAINST THE QUESTIONS AND ANSWERS BELOW.

1 MANUFACTURE OF RAILWAY WAGONS IN INDIA HAS MADE GOOD PROGRESS. IN 1954-55, THE NUMBER OF WAGONS BUILT REACHED:

- A) 3,559
B) 10,689
C) 12,121

2 EXPORTS ARE VITAL TO A COUNTRY'S ECONOMY. IN INDIA'S EXPORT TRADE, LEATHER FOOTWEAR IS AN IMPORTANT ITEM. IN 1954-55, EXPORTS TOUCHED:

- A) 1,570,500 PAIRS
B) 523,200 PAIRS
C) 261,100 PAIRS

STANDARD-VACUUM ARE PROUD TO PRESENT THIS TOPICAL INFORMATION ON INDIA'S PROGRESS—AND PROUD THAT OUR THREEFOLD ACTIVITIES OF PRODUCING, REFINING AND MARKETING OF PETROLEUM PRODUCTS ARE CONTRIBUTING TOWARDS IT.

3 INDIA PRODUCES MORE TEA THAN ALL THE OTHER COUNTRIES IN THE WORLD PUT TOGETHER! IN 1954-55, INDIA'S EXPORTS OF TEA AMOUNTED TO:

- A) 455,433,000 LB.
B) 651,701,000 LB.
C) 151,811,000 LB.

4 SUGAR REFINING IS THE NATION'S LARGEST FOOD PROCESSING INDUSTRY. IN 1954-55, THE AMOUNT OF SUGAR PRODUCED BY THE COUNTRY'S FACTORIES REACHED:

- A) 525,000 TONS
B) 296,000 TONS
C) 1,570,000 TONS

ANSWERS

1 10,689 WAGONS—NEARLY THREE TIMES MORE WAGONS THAN IN THE FIRST YEAR OF THE PLAN!

2 1,570,500 PAIRS OF LEATHER FOOTWEAR WERE EXPORTED, EARNING FOREIGN CURRENCY TO BUY VITAL IMPORTS!

3 455,433,000 LB. OF INDIAN TEA WERE EXPORTED TO COUNTRIES THE WORLD OVER, EARNING OVER Rs. 146 CRORES!

4 1,570,000 TONS OF SUGAR—AN ALL-TIME RECORD, EXCEEDING THE TARGET FOR THE END OF PLAN BY 70,000 TONS!

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If Not in Five Years...

THERE is growing interest in economic development. Aspirations have run high ever since Independence; they are now running higher still. The rate of spending in this last year of the first Plan, we have it on the authority of the Finance Minister, has been speeded up so fast that at the end of it no one should be able to say that achievements, at least in regard to the First Five Year Plan, have fallen far short of the target. If 85 per cent of the allotted expenditure is actually incurred by the end of the financial year, it should be considered fair enough. This may or may not impress everyone of us. Some may shrug their shoulders and say, the First Plan was child's play compared to the task that has been set for the second Five Year Plan. The target for the second Plan has been raised further. This was to be expected, considering that estimates of expenditure have a way of going up when projects come to be looked into more closely. And they go up even higher in the process of actual completion. This happens, not unoften, even without any substantial changes such as rise of prices, difficulties of importation or worsening of the international situation.

Higher targets, however, have to be matched by greater efforts, but efforts in which direction? This was the crux of the problem when the Draft Plan-frame was presented. Since then, various issues raised by the Draft Plan-frame have been widely debated. Controversy has raged on several fronts—the relative shares of the private and public sectors in the allocation of investment; proper balance between consumer goods and producers goods, particularly heavy industries; and finally, the respective claims of village and household industries on the one hand and of the organized consumer goods industries, which are all in the private sector, on the other.

Apart from ideological grounds, the claims for factory industries producing consumer goods has been buttressed by the argument that an adequate supply of consumer goods has to be ensured in order to match the increase in money incomes resulting from the heavy investment that is being planned. On the other hand, on ideological grounds as well as on the ground of employment, a politically influential campaign has been launched in favour of village industries. Countering this claim, the over-riding consideration of efficiency and productivity was also being presented, rather haltingly and apologetically, by Government economists as well as by others who can speak more freely. In this welter of controversy, however, the problem of finding adequate resources for the Plan has almost been lost sight of.

This may appear too sweeping a statement, but it is not. This was brought out clearly at the last meeting of the Panel of Economists which was called upon to advise the Government. The review of the progress made so far in the formulation of the Plan given by the Finance Minister on this occasion further confirms it. It is not that economists are able to contribute much in Panel meetings. These meetings serve more as occasions when the Planning Commission is provoked into laying its cards on the table and taking the public into its confidence on the various controversial issues. As the full text of the memorandum prepared by the Planning Commission for the Panel meeting has not been

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released, but what has appeared in the Press is revealing enough.

It would be unfair to suggest that all the members of the Panel were equally unaware of or unconcerned about the extent of the gap in resources or that they were unwilling, if not unable, to show the same boldness in suggesting the means that they had done in upholding the ends. True, there were some who thought that the outlay proposed in the public sector was "on the high side" and that it would be desirable, "if possible", to reduce it somewhat. The general view, however, according to a PIB handout, was that in view of the amount sought to be deficit-financed, "it was essential to pay special attention to the kind of social and economic climate necessary to increase the resources available to Government" and also "to have ready for implementation an appropriate scheme of regulatory measures for preventing the emergence of inflationary pressures in the economy".

Major increases in allocations proposed are for transport and communications, principally railways and for industries in the private sector; this is partially offset by a cut in heavy industry, but social services get more. So the final total of investments planned for the public sector

goes up from Rs 4300 to Rs 4800 crores, and that for the private sector from Rs 2200 to Rs 2300 crores.

The Draft Plan-frame left a gap of Rs 800 to Rs 1000 crores in resources after allowing for deficit financing, of Rs 1000 to Rs 1200 crores and taking credit for external assistance for Rs 400 crores. This gap has now been reduced by half to Rs. 400 crores. But how? Largely by the simple process of doubling foreign assistance to Rs 800 crores, raising the total of loans by Rs 200 crores, and taking larger credits under Provident Fund and other debt heads. The real effort towards closing the gap is represented by 100 crores of additional taxation and another 100 crores from railways. The months spent on discussions on deficit financing have only brought the realisation of the necessity of appropriate counteracting measures, in case....

The increased resources for the public sector will roughly cover Rs 1000 crores current expenditure out of the Plan outlay of Rs 4800 crores leaving the investment part of it, viz, Rs 3800 crores, to be financed by draft on private savings. And to this has to be added the investment requirements of

the private sector, now put at Rs 2300 crores. Obviously the Finance Minister has been encouraged by the recent signs of improvement in the money market, but has not stopped to consider how larger savings in the urban centres can be reconciled with the social objectives of the Plan, the realisation of which is equally essential for the full implementation of the Plan. For the Plan outlay to be reached, saving will have to be stepped up from its present rate of 6 per cent of the national income to 10 per cent by the end of the Plan period. How is it to be done? On the basis of voluntary decisions as to savings and consumption? This is precisely the social policy set for the Plan, for development with stability. Had not there been an election ahead, probably the Planning Commission would have spelled out the objectives differently and more clearly: No deficit financing beyond what is needed to maintain an adequate money supply (400 to 500 crores); no development beyond what can be conveniently financed from near-present rates of taxation and borrowing. After all, if resources do not flow in, the Plan can be extended to six years or more. It will come to that in any case, since the public sector is slow in spending.

Sudan Plumps for Independence

IN the three-cornered fight between Cairo, Khartoum and London, Khartoum has won a dramatic victory. While London and Cairo have been pursuing a strategy of indirect approach, Khartoum has won the battle by its surprise tactics. It has out-manoeuvred both its opponents. The Sudanese Parliament passed a resolution declaring that the Sudan was to become a "fully sovereign Republic". The Governor-General was requested by the Sudanese Chamber of Deputies to ask the co-dominion Powers to recognise forthwith the Sudan's status as a sovereign Republic. A five-man commission is to assume the powers of Head of State. A Constituent Assembly is to be formed to frame independent Sudan's constitution. Thus the Sudanese Parliament has, through unilateral action, ended a prolonged period of hesitant and halting negotiation.

Since the start of the dispute between Egypt and Britain, the Sudan has emerged as a problem. Britain never denied Egypt's moral claim to the Suez Canal. But London

never accepted Cairo's claim that the Sudan was part of Egyptian territory. Cairo was prompt in recognising that it could not stick to its original claim. Both Britain and Egypt advanced claims and counter-claims about the Sudan. Both offered the Sudan independence through union with their respective countries. London soon discovered that Khartoum was not enthusiastic about Sudan's future status as an associate of Britain. Whether with more skill and diplomacy, Cairo could have secured Khartoum's consent to union with Egypt, must now be regarded as barren speculation. When Major Saleh Salem failed in his mission, it became evident that the Sudan was not in favour of union with Egypt.

When both London and Cairo discovered that Khartoum was determined to reject the claims of both, they signed the Condominium Treaty in 1953 empowering the Sudan to decide its future status. Elections were held so that Parliament could convene a Constituent Assembly to decide the issue. Then followed a

period of stalemate. To end the uncertainty, Khartoum demanded a plebiscite. Egypt accepted the suggestion promptly. After some hesitation, Britain agreed to hold a plebiscite to decide the issue. To enable the holding of a plebiscite under the joint auspices of the co-dominion Powers, the Treaty of 1953 was amended. A seven-nation neutral commission was established to supervise the proposed plebiscite. Meanwhile, in Khartoum the situation had been changing rapidly. Developments indicated that the politically conscious elements in the Sudan had been clamouring for a speedier solution of the problem. Resolutions passed by the Sudanese Chamber of Deputies reflect the political cross-currents in Khartoum.

Two factors have helped the Chamber of Deputies to take the initiative. Some days ago, leaders of the two religious sects arrived at an agreement on the Sudan's political problems. EL Mirghani, leader of the Khatmia sect, and EL Mahdi, leader of the Ansar sect, came to an under-

standing to form a "united national front". EL Mirghani's move meant that the Ashigga Party, the only organisation in favour of union with Egypt, was now reconciled to independence for the Sudan. Through union, these two influential sects were in a position to dictate terms to Sayed Ismail el-Azhari and his Government. It is evident that Azhari has, in his turn, taken the initiative to retain his position and prestige. As soon as he discovered that the rival sects had patched up their quarrels, he encouraged the Chamber of Deputies to take moves to prevent the slow and complicated procedure of a plebiscite.

Khartoum's political moves have been hastened by the recent ugly developments in southern Sudan. If Khartoum demands independence in preference to union with Egypt, southern Sudan claims a recognised status in the future independent Sudan. Tribal chiefs in the south are suspicious of political domination by northern Sudan. Though the August rebellion in the south was quelled, the situation in southern Sudan remains grave. This is an aspect of the Sudanese problem which may be exploited by either of the co-dominion Powers. Khartoum is not unaware of this potential source of trouble. In anticipation of some such danger, the Sudanese Chamber of Deputies has passed a resolution that southern Sudan's demand for a federal status should be duly considered by the Constituent Assembly. This has been a wise move. It is clear that an agreed constitutional arrangement between the two parts of the Sudan is an essential condition for peaceful progress of the future, independent Sudan.

Basically, this is a problem which the Sudanese must solve themselves. But the co-dominion Powers can be of help. Though there may be internal political differences and disputes, on the fundamental issue of the Sudan's future status, there has been unanimity within the country. And it is good that the co-dominion Powers have also decided to accept the realities of the situation. Whatever the future brings, close co-operation between Cairo and Khartoum is an essential condition of progress in both Egypt and the Sudan. Wisdom, therefore, dictates that Cairo should encourage Khartoum further to stabilise its new status so as to facilitate friendly relations between Egypt and her neighbour in the future.

Annual Number 1956

THE next Annual Number of The Economic Weekly will be issued on January 26, 1956, and will contain a minimum of 120 pages bound neatly in art cover. It will be priced at Rs 2/8/- per copy.

This bumper issue will highlight the major questions of policy and analysis that arise in connection with India's Second Five-year Plan. The size of the investment budget, the widening gap in resources, policy in regard to large and small scale industries, the employment potential of the next Plan—these and many other related issues will be adequately covered.

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Weekly Notes

Supreme Court Rebuffs Again

WHATEVER one may think of the Constitution which Dr Ambedkar gave us, Government certainly will have little reason to feel happy about the work of the Law Ministry to which must have fallen the prosaic task of fitting the then current laws into the frame-work of the Constitution. Whenever some body has the necessary resources and the determination to press the issue and carry it far enough, Government gets it in the neck. And, quite undeterred by the snubbing it gets from the Supreme Court, it sets about doggedly, to revalidate what had been declared to be invalid. To be fair, this is done when the issue in question involves larger purposes of the State. Where, without such rectification, the execution of important State policy will be held up, the final recourse is an amendment of the Constitution. On occasions Government has not shrunk from amending the Constitution.

But where this extreme remedy is ruled out, attempts to validate invalid sections of existing Acts some times leads to a situation which perplexes the layman. A case in point is the Act which set up the Income Tax Investigation Commission. After the reverses that Government suffered in the Supreme Court, this Commission, Shri M C Shah, Minister for Revenue and Civil Expenditure, stated in reply to a question in Parliament, has not exactly been disbanded but has been put into cold storage. That is what he meant though the actual words used by the Hon'ble Minister were "the Commission had been formally kept in existence for the investigation of certain cases" such as those under the Travancore Taxation on Income (Investigation Commission) Act and for dealing with certain miscellaneous pending matters, both administrative and legal, such as custody of records, rectification of mistakes and references, and suits both by or against the Commission.

What the Hon'ble Minister did not tell Parliament was that after the decision by the Supreme Court in May last year that Section 5(4) was ultra vires, the designation of the "Authorised Officials" of the Income-tax Department who had been working for the Investigation Commission had been changed into that of

Income-tax Officers, Special Circles. There was another change. Instead of reporting to the Commission, they now report to the three Directors who have been appointed to look into these 'special' cases, not called so by name, in order to avoid the stigma of discrimination that is forbidden under the Constitution.

Business as Usual?

TO carry on business as usual, the Income-tax Act had been amended, first by an ordinance which was later regularised by passing a Bill in Parliament, by which a sub-section was added to section 34 of the Act to enable the Income-tax Department to reopen cases going back to the period beginning on 1st day of September 1939 and ending on 31st

day of March 1946—the period of war profiteering and large concealments—but only in those cases where the income which escaped assessment for any such year or years was likely to amount to Rs. 1 lakh or more. Here's the rub, as a layman sees it. But did not the Law Ministry smell discrimination in this provision? The Supreme Court held this week, inter alia, that the above amendment had made section 5(1) of the Investigation Commission Act obviously discriminatory, and it was, therefore, ultra vires of the Constitution.

What happens now? Some more legislative contortions or a spell of hard work for a change for the Law Ministry to straighten out Income-tax Laws once for all?

Dr Lohia has a Field Day

THE above may be cited as an example, from a common sense point of view, of illegality arising from a lack of formal consistency; the difference is between tweedledum and tweedledee over which lawyers waste their time. To the latter, of course, such a view appears not only heretical and disrespectful, but utterly wrong headed. For judges administer the law as it is laid down; it is not their business either to help the Executive or to dispense justice in the commonly understood sense of the term. If the law so often turns out to be an ass, clearly it is the legislators who should be blamed.

There is another kind of illegality which arises in the administration of law—the familiar cases are those of infringement of civil liberties—in which it is not clear whether the administration is to blame or the Law Ministry, the former for exceeding its discrimination or the latter for not removing much deadwood from the legal system—Sec. 144 of the I P C and the rest of it. And so Dr Lohia goes round the country, having a field day. He is doing good work that way and is helping Nehru's Government in a very constructive manner but one wonders if instead of being left to private enterprise, the matter could not be and should not be handled more competently by the public sector, at an expert level, by the Law Ministry or any other department of Government which is supposed to be responsible for handling these things.

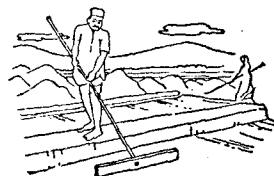
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Employees' State Insurance

THE Employees' State Insurance Corporation at its meeting last week considered the report of the Actuary on the financial aspects of medical care and decided to extend the medical benefits under the scheme to the families of the insured employees also. In doing so, the Corporation has conceded a long standing demand of the employees, which it had accepted in principle, but not given effect to earlier, in view of the uncertain financial implications of the extension of the Scheme.

The Actuary has reported that the finances of the Corporation will permit of an extension of the benefits. However, this raises an important question. How does the Actuary recommend the taking over of additional responsibility in respect of employees' families with the same financial resources as before? It could only mean one of two things: either the Corporation was so far collecting contributions in excess of the cost of medical care that it provided or that it was not providing adequate medical care at all, or that the insured persons were not making use of the facilities offered by the Scheme.

Another aspect of the scheme which must be causing serious concern is the system of provision of treatment through a 'Panel' of doctors. A review of its working has led the Corporation to suggest that the Panel should be substituted by the Service system in Punjab. It appears necessary to find out whether the Panel system is really effective, whether the right kind of medical men enroll themselves on the Panel and whether the employees insured are inclined to go to the doctors to whom they are attached.

The provision of hospital facilities has so far been confined to reservation of beds in existing State hospitals exclusively for the treatment of employees. The scheme envisaged the construction of additional hospitals jointly by the Corporation and the State Governments. Another decision of importance taken at the last meeting was that State Governments or the Corporation would be free to undertake construction of hospitals on their sole ownership. To the extent that it may speed up building of hospitals, this decision is welcome, in view of the extension of medical benefits to the families of employees.

British Labour Party

IN timing his retirement, Clement Attlee seems to have succeeded in choosing his successor. It was an open secret that he did not like Mr Morrison to succeed him; uncharitable commentators have alleged a long-standing personal animosity between Mr Attlee and Mr Morrison. It is not necessary to assume any such animosity to appreciate Mr Attlee's disapproval of Mr Morrison as the next leader. Mr Morrison is committed to the extreme Right wing of the Party. If the leadership had passed on to him, it would have prejudiced the future of the Labour Party.

Mr Attlee chose the moment of his retirement for a dual purpose. If he did not like Mr Morrison to succeed him, he did not also support Mr Bevan's claim. In the last three years, Mr Attlee has, in his quiet but ruthless manner, succeeded in overcoming, for the present at least, the growing Bevanite challenge. He has

THERE will be no issue of The Economic Weekly on December 31, 1955, as the office will remain closed on account of Christmas and New Year holidays.

We, therefore, take this opportunity of wishing all our readers and patrons a Happy Christmas and a Prosperous New Year.

achieved this by yielding to Mr Bevan on some crucial issues. In Mr Bevan's own camp, there are now aspiring politicians who do not support him on all the issues. Like Mr Morrison, Mr Bevan, too, is committed irrevocably to one wing of the Party. Mr Attlee does not want the Party to be weakened through dissensions. Mr Bevan's succession might have split the Labour Party.

Mr Gaitskell's nomination as successor to Mr Attlee was a foregone conclusion. It was common knowledge that he was being groomed for it. Transport House likes his Right-wing sympathies. As Transport House dominates not only the party machine but also the Parliamentary Labour Party, Mr Gaitskell's choice was almost inevitable. He is a brilliant economist. His integrity is beyond dispute. He has something else, which his former Chief, the late Sir Stafford Cripps, lacked. Transport House always

suspected the late Sir Stafford as a visionary. Mr Gaitskell is more acceptable to Transport House as a realist. Bevanites may resent Mr Gaitskell's Right-wing affiliations, but the moderate Left has welcomed Mr Gaitskell's brilliant performance during the debate on Mr Butler's supplementary budget.

Mr Gaitskell is young. He is able. He is ambitious. His nomination should, normally, perpetuate his leadership for many years. Well-wishers of the Labour Party hope that he will reach a compromise agreement with Mr Bevan to further the interests of the Party. Mr Morrison has resigned, and Mr Bevan may not choose to function as Mr Gaitskell's deputy. Political incompatibility between Mr Gaitskell and Mr Bevan is no secret. But, it is hoped, that in the wider interests of the Labour Party, both will agree to lead the Party in partnership. Mr Bevan has shown his disinclination to disrupt party unity. But it would be wrong to base conclusions on purely personal equations. Today, the British Labour Party is at the cross-roads. It is more than time for the Party to decide whether it should stay Labour or turn Socialist. On Mr Gaitskell's statesmanship depends whether the battle for succession will be fought again in the near future.

Malaya

TWO tentative conclusions will be drawn from recent developments in the Malayan peninsula. Whitehall seems reconciled to the view that self-government is the best antidote to Communism. Those who are convinced that colonialism is the major menace to peace, as well as a constant invitation to Communism, will welcome this belated realisation by Whitehall. If Whitehall does not go back on its promises to the Chief Ministers of Singapore and of Malaya, it is to be presumed that London, unlike Washington, has arrived at the conclusion that the Communist menace to south-east Asia is no longer immediate or urgent. Since the Geneva Agreement on Indo-China, many informed persons have been inclined to the view that SEATO is an irrelevant intrusion. One wonders when, if ever, Washington will endorse what London now accepts by implication.

When Mr Marshall, Chief Minister of Singapore, returns to his country after his successful mission to Lon-

(Continued on page 1531)

Letter to the Editor**Economics of Co-existence**

IN the editorial in your last issue entitled, "Economics of Co-existence", you express preference for aid at Government-to-Government level. But what does India want? Money? Or technicians, and plant and machinery? I think, the latter, men particularly. That being so, how can governmental level aid or aid through international agencies help India? This is what you say: "... the fact is that we are aiming at a pattern of development which leaves only limited scope for the association of western capitalist enterprises with our development. The West has failed to develop, or we have failed to work out, a modus operandi through which adequate assistance can come forth and be effectively utilized. Russia has not to face those impediments which capitalist enterprise puts in the way of the western powers."

Capitalist enterprise puts impediments in the way of western powers. That's precisely the point. Thus,

even Government-to-Government, or an international agency aid cannot adequately ensure technical knowledge to native engineers. Here you assume duality between Western Governments and Western private capital. I doubt how realistic your interpretation is. But, you will surely agree, that no such duality can exist in Communist Russia.

Now recall the presidential address of Mr G A S Slim at the annual general meeting of the Associated Chamber of Commerce:

"(The foreign investor) ... looks for conditions which enable him to send to and retain in India a reasonable number of his own nationals to look after his interests".

Industrial progress (meaning ability to industrialize through own resources and skill) in Communist satellite countries is now widely advertised. Similar development can be expected though Indo-Soviet mutual trade and economic co-operation. Your third para from the

end is liable to the interpretation that western private capital is opposed to Avadi. But, that is either beside the point, or alternatively, just the point which supports my thesis.

There is one aspect about the thesis I was developing on which I have doubts. Russia can depend on Nehru. Russia, I presume, has come to the conclusion that Congress will rule India for, at least, a decade more. But when Nehru is no more, what sort of Congress will rule India? T T K said in Calcutta that the "socialistic" pattern does not mean socialism in India! Without Nehru, Congress will be Hindi-speaking, Amber Charkha, Khaddar-capped Right. Or, have Moscow's astrologers assured Krushchev that Nehru will live and remain PM for at least a decade? Do you know the answer? I don't.

"Curious"

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A Study in Mass Reaction

Soviet Leaders' Visit and After

INDIA is certainly becoming world-conscious. This has always been true, relatively speaking, of her educated classes who imbibe their learning through the medium of English and therefore know much more about the history and geography of England or of Europe than about their own country and their own past. The Indian daily Press has pandered to this foreign-mindedness and toed the line. Though Indian news is appearing more and more on the front page, even today foreign news gets the pride of place in the Indian newspapers in striking contrast to the popular press in any other country.

This foreign-mindedness, however, can be ascribed only to the microscopic, educated minority and however much ordinary people may try to imitate their superiors, it can be said that the masses do not suffer from the same obsession with things foreign. True enough, they have respect for the achievements of the foreigner. Villayet is still the el Dorado, America the land of superlatives, and to such as have found knowledge of world affairs percolating to them, Russia and the Soviet world appear as the land of heroes—countries that have challenged, and challenged successfully, the might of the West. How much this admiration is also tinged with vicarious pride for the latter's achievements in uplifting the worker and the peasant, is, however, an open question.

Demands of Policy

That question is being raised, insistently and embarrassingly, by the mass popular receptions extended to the Russian visitors. Indeed, the number of foreign politicians and potentates who have been lately visiting India is as noteworthy as the popular receptions accorded to them. Government, of course, may have its own reasons for impressing visitors with the warmth of popular welcome; and the warmth may also be carefully graded according to the demands of State policy. This is apparent in the State arrangements made for receptions to the King of Saudi Arabia and that of the King of Nepal, who have appeared one after the other. But that does not explain the crowds in the streets, the people lining up along roads to have a glimpse of the Saudi king. One could

understand Muslims' enthusiasm for the keeper of the holy places of Islam, but in Bombay at least the reception was by no means an all-Muslim affair. And what is one to make of the mass enthusiasm for foreign leaders which far exceeded the enthusiasm shown by the people for their own leaders, Pandit Nehru not excluded? Calcutta has known great crowds receiving Mahatma Gandhi or Jawaharlal; but the crowds that turned out to welcome Bulganin and Khrushchev, by all counts, outvalled by far those drawn even by Jawaharlal or Gandhiji. How does it happen? One could understand it if the visitors were none other than Stalin, who had become in the people's eyes a historic figure of world eminence. Certainly none of the present Russian leaders measure up to that.

Curiosity and Tamasha

Due allowance must, of course, be made for people's curiosity for the exotic and pre-occupation with things foreign—anything vilayeti is good—and the weakness of the Indian crowds for tamasha, and, of these again, Calcutta crowds are the most excitable and Bengalis emotional. There is also a strong ambivalence in people who have just won their political independence. The age-old resentment against the West is as deep to-day as it was ever before despite the deceptive imitation of Western ways by top classes and the always-deceptive politeness of the Indian to the Westerner. Any nation which could resist or challenge British might was only too likely to evoke our admiration. The Boers were heroes in our eyes; Germany drew our admiration, and this was the reason why the INA could capture the imagination of so many people, however difficult the very same people might have found it to swallow the exploits of Japan. How much of this element was behind the welcome to the Russians? Between the resurgence of Asian pride and Russia's successful challenge to the West, there need be no identification. Many Westerners resent that Russia should to-day pose as an Asian which she is not.

The first re-actions in Delhi were summed up by our correspondent as follows (the despatch was delayed in transit and could not appear in time,

and the lines were written when the visitors were still there):

"It is easy to see in the rousing reception the people of Delhi accorded to the Russian leaders the growing popularity of Communists or even Communism. One has to go below the surface if one is correctly to interpret popular feelings. In fact, the people, swept by a wave of intense national feeling, were only returning the welcome Shri Nehru had had in Russia. They took it as a matter of national honour and did their best to excel the Russians in the game. And they did beyond expectations. Indeed, the Russian receptions paled before the Delhi welcome. That a country where welcomes can be ordered and organised strictly according to pre-arranged plans was beaten is in itself a measure of our national sentiment. This is not to deny that official encouragement and even pressure were at work behind the show that was put up. But this pressure element was present precisely in circles which shun everything connected with Russia like poison.

A Sales Drive

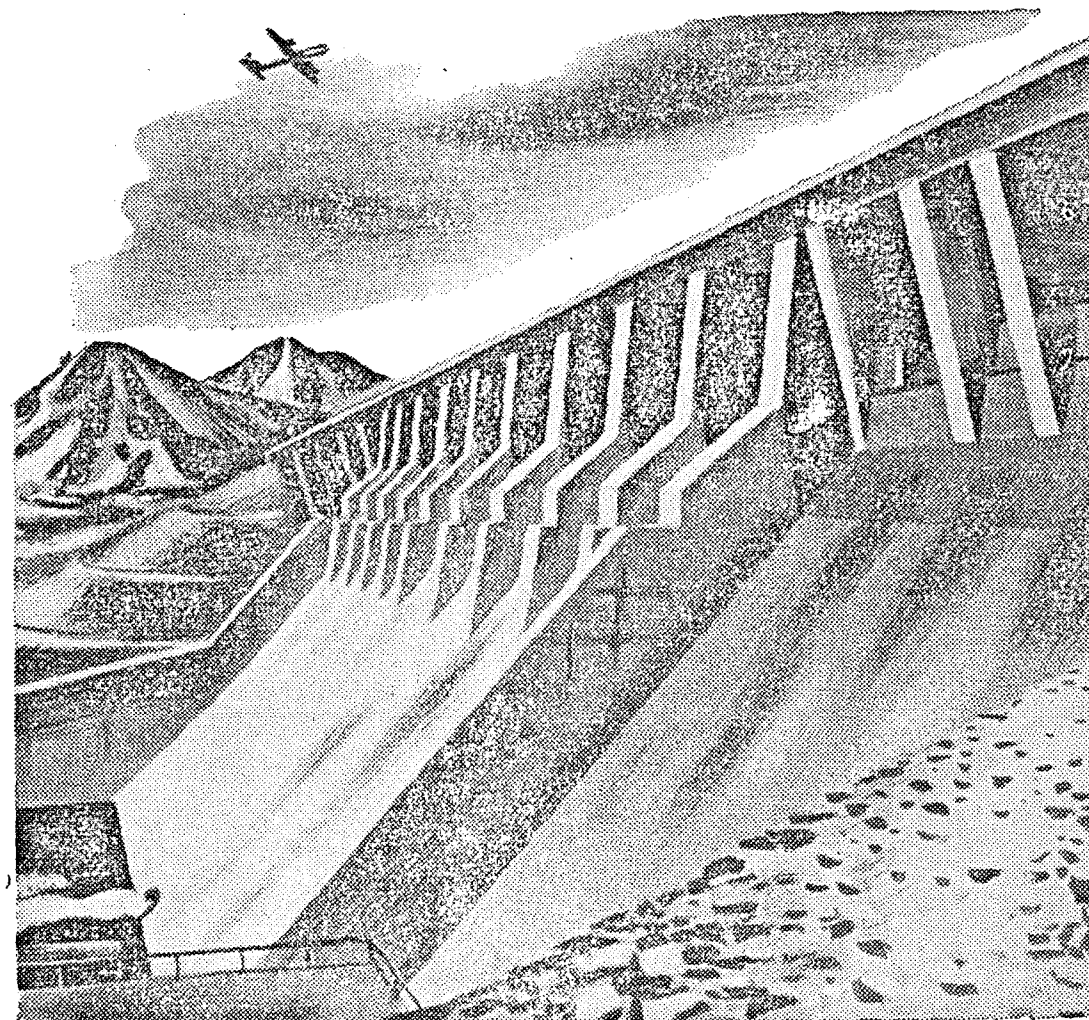
"The Western Press has seen in the visit of the Russian leaders a sales drive, but the commodity to be pushed cannot be neutralism for India is already wedded to Panch Shila. Meant seriously or not, the Soviet leaders have offered to share with India their industrial and scientific experience. This bid for Indian friendship finds expression even in the Industries Fair, which the Communist countries alone seem to have taken seriously. Instead of displaying costly household gadgets and durable consumer goods, they have put on show heavy equipment which India would need for her planned development.

"One would be wrong again, to call the Russians super-salesmen. Whatever may be their intentions, they are as blustering and as ill-informed as the average American. Their patronising tone is as likely to offend Indian sentiment as does the American. At the Qutab Minar, M Khrushchev, innocent of Indian history, dropped a brick when he pompously claimed that the old historic monument was built with slave labour. Little did he know that slavery was never the basis of production in

India. Nor did the kings of the Slave Dynasty rise as popular leaders. At Agra he seemed to be unaware that Indians at the time of the Great Moghuls were not starving to death."

At every street crossing in New Delhi, traffic was held up while traffic islands were decorated for Bulganin's visit. And as you waited in your car or your taxi, the loud-speaker blared at you

"you have seen what a reception Russia gave to Pandit Nehru; you must turn out in lakhs to give a similar reception to Marshall Bulganin". It was not intended to make the



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Probe Into British Tyre Industry

FROM press reports, it is not possible to assess fully the results of the labours of the British Monopolies Commission which had been studying the tyre industry and trade for the last three years. But its unanimous recommendation that the present system of consultation among manufacturers on prices should be ended and the majority recommendation that manufacturers should no longer be allowed to make retail prices in any way binding on dealers has given rise to a piquant situation. Dunlop, who control nearly half the British business, contend that it is wrong to suppose that because uniform retail prices prevail under the present system of consultation among manufacturers, they would be different if there were no consultations. Neither does the Commission think so, but nevertheless it recommends — and all the members of the Commission agree — that the trade association consultations, consultation on costings and recommendations on prices should be abolished, being against the public interest. Even when this is done, there may not be much price competition but the Commission feels that "it is certain with them there will be less".

The Tyre Manufacturers Conference, on the other hand, maintain that without voluntary consultation among manufacturers on prices, there would be cut-throat competition in the industry, as a result of which weaker manufacturers would be eliminated and the survivors will have to raise prices in order to recoup their losses from the rate war. So, motorists will have to pay more eventually.

The enquiry has thrown some light on one aspect of the monopolistic competition of which the public had hitherto little knowledge viz. secret discounts paid to distributors. This shows that though tyre manufacturers fixed identical prices for the ultimate consumers, they might not have been getting identical prices themselves. There is, therefore, competition so far as dealers are concerned; but the manufacturers do not allow the resulting price cuts to be passed on to the ultimate consumer.

The Indian Tariff Commission did not, however, approach the problem from this angle; its task was cut out for it differently by its terms of reference. The Commission, how-

ever, had also in view restoration (or introduction?) of competition in the tyre business. To this end, it recommended that some import should be allowed and at least one new unit should be encouraged to set up production; besides, it also wanted wider Indian participation in the capital employed in the industry. The structure of the industry here follows closely that of Britain. To quote from the Economist: Only 11 companies make tyres in Britain, though three more "manufacturers" have their branded tyres made for them by others. Seven are foreign-controlled: Goodyear, Firestone and Dominion are owned wholly, and North British owned up to 50 per cent, by American companies, Michelin and Bergougnan by French, and Pirelli by Italian. British tyre and Rubber was originally owned by Goodrich, but the American company sold most of its holdings in 1934. Avon has some technical liaison with Sieberling of Akron; Henley's, John Bull and Davies are smaller companies with no foreign connections; and India, the second largest British-controlled company, is owned by the largest, Dunlop.

Dunlop is by far the largest manufacturer in Britain: in 1951 and 1952, with its India subsidiary, it accounted for about 47 per cent of the tyre industry's turnover, and for more than 40 per cent of the industry's "loose" tyre exports; it has also ten tyre manufacturing subsidiaries and associate companies overseas. Even so, tyres account for not much more than half of Dunlop's productive capacity.

The tyre manufacturers also account directly for about a quarter of retreading business (by value) and supply most of the materials used by the hundred or so other concerns that do retreading. Dunlop and India in 1952 did about eighth of retreading turnover, and another eighth through two retreading companies owned secretly, Regent and Tyres (Scotland); in 1953 Dunlop openly bought another major retreading company, and the Monopolies Commission thinks it probable that the group is "now responsible for well over 30 per cent of the total sales of remoulds".

The three-quarters of new tyre out-put sold at home go to four different markets, with different trading terms.

Original Equipment for new vehi-

cles: Sales to the largest vehicle makers are subject to no restriction, but in 1952 the Commission found that most of them were charged identical prices for tyres of the same size and type in similar quantities — about 40 to 60 per cent below retail prices. Less important vehicle manufacturers are charged identical prices, which follow a Dunlop list.

Under Mileage contracts the makers keep passenger transport operators' fleets adequately tyred: the tyres remain their maker's property, being serviced and replaced as necessary. A common formula, which gives a rate per vehicle mile, is used with the schedule of identical retail prices and quarterly statistics of operation to set the basic fee.

All contracts for Government business are put out to competitive tender.

Retail sales in the Replacement market are done at identical prices for the same size and type of tyre. These retail sales are also altered simultaneously. There is no binding agreement on manufacturers to set common prices, though the Tyre Manufacturers' Conference makes quarterly estimates of future costs using returns from ten of the eleven makers, and recommends price changes based on these. Tyres remoulded by the manufacturers are also maintained at identical prices; the other retreaders have an association that recommends minimum prices—usually at a similar level.

Another interesting sidelight: Dunlop has been secretly buying its way into the distributive trade and currently controls about 20 per cent of tyre distribution in Britain, though half of its sales are of other makers' tyres!

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Is Marshall a Free Agent?

(From Our Singapore Correspondent)

NOW that the world has left the days of private diplomacy behind, it appears that every official dignitary from Prime Minister downwards tries to claim support from every other country for his own point of view. In this attempt to make others comment, victory is assured whether the other country's Prime Minister keeps quiet (implying agreement) or speaks out (implying that he is important enough to be commented about). It is against this background that the recent visit of Mr David Marshall, the Chief Minister of Singapore, to India must be assessed. Singapore is a small "country". It is split into innumerable factions, both racial and economic. Even within the sub-divisions of Chinese or South Indians, there are sub-sub divisions which, until the Japanese war at least, were content to acknowledge the supremacy of the Government and to go about their business.

But since the war, increasing insecurity has made every community less and less certain of its own position to carry on as it had done in the past. Every individual, while increasingly stressing his loyalty to his own community as an individual, also tries to jump on the bandwagon, which, to him, appears most secure. In this maelstrom, the political parties have each tried to organise support from as many small sectional communities as possible. Singapore consists of an overwhelming majority of Chinese. Each of the main political parties, the Conservative, Progressive and Democratic Parties, the left-wing Peoples' Action Party and the centre Labour Party, depends overwhelmingly on the Chinese vote to retain power. Within the Chinese, all economic groups are represented from the multi-millionaires to the unemployed.

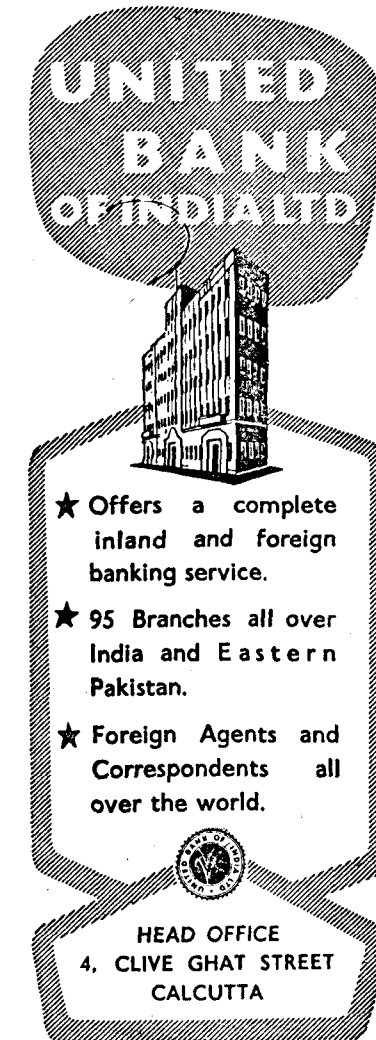
At the last elections, the majority of the Chinese voting supported the left-wing parties. The Labour Party, of which Mr Marshall is head, was surprised at the support it received. Its original manifesto was confined almost entirely to self-government but, on taking over power by a bare majority, the party soon found that its policy was insufficient to meet the immediate demands of the situation. In trying to live from hand to mouth, it was fast losing the support of the

poorer Chinese, who had put it into power. The various strikes which have taken place in the colony as a result of the dissatisfaction felt by the lower paid workers over the status quo found the Labour Party unprepared. In several instances, the Government in power found itself in the unhappy predicament of urging the workers to strike against themselves. Instead of stepping forward resolutely with a comprehensive policy of minimum wages and compulsory arbitration, the Government did very little except issue conflicting advice to both sides. Even on such a subject as citizenship, Mr Marshall is accompanied by one Government representative of UMNO, the Malayan Alliance Party, who

is going to oppose Mr Marshall on this issue during the talks with the Colonial Office. It is unreasonable to expect the Colonial Office to resolve the citizenship dispute when the Government itself is divided on the question.

It is against this background that one must estimate Mr Marshall's visit to India and Indonesia. By fixing himself firmly in the public eye, he is attempting to associate himself personally with the issue of independence and thus get support for his party. It is too early as yet to say whether this policy will be successful. The audience in India must carefully distinguish between the issue of whether Singapore is to be given self-government from the issue as to whether the Labour Party, of which Mr Marshall is head, should be the chosen vehicle of freeing Singapore from "colonial rule". As a consummate actor, Mr. Marshall is extremely concerned to use every trick of which he is master to keep Singapore and his party before the public eye. As he himself said on one occasion, as a lawyer he had been successful in getting 24 of his 25 clients acquitted on a charge of murder, and he was going to complete the hat trick with self-government for Singapore.

Under these circumstances, it is rather shrewd of the Colonial Office to keep its head as much as it is doing. It is following the policy of giving all its support to the elected representative of the people, Mr Marshall, and keeping its mouth shut. At the present time, the Labour Party of Singapore is kept in power with the support of the only member of the UMNO Alliance in the Assembly. He represents the islands around Singapore. But should one more member of the Party leave the Government benches, as Mr Lazarus, the late President, left the Party, then there can be no alternative to a fresh election, the outcome of which is bound to be greater support to the left-wing Peoples' Action Party. Such a situation can only be forestalled by very much better personal discipline within the Singapore Labour Party and a gradual lessening of Mr Marshall's influence for more democratic representation. At present there is very little sign of this internal re-organisation.



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in 1952 and glass factories, though registering a small rise, were fewer than in 1950.

Productive Capital

In contrast to this variation in the number of factories, productive capital consistently moved upwards, increasing by over 51 per cent from Rs 482 crores in 1948 to Rs 731 crores in 1952. Fixed capital of Rs 301 crores in 1952 was Rs 105 crores more than in 1948, and working capital increased by Rs 145 crores to Rs 430 crores during the same period.

The increase in working capital is partly explained by the steep rise in prices of industrial raw materials, their index (year ending August '39=100) rising from 431 in 1948 to 608 in 1951—when working capital also rose to the maximum of Rs 438 crores; this index receded to 454 in 1952, and working capital also registered a decline of Rs 8 crores. The increase in working capital is also partly to feed the increased fixed capital.

Employees

The number of persons employed, however, did not follow this upward trend—it fell from about 17,04,000 in 1948 to about 16,48,000 in 1952. This may indicate growing unemployment in the country in the latter years and may also indicate that surplus labour in the industries was being corrected by increasing input of capital.

The trend of employment in the two categories of employees, however, did not show such uniformity and moved in opposite directions. While the number of workers declined from 15,46,000 in 1948 to 14,68,000 in 1950, employees other than workers increased by over 5,000. Again, while the number of workers increased thereafter to 14,96,000 in 1952, the number of other employees declined by 9,000 during the same period.

Earnings of employees consistently increased throughout the period, except in 1950. As Table I shows, the total earnings of employees as well as average earnings per employee in 1952 were far above those in 1948. Only in 1950 did the total earnings decline by about Rs 5 crores; but earnings per employee were well maintained even in that year. The increase in total earnings is explained to a certain extent by the movement in the working class cost of living index (All-India 1949=100) from 97 in 1948 to 103 in 1952.

The gross ex-factory value of output shown in the Census is not a measure of the increase in production, as it includes changes due to price variations.

Value added by manufacture, though increasing absolutely, declined in 1952 relatively to the amount of productive capital, indicating that the rate of investment was higher than the rate of increase in the value of manufactures.

Changes in labour productivity, as measured by the value added by manufacture, appear erratic, though there seems to be an upward long-term trend which is due mainly to the fact that increasing amounts of capital are being associated with an almost stationary labour force. Value added by manufacture is, of course, much influenced by changes in the value of manufacture; while interpreting the figures in Table II, it is necessary to remember that the whole-sale price index of manufactures (year ended August 1939=100) rose from 340.6 in 1948 to 395.5 in 1951 and then fell to 377.5 in 1952.

The Census of 1952 continues to show the lopsided character of our

industrial structure. Cotton textiles are the biggest industry from every viewpoint. Heavy industries are little developed. Chemicals, however, moved from the seventh position in 1951 to the second position in 1952, from the standpoint of productive capital employed. A major part of this increase was the result of inclusion of the Sindri Fertiliser Factory in the Census of 1952.

Regional Distribution

Table III sums up the position of some of the States. With Rs 238 crores (more than 32 per cent of the total) of productive capital, Bombay State led in 1952. West Bengal came second with Rs 158 crores of productive capital. Bombay also had relatively more working capital (Rs 156 crores) than West Bengal (Rs 84 crores) because of the concentration in Bombay of cotton textiles which require more working capital.

Vindhya Pradesh (not included in the table) had only Rs 14 lakhs of productive capital which shows not only the extreme backwardness of the State, but also the extent of regional disparities.

INDIAN INDUSTRIES, 1952

	Fixed Capital	Working Capital	No. of Persons Employed	Pay- ments to employees	Gross ex-factory output	Value added by manufacture
	(Rs. lacs)	(Rs. lacs)	('000)	(Rs. lacs)	(Rs. lacs)	(Rs. lacs)
1. Cotton Textiles	7629 (25.3)	16678 (38.8)	685 (41.6)	9374 (46.7)	41363 (34.9)	11895 (37.9)
2. Chemicals	3731 (12.4)	2142 (5.0)	41 (2.5)	591 (2.9)	4141 (3.5)	1397 (4.4)
3. Jute Textiles	2836 (9.4)	4034 (9.4)	291 (17.6)	2970 (14.8)	16928 (14.3)	4517 (14.3)
4. General & Electrical Engineering	2716 (9.0)	3343 (7.8)	144 (8.7)	1807 (9.0)	6794 (5.7)	2675 (8.5)
5. Iron & Steel	2553 (8.5)	2923 (6.8)	78 (4.7)	1692 (8.4)	7024 (5.9)	3059 (9.7)
6. Sugar	2034 (6.8)	5173 (12.0)	120 (7.3)	906 (4.5)	8351 (7.1)	2349 (7.5)
7. Vegetable Oils	1996 (6.6)	1928 (4.3)	52 (3.2)	376 (9.9)	12545 (10.6)	643 (2.0)
8. Cement	1287 (4.3)	824 (1.9)	18 (1.1)	243 (1.2)	2393 (2.0)	808 (2.6)
9. Paper & Paper-Board	994 (3.3)	682 (1.6)	20 (1.2)	278 (1.4)	1800 (1.5)	664 (2.1)
10. Aluminium, Copper and Brass	642 (2.1)	1179 (2.7)	21 (1.3)	259 (1.3)	2196 (1.9)	453 (1.4)
11. Rice Milling	590 (2.0)	669 (1.6)	44 (2.7)	156 (0.8)	4611 (3.9)	229 (0.7)
12. Others	3086 (10.3)	3498 (8.1)	134 (8.1)	1423 (7.1)	10251 (8.7)	2814 (8.9)
TOTAL	30094 (100.0)	42983 (100.0)	1648 (100.0)	20075 (100.0)	118397 (100.0)	31503 (100.0)

N.B. Figures in brackets indicate percentages.



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Wages, Employment and Cost of Living During War and Post-War Boom

Ayodhia Singh

The time is not inappropriate perhaps for an examination of the experience of the war and post-war boom years as regards movements of wages, employment and cost of living. This is the first of a series of two articles, slightly re-cast from the author's doctoral dissertation, which brings to light some aspects of the behaviour of wages and prices which may be of more than historical interest.

The first part deals with wages and cost of living, the second with the question as to how far higher costs of living were offset for the working class as a whole by larger opportunity of employment.

IT is generally accepted on all hands that whenever a price boom occurs, prices increase first and at a higher rate than money wages and costs. When as a result of increased prices the cost of living begins to rise, a demand for higher wages is firmly put up. With an advance in wages which form a substantial part of costs, the latter too begin to move upwards. In brief, any increase in prices is only subsequently followed by that in wages and costs but rarely in the same proportion.

However, when we come to study the price-wage relationship as it existed during the World War (1939-45) in India, a peculiar phenomenon is noticed, which contradicts the theory of relative rigidity of wages during a price boom. An attempt has been made in Table I to calculate the extent of the wage lag* or wage advance (as the case may be) by comparing the index of average annual earnings of the factory workers of all industries put together during 1939-45, with the corresponding indices of working class cost of living at four representative industrial centres viz., Bombay, Kanpur, Calcutta and Madras, with 1939 = 100 as the base of both the series.

Table I shows that as a consequence of the war time price movements of wage goods, the initial stages of the war period were marked by relative flexibility of wages against those of cost of living in all the four centres. There was what may be termed in the present context a 'wage advance' rather than a 'wage lag' bringing a positive advantage to wage-earners all over the country. This trend was most significant in

*'Wage lag' measures the extent to which the wage index remains behind the corresponding cost of living index and similarly 'wage advance' implies the extent to which wage index exceeds the corresponding cost of living (the bases of both the series being the same).

the case of Madras, where almost throughout the war period (except 1945) the rate of increase in wages was higher than the rate of increase in the cost of living. The relative lag in the cost of living continued increasing up to 1943, the magnitude of the wage advance for 1940, 1941 and 1943 respectively being 4.2 points, 5.4 points and 34.2 points. In 1945, the five year old trend was actually reversed with the emergence of a positive wage lag of the order of 7.9 points.

The Calcutta the cost of living index did not rise in the same proportion as the earnings of wage-earners either in 1940 or in 1941. There was nothing like a positive wage lag. On the other hand, the war stimulated earnings in a greater degree than the cost of living, which lagged behind by 8.8 points and 6.4 points in 1940 and 1941 respectively. In the second half of the war period, however, the wage lag was conspicuous though after a tremendous increase in 1943, it declined moderately in subsequent years, the wage lag for 1943, 1944 and 1945 being 85.0 points, 54.3 points and 55.8 points respectively.

Table I—Wage lag during the war (Base 1939 = 100)

	1940	1941	1943	1944	1945
Bombay					
Working Class cost of living index	103.9	114.6	212.6	219.4	217.5
Index of average earnings	107.0	112.9	182.0	204.0	207.2
Magnitude of wage lag	-3.1	1.7	30.6	15.4	10.5
Kanpur					
Working Class cost of living index	105.7	117.3	291.4	299.0	293.3
Index of average earnings	107.0	112.9	182.0	204.0	207.2
Magnitude of wage lag	-1.3	4.4	108.8	95.0	86.1
Calcutta					
Calcutta W.C. cost of living index	98.1	106.5	267.6	258.3	263.0
Index of average earnings	107.9	112.9	182.0	204.0	207.2
Magnitude of wage lag	-8.9	-6.4	85.0	54.3	55.8
Madras					
Working Class cost of living index	102.8	107.5	169.8	195.3	215.1
Index of average earnings	107.0	112.9	182.0	204.0	207.2
Magnitude of wage lag	-4.2	-5.4	-34.2	-8.7	7.9

Sources: Original indices of working class cost of living taken from the Indian Labour, Year Book 1949-50.

Index of Average Earnings: Indian Labour Gazette 1946-48

The rate of increase in wages as against the rise in cost of living was relatively high in Bombay. There was a wage advance to the extent of 3.1 points in 1940. From 1940 onwards, however, wage advance was replaced by wage lag whose magnitude was 1.7 points in 1941, 30.6 points in 1943 and 10.5 points in 1945. Thus in the initial stages of the war the rate of increase in wages was faster than the rise in the cost of living in Bombay but in the later stages, wages failed to keep up with the rise in the cost of living, although the extent of wage lag progressively declined from 1944 onwards.

The Kanpur cost of living index did not increase in proportion to the increase in earnings during 1940, the wage lag being negative to the extent of 1.3 points; from 1941 onwards, wages failed to adjust themselves to the rising cost of living. The magnitude of wage lag was 108.8 points in 1943, 95.0 points in 1944 and 86.1 points in 1945.

The preceding analysis warrants, the inference that wages in relation to the cost of living were relatively flexible in the initial stages of the

boom, but not in the later stages. This is contrary to the universally accepted belief that wages fail to increase pari passu the rise in the cost of living in the initial stages of a boom, and that they are comparatively flexible only in the later stages.

What is the explanation of this departure from the traditional belief? Perhaps the employers were in a position to increase wages to an extent higher than those warranted by the increased cost of living in the initial stages of the war, due to still higher increases in their profits arising from rising prices of non-wage goods. Greater increase in industrial profits compared to cost of living in the industrial centres during the early phase of the war explains how the industrialists could pay wages higher than those warranted by the rising cost of living, as can be taken from Table II.

It seems probable that when prices began to rise after the outbreak of the war, expectations regarding their further rise were so high as to induce the employers to pay wages higher than those warranted by the rise in the cost of living.

II

LARGER EMPLOYMENT AS AN OFFSET

TWO factors which played a prominent part in alleviating the rising cost of living for the working class were increased earnings, and increased employment. The extent of relief derived from increased employment during the war is analysed in this section.

Table III shows an all-round increase in employment during the war, though the rate of expansion was not uniform. It was highest for textiles in the Punjab; for food, drink, and tobacco in Bombay; for

engineering in C P and Berar and the Punjab; for chemicals in Madras; for Railway workshops in Bombay; for minerals and metals in the U P; for wood, stone and glass in the Punjab; and for ordinance factories in C P and U P. Employment in gins and presses which recorded an overall decrease of 20.7 per cent affected Bengal and U P most, while in Madras the prewar level of employment was maintained in these industries.

The main trends in regard to the employment position during 1939-45 were as follows:

1 Total employment in factories increased from about 17.5 lakhs to 26.4 lakhs or by 50.9 per cent.

2. Owing to the conditions created by the war, the rate of growth in governmental and local fund factories was considerably higher (245 per cent) than in private factories (35.0 per cent.) though it may be noted that government factories accounted for only 17.3 per cent of the total factory employment.

3. While overall employment went up by 50.9 per cent, employment in seasonal factories actually declined by 4.9 per cent.

4. Employment in textiles increased by 23.7 per cent, in engineer-

ing by 96.9 per cent and in Railway workshops by 108.9 per cent.

5. Bengal continued to occupy the first place in industrial employment but Bombay was gradually catching up. Of the total factory employment in 1945, 28.1 per cent was in Bengal, 27.8 per cent in Bombay, 10.5 per cent in Madras and 10.4 per cent in U P.

When variations in employment are studied in relation to the corresponding variations in the cost of living, we can measure the extent to which changes in employment in different regions offset the burden imposed on the working class by the increased cost of living during the war period. In other words, the measurement of the 'employment offset' would determine the position of the wage-earners during 1940-45 in relation to 1939 (the pre-war standard). The 'employment offset' would mean the percentage relief available to the wage-earners through an increase in employment against the corresponding increase in the cost of living. If Eb and Cb respectively mean employment and cost of living in the base year, and Ec and Cc respectively mean indices of employment and cost of living in the year of which we have to calculate the employment offset, then the formula for the calculation

Table II Index of Industrial Profits and Cost of living Indices (Base August 1939=100)

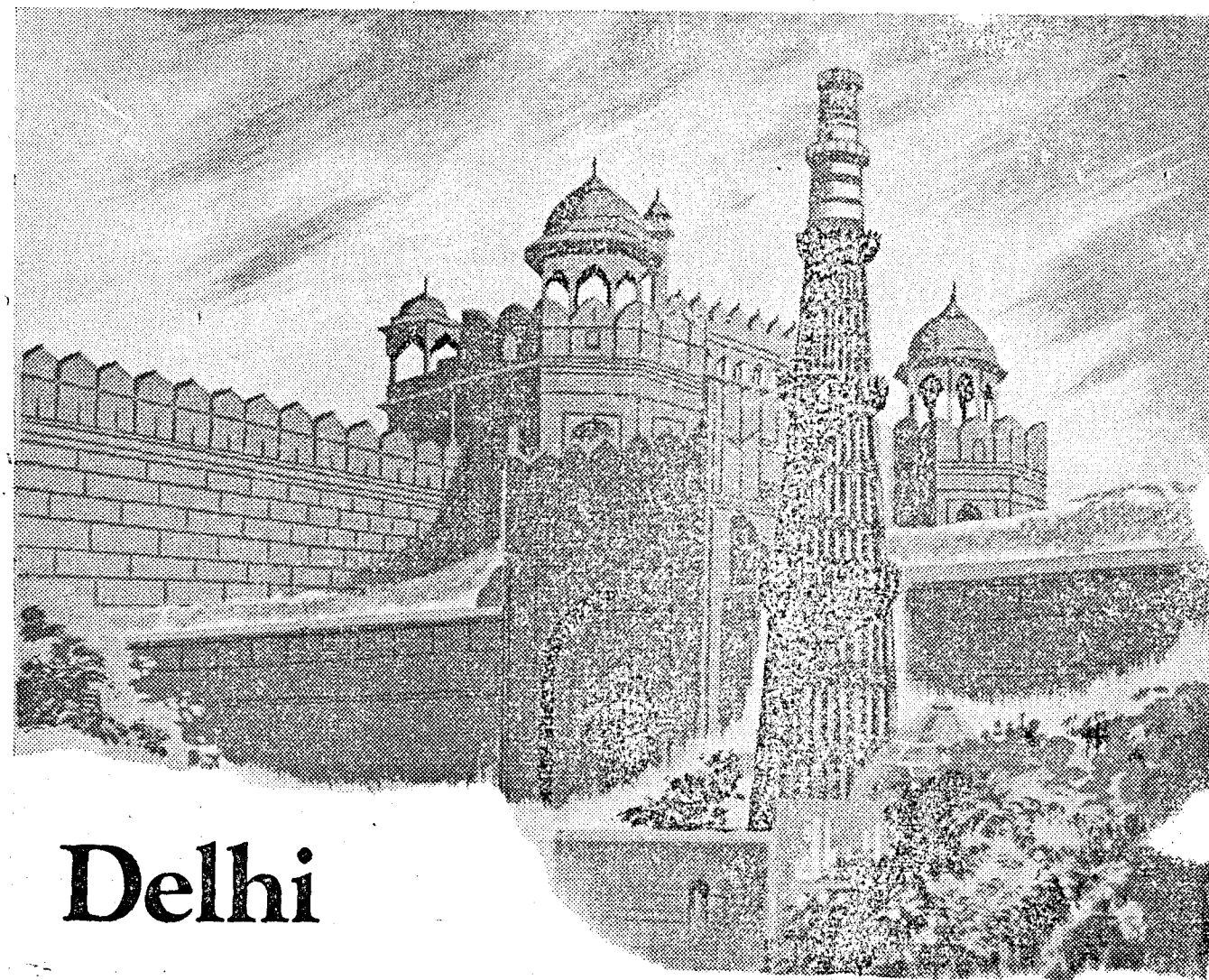
Period	Industrial Profits	Kanpur	Working class cost of living Calcutta	Bombay	Madras
1940	138.0	111	106	107	109
1941	187.0	123	115	118	114
1942	221.8	181	144	150	136
1943	245.0	506	289	219	180
1944	238.9	314	279	226	207
1945	233.6	308	284	224	228

Source: Finance Ministry, Government of India.

Table III Employment in Different Industries in the Major Provinces of British India during 1945

Industry	Employment in 1939	Index of Employment (1939 = 100)							
		Bengal	Bombay	Madras	U.P.	Bihar	Punjab	C. P. & Berar	All provinces
Textiles	819,404	105.7	136.4	135.9	130.7	120.2	146.7	127.9	123.7
Food, drink & tobacco	247,630	123.4	210.0	107.8	88.5	124.4	151.8	131.8	125.0
Gins & presses	163,226	48.1	64.6	100.3	43.6	74.7	92.7	96.1	79.3
Engineering	159,761	207.9	202.8	191.0	143.1	131.2	345.0	237.4	196.9
Chemicals & dyes etc.	57,966	137.9	179.7	296.8	181.7	135.9	290.1	237.4	175.4
Railway workshops	55,784	184.7	301.5	—	160.8	—	138.3	246.6	208.9
Minerals & metals	55,123	140.8	360.9	209.1	613.8	259.8	338.2	—	227.5
Wood, stone & glass	55,084	198.4	215.9	168.7	205.2	180.7	371.4	130.7	201.2
Ordinance factories	30,709	300.8	758.1	416.1	1073.1	—	383.5	1335.3	604.3
All Industries	1,751,137	130.2	157.8	142.0	173.0	175.4	199.2	170.9	150.9

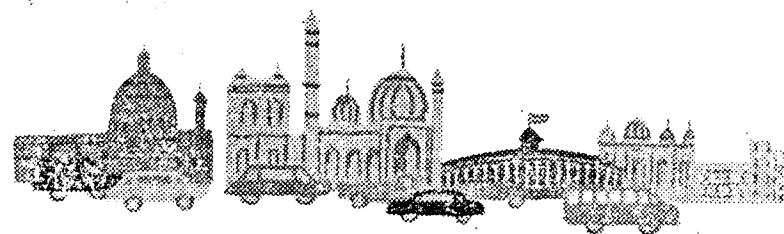
Source: Indian Labour Gazette, October 1947.



Delhi

RICH in the history of two vividly different eras, Old and New Delhi provide a wonderful contrast between past and present. Moghul civilization is perpetuated in the splendour of the Kutub Minar, Jama Masjid and the Red Fort; while the Central Secretariat, Parliament House and Rashtrapati Bhavan reflect the graceful simplicity of modern architecture.

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of the 'employment offset', (E O), would be
$$Ec - Eb \times 100 = EO * Cc - Cb$$

With the help of the above formula, an attempt has been made in Table IV to calculate Eo at the end of the war in relation to the pre-war level. This formula can serve our purpose only so long as Cc is greater than Cb. For instance, it will fail when the two are equal in which case the resultant denominator and E O become equal to zero. Its application is thus confined to a single base series rather than a chain index series.

Apart from the general indication that during the war period there was an appreciable increase in the volume of employment along with the rise of cost of living in different industrial centres, Table IV shows no single homogenous trend in the relationship between the two variables. The extent to which hardships involved in the increased cost of liv-

ing were neutralized by the increased quantum of employment varied from region to region. To illustrate, from the viewpoint of cost of living alone, U P labour was the worst sufferer, that of Bengal being moderately better off, that of Madras though least affected over the whole span of the war was only slightly better off than labour in Bombay in 1945. However, when looking at employment offset, we find that the position of Bengal was the worst, the E O for Bengal being 19 as against 38 for U P. Madras wage-earners who suffered practically to the same extent as those of Bombay on account of increased cost of living could secure the benefit of E O only to the extent of 37 against 50 in Bombay.

Thus the relative position of wage-earners in the four regions as indicated by the relative variations in the cost of living indices during the course of the war was substantially altered as a result of the impact of

increased employment. At the end of the war, Bombay wage-earners were least affected and wage-earners of Madras were slightly worse; Bengal wage-earners were worst affected, those of U. P. being only slightly better.

Table IV

Employment offset in different Regions during 1945 against 1939

Regions	Ec	Eb	Cc	Cb	Eo
Bombay	157.8	100	217.5	100	50
Madras	142.0	100	215.5	100	37
U. P.	173.0	100	293.3	100	38
Bengal	130.2	100	263.0	100	19

*The author is indebted to the late Prof. J. N. Das Gupta for his guidance in the framing of this formula.

Ec = Employment Index in 1945
Eb = Employment in 1939; Cc = Cost of living in 1945; Cb = Cost of living Index in 1939; Eo = Employment offset.

Views on States Reorganisation - VIII

Bombay as Capital of Maharashtra

G K Cholkar

THERE are only two proposals of practical importance:

- (i) Bombay as the capital of a new linguistic State, Maharashtra, and
- (ii) Bombay City as a separate State by itself.

These two proposals are not of the same status. The first is an independent demand for a new territorial arrangement. The second is a conditional proposal. Those who make it have nothing against the existing arrangements. They suggest that if the existing Bombay State is to be broken up for forming new linguistic States of Gujarat, Maharashtra and Karnatak, the City be dissociated from this scheme and incorporated into a separate State. It would also be true to say that the break-up is opposed (by those who oppose it) chiefly because it might involve assigning the City to one of the three new linguistic States.

This makes it clear that there is no need to consider the advantages of a separate City State for Bombay as compared with the present position. It is necessary to consider only the disadvantages of the City being the capital of a new linguistic State as compared with the present position of the City. Against them,

must, of course, be considered the advantages.

Apart from advantages and disadvantages, it might seem also necessary to see to whom Bombay City "belongs", but such an examination would hardly be worthwhile. In whatever way the future of Bombay is settled, the City must really "belong" to the nation as a whole. There is one point, however, to which attention may be drawn. The fact that those who prefer a City State would equally favour continuing the existing arrangements implies that they do not want a City State because, in their opinion, Bombay "belongs" to the people of the City. On the other hand, those who make the other proposal include many who believe that Bombay City "belongs" to Maharashtra. From this, one conclusion as regards future possibilities may be drawn. If Bombay is made a City State, those who consider this "unjust" would always labour under this sense of "injustice". But if Bombay became the capital of Maharashtra, there is a possibility that those who oppose it now may be less opposed to it in future to the extent that the disadvantages resulting therefrom prove to be less than anticipated now.

The disadvantages of incorporating Bombay City in Maharashtra were vividly brought out by Shri K M Munshi in a note on "Linguistic Provinces and the Future of Bombay" which he wrote in 1948 for the Dar Committee. From that, the following may be quoted:

To annex the Bombay City to United Maharashtra formed on linguistic basis, therefore, would have the result not only of destroying the cosmopolitan character of Bombay but of placing the non-Marathi speaking population in cultural subjection.

Those in charge of industry, trade and finance in the city of Bombay and its suburbs are predominantly non-Maharashtrians Serious apprehensions are entertained in various quarters regarding the possibility of the domination of a uni-lingual people in the life of Bombay City in case it is to be joined to a linguistic province.

If Bombay City is handed over to Maharashtra alone, the City will lose its multi-lingual character, its trade, industry and commerce will be seriously affected; and the non-Marathi

speaking majority will be subjected to the political domination of aggressive linguism.

These are very serious matters. In regard to them, two observations may be made. First, assuming that the protagonists of a new Maharashtra State include some mischief mongers, there would be others who are as anxious to avoid results of the kind apprehended by Shri Munshi as he himself is. Secondly, it is not really a question of what Maharashtra would do to Bombay City but what any State Government can constitutionally do to damage the economic life of a city or to violate the rights of cultural minorities. This latter problem is a very important problem and it was discussed from an all-India point of view by a Bombay journal, the *Tata Quarterly*, long before the fierce controversies raised by States Reorganisation put these into cold storage for the time being.

Linguistic Minorities, an all-India Problem

The journal mentioned above, in its April 1954 issue, wrote:

"The Commission would do well to give careful attention to the problem of linguistic or cultural minorities and set out in detail the responsibilities of a State towards them. It should be remembered that the problem has to be examined even if no new linguistic State is established because unilingual States like Bengal, Bihar, Orissa already exist. The problem might be even more important in Hindi speaking areas if there are people in such areas who consider themselves to be more 'nationalist' than others because the national language happens to be their mother-tongue. The very existence of several great languages in India raises the problem of minorities and the best course is to face it squarely.

"A State must provide as many schools as are required in order that almost every child could be taught in its mother tongue. In schools and colleges, Hindi must be compulsory. College education may be in the regional language, but in every city there must be at least one college which teaches and examines students in Hindi and which may be attended by any student irrespective of what his mother tongue is. A person should be entitled to receive a reply in the language used in his letter.

"In recruiting staff, a State may insist on sufficient knowledge of

Hindi but must not in every case insist on a knowledge of the regional language. Where necessary, employees who do not know the regional language may, however, be made to learn it.

"In its relations with business a State Government should not be able to introduce considerations of domicile, language or the like. It should be wrong to say that a business concern should give larger employment to 'local' people or conduct its business in a particular language.

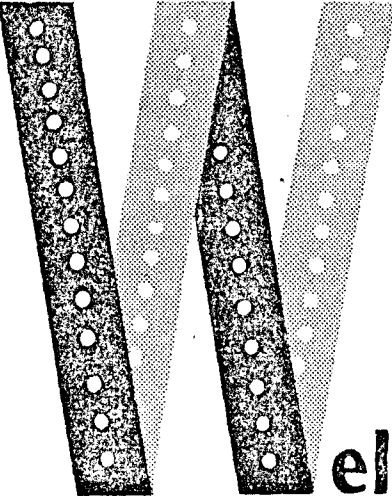
"Fortunately, the Constitution not merely makes all this possible but indeed visualises it. The spirit of the Constitution must live and inspire leaders everywhere, but it is up to the Centre, if necessary, to enforce the required action. Money spent in being generous to minorities serves a great national purpose and the Central Government, when it

allots grants to States, should show special consideration for States which incur substantial expenditure on providing educational and cultural facilities for the language minorities in their territories."

In the economic sphere also, the Constitution empowers the Centre to take measures to protect the national interest against prejudicial actions of State Governments.

Conclusion as regards disadvantages

If the leaders of different States, in collaboration with the Central Government, evolve an all-India policy for the protection of the cultural rights of minorities and for the preservation of economic unity and if the Centre for the same objects makes proper use of the powers it has under the Constitution—then apprehensions of the kind expressed by Shri Munshi and others will not result. Then there will be

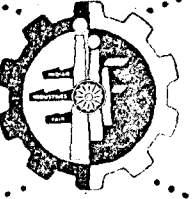


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no serious risk in allowing Bombay City to be part of Maharashtra.

Advantages of Linguistic States

Before considering the advantages of incorporating Bombay in Maharashtra, it is necessary to see if there are any national advantages in redrawing State boundaries on a linguistic basis at all. This broad question has been examined carefully by the *Tata Quarterly* which suggests that the interests of India as a whole may be said to comprise the following four basic objectives:

- (i) We want State Governments to actively pursue the economic development of their regions and, for this purpose, use the powers they have in a manner fair to other States and without detriment to the national economic unity.
- (ii) We want the various regional cultures to flourish and thereby provide for the evolution of a national culture.
- (iii) We want the recognised regional language to develop sufficiently to meet the requirements of modern life and we want Hindi to become the national language.
- (iv) We do not want "linguism" to be a continuing force in political affairs.

For the realization of these objectives, it is desirable to entrust State Governments with responsibility for the development of regional languages and cultures while it is left to the Centre to provide facilities for the fusion of regional cultures by such means as cheapening railway travel and the promotion of national language. In view of this, State boundaries should correspond to divisions of the main distinctive regional cultures. Basically, therefore the lay-out should be a linguistic lay-out inasmuch as a regional language represents a cultural pattern. Sometimes it is suggested that instead of linguistic States, there should be "economic" States. This is a myth. Economic factors cannot by themselves yield a unique pattern of territorial divisions which may be taken to be the best. Further, to quote the same source, "there is no necessary conflict between 'linguistic' States and States capable of shouldering their economic responsibilities. Provided the broad criteria of the kind suggested above are satisfied, 'linguistic' States could do well in the economic field too. In

fact, the formation of culturally homogeneous States might provide some additional stimulus for economic development if it induces people to bear larger sacrifices for common benefit and to collaborate more readily with the local Government with the same object. Apart from this, the production of technical and craft books in the regional languages, which will be encouraged as a result of the establishment of "linguistic" States, will react favourably on the material progress of the people."

The conclusion is that a linguistic re-distribution of State boundaries would serve a great national purpose if the Centre, in collaboration with the States, takes adequate measures for safeguarding the national interest in economic and cultural life.

Advantages of Incorporating Bombay in Maharashtra

A preliminary clarification may be made. A linguistic State, once it is formed, will be like any other State in regard to the powers the Government has or the rights the citizens enjoy. Though initially a State is formed on the basis of the principal language spoken in its area, such a State need not be called "linguistic" all the time. In fact, even if in future the composition of language groups in the border areas or in cities like Bombay changes, there is going to be no second revision of boundaries on a language basis.

In one part, the advantages to be considered here are the advantages of including Bombay in a large State in which there are also rural areas as against incorporating the City into a separate State by itself. The advantages are social, economic and political. "As a city and the neighbouring countryside react favourably on each other in a number of ways, they should advisably be in a common political entity, the State." Conservatives should remember that a City State, which includes a large industrial population, will probably be more radical or leftist than a State which comprises both urban and rural areas. A part of the revenue raised in a city in Sales Tax goes for the development of agriculture, irrigation, etc. in rural areas. This is indeed as it should be. Under the Constitution, a State Government has important responsibilities in regard to rural life and these cannot be discharged adequately if the cities claim separate state-hoods for themselves. However well Bombay as a City State advances indus-

trially, it would do less than its duty to the country if it did not contribute to the development of surrounding rural areas.

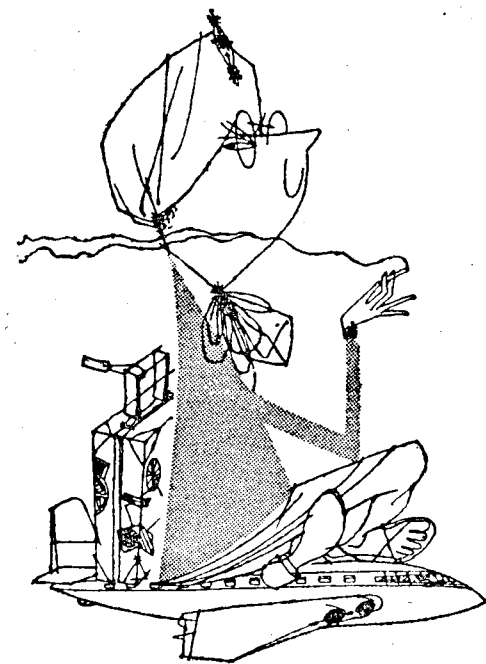
In view of the foregoing, if the present Bombay State is to be broken up into separate States of Maharashtra, Gujarat and Karnatak, it is desirable to assign the City to any of the new States rather than make it into a separate State by itself. As between Maharashtra, Gujarat and Karnatak, the City would more easily go to the first-named for two reasons:

- (i) The City is contiguous to Marathi speaking areas on the mainland.
- (ii) The largest single language group in the City is Marathi. According to the Census of 1951, out of the total population of 2.8 million in Greater Bombay, the mother tongue of 1.2 million is Marathi. Gujarati, the next largest language group, is spoken by only half a million.

"New Look" for Bombay

Bombay City as the capital of Maharashtra would be a little different from what it is now, but it would be different in a constructive sense. It would make a more conscious and purposive contribution to the development of the culture and the economy of Maharashtra. Non-Maharashtrians might come to know Maharashtra a little better and the proportion of them having some knowledge of Marathi may increase. But there should not be any fewer opportunities for the development of other cultures on the basis of mutual respect. The Maharashtrians in the City are keenly conscious of the desirability of the City proving to be a generous host to people coming from different parts of India, both in the North and in the South, and from other countries.

If Bombay is made a separate City State, then too the City would tend to be different from the city as we know it to-day. As a wholly urban area catering solely to its own requirements, the City might acquire some charms of Hongkong. But Hongkong, which is the melting pot of the cultures of every nation in the world, has no constructive side of its own. The direction which Bombay as the capital of Maharashtra will take will be more constructive. Bombay will still remain a city belonging to India or in fact an international city, but it will have something of its own just as Paris, which is very much a world-city, is still a French city.



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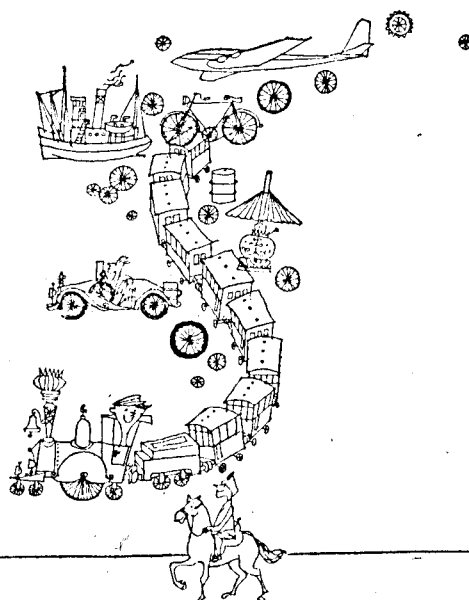
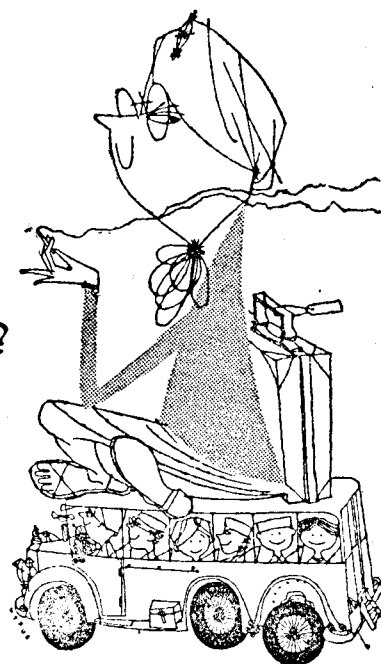
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IN INDIA'S LIFE AND PART OF IT



Conjuncture

Wednesday Evening

REASONS which started the fall in equities some days ago were interesting. Tata Steel began falling on reports that America would reduce aid to India next year because of India's economic flirtations with Russia. New Delhi's refusal to sanction the issue of new shares by Tata Steel at par was a contributory factor. As Tata Steel fell, Indian Iron dropped. Set-back in Indian Iron had sympathetic effect on speculative scrips here. As Indian Iron and speculative scrips dropped, equities in general were affected.

Market operators were not alone in anticipating that Washington might react adversely to the economic outcome of the Russian leaders' visit to this country. Some of the agency messages seemed to confirm these apprehensions. Mr. Dulles has, subsequently, tried to remove such fears. But there are still doubts whether the American Congress will vote the larger appropriations that are now being made by Washington for aid to Asia and the "Middle East".

Fears

Behind these fears and the consequent fall in equities lie deeper influences. Stock markets seem apprehensive that New Delhi's open-door policy to Russia may alienate the Western Powers. This is a modified version of some theories current in Washington that India has aligned herself with the Communist bloc. This is, of course, nonsense. Soon, the stock market should realise that such fears are baseless. But it is not without significance that Pandit Nehru has found it necessary to reassure those who are in need of any such assurance that India's friendship with Russia does not mean that she has enmity towards America or Britain or any other nation.

Apart from these wider political issues, there is another factor which has been responsible, to some extent, for the fall in Iron and Steel shares. These shares were moving up until recently owing to, among other reasons, the developing steel shortage. Recently, control on steel was reimposed. Efforts made by New Delhi to ensure imports of steel from Britain and America were not very successful. In the circumstances, it was diplomatic of Russia to

offer one million tons of steel in the next three years. This will not solve the problem of steel shortage. But it is not difficult to understand how such an offer can have a temporary 'bearish' effect on the existing Iron and Steel shares.

Russian Steel

Such short-term effects on stock markets cannot be avoided. But the Russian steel agreement will be welcomed on wider grounds. It is evident that, beyond a certain level, steel shortage can slow down economic activity. Supplies of one million tons of steel by Russia in the next three years will partially help to relieve steel shortage. This is the immediate, and welcome, outcome of the Russian leaders' visit to this country. Irrespective of the speculators' immediate reaction, the Russian steel agreement is a decided gain.

New Delhi's refusal to permit issues of new shares at par is another reason for the fall in Tata Steel. In recent months, many companies have issued right or bonus shares at substantial premia. In comparison with these companies, Tata Steel's current position and future prospects are much more bright. That Government's insistence may cool the ardour of speculators, is understandable. But reports, if true, that the Company is in favour of issuing new shares at par only will cause surprise. Tata Steel Company is one of the few concerns which should be able to issue new shares at premium in order to facilitate the financing of expansion projects.

Technical Factors

These wider issues combined with the vulnerable technical position to cause a landslide in Tata Steels. Set-back in Indian Iron was a sympathetic movement. But it is of interest to note that, in the immediately preceding settlement for Tata Steels, deliveries were heavy. In Indian Iron, the technical situation has been vulnerable for some months past. Has the recent shake-out improved the technical position? No doubt, the situation is now healthier. But the position still remains weak, although the present holders have, admittedly, holding capacity. Weak bulls have been eliminated.

But the bull position in Iron and Steel shares still persists.

IJMA'S decision to unseal 2½ per cent. of the sealed looms had a steadying effect on Jute shares initially. But the set-back in Indian Iron and the continued weakness in Coal shares halted the rising trend in Jute shares before it could gather momentum. There are other reasons why Jute shares have not developed a confidently upward trend. Relative price movements in raw jute and jute goods indicate that simultaneous business is still not quite profitable. Current reports of jute companies confirm this apprehension.

IJMA Decision

Since the release of end-October stocks of jute goods with mills there have been talks about the unsealing of looms. End-November data of mill stocks showed a slight increase in stocks of heavy goods and a small fall in stocks of hesian. Even so, expectations that sealed looms would be unsealed persisted. At present, 12½ per cent. of the looms are unsealed. That only 2½ per cent. of the sealed looms are to be unsealed, is interpreted by the market to mean that exports and sales are not so encouraging as to permit the unsealing of a larger percentage of sealed looms.

Tea shares continue to be in the doldrums. Auction prices are still falling. So are Tea shares. It is clear that the tea industry has become a prince or pauper industry. In 1954, the tea industry was booming. In 1955, it is slumping. Such rapid changes in the fortunes of this industry underline the delicate balance between the world supply and demand position in tea. There are some who doubt whether world demand for tea is likely to improve much. That being so, it is clear that the adjustment may have to be effected on the supply side. Here is the trouble. Despite declining world demand, exporting countries are producing more.

When Indian Iron and Coal shares fail to impart strength to the market, it is not difficult to appreciate why Paper shares also lose ground. This is what is known as the incidental consequences of conjunctural market influences. But

investors can draw some solace from the fact that the fall in Paper shares has been negligible. Paper shares are not likely to move up unless the market as a whole resumes the upward trend. But it would be hasty to sell out Paper shares or Miscellaneous and Engine-

ering shares. These latter groups of shares are also off colour at the moment. But it is symbolic of the strength of these shares that investors have not lost confidence in these equities.

Soon, the market will be closed for Christmas holidays. As January

approaches, budget factors will start influencing equity movements. Market circles are now arguing that, for the next one or two months, the stock market may remain hesitant. This is not an unreasonable assumption. Stock markets, if not history, have a habit of repeating themselves.

PROGRESS OF THE PLAN No. 2



ON THE FOOD FRONT

One of the major achievements of the Plan has been on the food front. When we started on the Plan there was an acute food shortage in the country. The Plan set a target of 76 lakh tons increase in production of foodgrains by the end of 1956. Within three years we had exceeded the target with 114 lakh tons of additional foodgrains. The progress has been kept up during 1954-55 and the additional food production has increased by another 2 lakh tons.

This notable success has been due to the Grow More Food campaign, good monsoons, improved methods of farming and greater facilities for irrigation. Vast areas of land have been reclaimed, canals have been dug, wells have been sunk and all restrictions on food, like rationing, have been removed.

*The People's plan
FOR THE People's welfare*

DA-55/117

Around Bombay Markets

Becoming Yield Conscious?

Thursday, Morning

DALAL Street opened pretty firm, and despite higher budla charges, bulls were active. It took hardly any notice of the Finance Minister's warning that the implementation of the Second Plan might involve additional taxation and a drastic cut in consumption. Towards the close of the week, however, activity dwindled. The enthusiasm of the bulls earlier in the week is to be explained mainly by such favourable factors as the encouraging advices from the cotton and textile markets, revised profit estimates of some mills in the light of their current year's performance, hopes of early relaxation of control on the production of cloth and finally, reports about modifications in the Electricity Bill. As a result, there was concentrated speculative activity in a number of miscellaneous industrials, and share values were taken up to heights which bore no relation to yields.

An anomalous situation has arisen in which many shares are quoting on a 3 to 3½ per cent tax-free basis, at a time when one can get a yield of 4 per cent taxable in the case of Government securities (3 per cent, if it is tax-free) and an yield of 3.75 per cent tax-free in the case of first class Debentures like Standard Vacuum, Burmah-Shell or Caltex 5¼ per cent issues. It is not unlikely that bulls would soon get wise and start selling out. In fact, towards the close of the week, something like this happened when steel shares faltered, spreading a bearish wave all round. What brought about the decline in Tata Steel shares was the fresh uncertainty about the new issue of steel shares. One version is that the shares will be issued at par in the proportion of 3 shares to 2 held, another being that the new issue will be one for one at par or at Rs. 25/- premium. As yet, no confirmation is available. The week closed on a distinct bearish note and most of the scrips slipped back from the rates touched earlier in the week.

Tata Steel opened around Rs. 270-8 and after moving up to Rs. 272 on active bull support, reacted sharply to Rs. 266. Although subsequently, there were signs of improvement, in the general liquidation that followed, even this level could not be sustained and the price dropped to

the lowest level of the week at Rs. 260. Closing was, however, higher at Rs. 263-0 against Rs. 268-8, last week.

Excellent reports of working of some mills helped a good many textile scrips to record substantial appreciation in values. Century and Finlay which rose as high as Rs. 528 and Rs. 372 respectively, were particularly bright. When there was heavy liquidation in steels towards the close, textile scrips also declined in sympathy, Bombay Dyeing, Century, Finlay and Central India recording the lowest levels of the week at Rs. 572-12, Rs. 511, Rs. 350 and Rs. 163 respectively.

There was revival of interest in select scrips in the miscellaneous section, with A C C providing the centre of attraction. Opening at Rs. 228-12, ACC went up to Rs. 233

popular, with Walchandnagar in the lead rising to Rs. 265-10. Belapur and Phaltan were not far behind at Rs. 373-8 and Rs. 261-0 respectively, the highest touched during the week; but they closed lower at Rs. 367-8 and Rs. 256.4 respectively.

Cotton

Firm Undertone

THE undertone of the cotton futures market remained firm throughout the week under review despite occasional setbacks. Opening at Rs. 721, the ICC February contract rose sharply by 24 points to touch a new peak at Rs. 745 on Wednesday. The factor which helped to maintain this bullish undertone was the well-founded apprehension of a scarcity of cotton to be tendered against the ruling contract. In fact, this fear weighed so much with the market that even a threat from the

MARKET LEADERS DURING THE WEEK

	Dec. 21, 1955	Week's Range		Dec. 13, 1955
		High	Low	
Steel Shares:				
Tata Ordinary	263- 0	272- 0	260- 0	268- 8
Indian Iron	39- 9½	41- 3	39- 4	40-11
Textile Shares:				
Bombay Dyeing	607- 8	616- 4	598-12	608- 2
Century	513- 8	528- 0	511- 0	515- 8
Kohinoor	353- 0	363- 8	349- 0	361- 0
Simplex	206- 0	210- 0	205- 0	209- 0
Swadeshi	234- 0	238- 0	232- 0	236- 0
Miscellaneous Shares:				
Associated Cement	229- 0	233- 0	227- 0	227-12
Belapur	367- 8	373- 8	366- 0	371- 8
Burma Old	625- 0	633-12	602- 8	630- 0
National Rayon	245- 4	254- 8	240- 0	250- 0
Premier Const.	206- 8	214- 0	206- 0	213- 0
Scindia	18- 6½	19- 0	18- 4	18-11
Tata Chemical	18-11	19- 4	18- 6	18-15
New India	46- 0	48-12	46- 0	49- 8

OILS AND OILSEEDS

	Dec. 21, 1955	Week's range		Dec. 13, 1955
		High	Low	
Seeds				
Castor May 1955 (per candy)	119- 0	119- 8	110-12	109-12
Groundnut Dec.-Jan (per cwt.)	28- 8	28- 8	26- 4	25- 6
" Feb.-Mar. "	28-14	29- 2	26-12	25-14
Linseed Feb.-Mar. "	29- 8	29- 8	27- 8	26- 0
Kardi Ready "	16- 8	16- 8	15- 4	14- 8
Nigerseed Ready "	24- 8	24- 8	24- 4	23- 8
Oils:				
Castor Comml. (per quarter)	12-12	12-12	12- 2	12- 0
Groundnut R.R. "	14-12	14-12	13-10	13- 4
Linseed "	17- 12	18- 0	16-12	16- 6

Minister of Commerce and Industry at Government might be obliged to take measures to cry a halt to an undue speculative rise in prices, which has been characteristic of the market for some time now, failed to reverse the trend, at any rate, not for long. Bull operators argue that as long as there is paucity of tenurable cotton, the rising trend cannot be halted. They drew further encouragement from the reported assurance given towards the close of the week by the Union Minister that there was no need for cotton interests to be perturbed over the scheduled disposal of US surplus cotton. In the event, cotton futures edged ahead.

There was moderate activity in the spot market at Sewri during the week. There were sustained enquiries for African cotton, in which business on a modest scale was reported almost every day, by both Bombay and Ahmedabad mills.

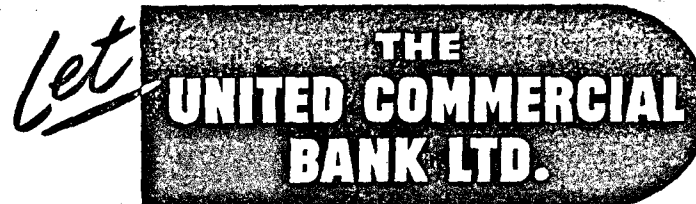
Some changes have been made in the distribution of export licences for Red Cocanada, which were intended to be given on the basis of first-come first-served. From a notification issued by the Deputy Chief Controller of Exports, Madras, it now appears that the quota for 5000 bales of Red Cocanada is open for fresh distribution among shippers who can produce evidence of firm sale. The reallocation of this quota against proof of firm sale has been welcomed by shippers who have always commended this procedure as the soundest and best workable.

Bullion

Bearish Trend

THE forward market in bullion opened on a bright note, under the stimulus of encouraging advices from the share and the oilseeds markets, weakened as the week progressed and both gold and silver closed with sizeable losses. There was, in the initial stages, some buying by outside interests, particularly of gold, and effect was enhanced by the application of Teji option. There was also a distinct improvement in gold offtake in the spot market early in the week. This improvement was not, however, shared by silver which suffered from discouraging advices from Calcutta.

Gold had a setback in midweek on selling by outside interests who had earlier extended their support. The bearish trend was further aggravated by persistent weakness in equities. Besides, the spot section had to face a selling wave. On Monday, follow-



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Managing Director.

ing reports of larger arrivals of gold, sellers predominated. In sympathy, silver also drifted lower but the extent of decline was not as pronounced as in gold, for arrivals in silver were comparatively small and offtake continued to be steady. Although gold opened weak on Tuesday due to long liquidation, it moved up later on support from Delhi traders.

Oilseeds

Sustained Demand

THE oilseeds market continued to rule firm, gains in groundnuts being particularly handsome. The downward revision of crop estimates, scarce arrivals in terminal markets and sustained demand from crushers and vanaspati dealers helped to maintain the firm trend noticed during the previous week. Trade estimates place the groundnut crop at around 20 lakh tons as against 22 lakh tons estimated earlier. The Madras groundnut crop does not seem to have suffered much but arrivals from Hyderabad and Khadesh have been alarmingly small. What little arrived from Saurashtra and Maharashtra was quickly absorbed. In the event, prices were naturally firm. Madras is reported to have sold about 6000 tons of hand-picked groundnuts to UK at around £82 per ton while Canada was reported to have bought large quantities at around £86 per ton. Most of the export quotas granted to exporters and co-operatives have been exhausted in the process.

The announcement of an export quota for castor oil has been long overdue. Free export licensing expires at the end of this month and trade circles feel that it is high time that the authorities came out with an announcement in this regard before it is too late. Castor is a non-edible oil. It has established itself as a good foreign exchange earner, especially of dollars. There is no reason why the release of a further export quota should be delayed.

Groundnut ready quality opened at Rs 26-4 and steadily moved up to week's peak of Rs 28-12 from the closing level of only Rs 26-4 at the end of last week.

Groundnut February-March delivery also moved up to as high as Rs 29-2 on Wednesday and closed firm at Rs 28-14.

On heavy speculative support and bear covering, castor May was pushed up to a new high level of Rs 119-8 and closed at Rs 119 as against the opening level of Rs 110-12.

Both linseed and its oil also firmed up and closed at Rs 29 and Rs 18 respectively.

(Continued from page 1508)

London, Tengku Abdul Rahman, Chief Minister of Malaya, will meet Chin Peng, the Communist Guerilla leader, for negotiations to end the emergency. Next month, the Tengku will go to London for talks on Malayan self-government. Meanwhile, the undertaking given by Sir Donald MacGillivray, the High Commissioner, that the continuance of the emergency will not postpone or delay plans for self-government of Malaya is expected to strengthen the Tengku's bargaining position in his forthcoming talks with the Malayan Communist Party. Mr Marshall is reported to be less optimistic than the Tengku that the discussions with Chin Peng will be fruitful. But developing circumstances would seem to lend weight to the assumption that the Communists in Malaya will have the sense to reach a compromise agreement so as not to delay the time table for transfer of power to Malaya.

MCP cannot be unaware that, in the absence of an agreement with the Tengku government, the alien Government will have an excuse to prolong Malaya's status as a colonial country. Sir Donald's offer is a deliberate device to enable the Tengku government to dictate terms to MCP. It would be unfortunate if the Tengku falls into such a trap. Both the Tengku government and MCP want independence for Malaya. They have a common interest in reaching a compromise arrangement. Thus alone can the transfer of power to Malaya be effected according to schedule.

Singapore's political progress is seemingly less rapid than that of the Malayan Federation. Mr Marshall was recently in London not for negotiations on self-government, but to fix an agenda for all-party talks in April next. Mr Marshall wants control over all affairs except foreign affairs and defence by 1957. At Singapore, Britain still has a major naval base in Asia. Importance of Ceylon and Singapore as naval bases is beyond dispute. If Ceylon could become an independent country, there is no reason why Singapore cannot attain a similar status. To Britain, naval bases in this part of the world cannot be more significant than dollar arsenals. More relevant are the future relations between Singapore and the Malayan Federation.

Company Notes

Indian Mutual

INDIAN Mutual of Madras has been coming up, judging from its last annual report for the year ending December 31, 1954 and its valuation for the triennium ending December 31, 1953, which enabled the Association to declare a bonus of Rs 18 per thousand on Whole Life and Whole Life limited policies and Rs 15 per thousand on Endowment assurances.

The year ending December 31, 1954 was a very good year indeed for the Association during which it collected new business amounting to Rs 120 lakhs, improving upon its performance of the previous year by Rs 17.55 lakhs. Total premium income during the year increased from 23.16 lakhs in the previous year to 25.77 lakhs and the Life Assurance Fund was augmented by Rs 15.89 lakhs to Rs 1.33 lakhs. The Association's mortality experience has also been steadily improving and claims by death fell from Rs 2.08 lakhs in 1953 to Rs 1.69 lakhs in 1954.

Lucrative Investments

The comparatively high net yield it could secure on investments is another creditable achievement of the management, considering that more than 65 per cent of the funds were invested in Government and approved securities. The net yield was maintained at 4.3 per cent to which it had risen in 1953, from 3.9 per cent in the previous year. The Directors expect further improvement in the future. For this, presumably, they must be looking to their investments outside Government and approved securities which account for 27.1 per cent of the assets, which are distributed between mortgages on properties, loans against surrender value of policies and house property.

Renewal expense ratio which had risen to 16.83 per cent in 1952 was subsequently brought down to 16.16 per cent in 1953; however, it rose slightly to 16.5 per cent in 1954.

The Association took over during the year the Life business of the Associated Assurance Ltd., of Nagpur. This was done with the approval of the Controller of Insurance and on the basis of valuation by the Association's own actuary and that of an independent actuary. The total liabilities of the business transferred amounting to Rs 1.13 lakhs was covered by assets of equal value in Government securities and other investments.

CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Latest Week†	Rs Crores A		
		Week Ago	Month Ago	Year Ago
1. Note circulation	1350.04	1350.86	1334.67	1199.56
2. Rupee Coin	108.43	108.14	108.87	105.02
3. Deposits				
a) Central Government's	60.13	54.18	53.06	62.75
b) Banks'	55.99	57.93	57.54	67.57
c) Other Governments'	7.45	5.99	13.72	11.64
d) Others'	16.79	15.67	15.60	34.65
4. Foreign Securities	657.00	647.06	647.06	663.15
5. Balances held abroad	71.16	69.55	70.86	70.25
6. Rupee Securities	553.57	563.51	548.61	417.74
7. Investments	50.54	50.52	49.96	76.41
8. Loans and advances to Governments	5.11	3.79	3.11	1.92
Scheduled Banks				
1. Demand liabilities (net)	603.53	604.33	591.90	554.67
2. Time liabilities	422.35	423.33	424.25	363.71
3. Cash on hand	34.46	34.11	32.87	37.59
4. Borrowings from Reserve Bank of which against Usance Bills	11.90	10.62	12.34	8.32
5. Advances and Bills discounted of which State Bank's	557.20	554.46	555.52	508.34
6. Investments of which State Bank's	96.83	95.10	96.30	101.60
Cheque Clearance	157.12	152.30	111.99	135.85

†For Reserve Bank and Cheque Clearance week ended 16-12-55. Scheduled Banks week ended 9-12-55

Bombay Money Rates	16-12-55	9-12-55	18-11-55	17-12-54
Inter-Bank Call Rate	2½	2½	2½	2½
3 months deposits	3	3	3	2½
6 months deposits	3	3	3	3

Bombay Bullion In Rupees and Annas				
	22-12-55	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	94-3	94-15	98-1	87-8
Forward	94-4	95-5	98-1½	87-4
Silver (per 100 tolas)				
Spot	173-7	173-0	175-8	153-11
Forward	173-8	173-9	175-14	153-15

JUTE STATISTICS

Production ('000 tons)				
	Oct. 1955	Sept. 1955	Aug. 1955	July to Oct. '55
Hessian	30.7	35.4	33.2	133.6
Sacking	43.5	47.2	43.7	179.4
Others	4.6	4.8	4.5	18.7
TOTAL	78.8	87.4	81.4	331.7
Total Production in the corresponding months of:				
1954-55	75.1	79.0	78.2	313.0
1953-54	66.8	73.1	68.1	286.8
Stocks* ('000 tons)				
Hessian	29.6	34.4	41.6	—
Sacking	28.9	32.3	34.4	—
Others	3.6	3.0	3.2	—
TOTAL	62.1	69.7	79.2	—
Stocks at the end of the corresponding months of:				
1954-55	69.4	67.9	70.7	—
1953-54	102.8	118.6	133.4	—
Despatches† ('000 tons)				
Hessian	36.3	42.2	33.5	15.27
Sacking	47.1	49.4	46.0	188.3
Rope, twine, etc.	3.4	4.2	3.2	15.9
TOTAL	86.8	95.8	82.7	356.9
Total despatches in the corresponding months of:				
1954-55	72.7	80.7	88.7	329.0
Raw Jute Consumption: (lakh bales of 400 lbs each)				
1955-56	4.61	5.12	4.62	19.00
1954-55	4.32	4.46	4.28	17.61
1953-54	3.88	4.27	3.96	16.44
IJMA Mills' purchases of raw jute (lakh bales)				
Pakistani	5.58	1.10	1.59	10.17
In corresponding periods of:				
1954-55	1.02	0.80	1.17	3.64
1953-54	0.45	0.33	0.6	2.45
Indian	1.23	4.06	2.65	10.78
In corresponding periods of:				
1954-55	4.72	3.74	3.61	14.99
1953-54	4.45	2.32	2.22	12.05
* Stocks at the end of the month				
† Despatches include exports and sales for internal consumption				

Source: Monthly Summary of Jute and Gunny Statistics issued by the Indian Jute Mills Association

INDEX NUMBER OF WHOLESALE PRICES

(Base: Year ended August 1939 = 100)

Group and Sub-Group	Week ending 3-12-55	Week Ago	Month Ago	Year Ago
I Food Articles:	322.0	323.6	330.6	316.9
Cereals	383	384	393	364
Pulses	827	332	322	247
Others	235	237	245	262
II Industrial Raw Materials:	421.6	421.4	419.6	442.0
Fibres	425	424	425	475
Oilseeds	408	406	400	395
Minerals	436	436	429	422
Others	449	452	452	441
III Semi-Manufactures:	342.2	340.8	335.2	348.3
Leather	390	385	358	379
Mineral Oils	202	202	202	221
Vegetable Oils	398	397	388	416
Cotton Yarn	418	415	408	455
Metals	278	277	276	240
Oilcakes	365	365	362	381
Others	331	330	330	307
IV Manufactures:	373.1	373.7	372.7	76.6
Textiles	405	406	404	421
Jute	416	427	426	472
Cotton	399	399	399	412
Rayon & Silk	486	479	479	440
Woollen	278	278	278	310
Metal Products	371	371	371	340
Others	285	284	285	285
V Miscellaneous:	541.9	542.4	546.8	585.1
All Commodities:	364.5	365.0	365.9	369.0

INDICES OF NATIONAL INCOME AND PER CAPITA INCOME IN CONSTANT PRICES

(in terms of prices in the year shown in brackets)

1948 = 100

	1938	1950	1954
National Income	n.a.	n.a.	n.a.
Per Capita Income	n.a.	n.a.	n.a.
National Income	108	107	—
Per Capita Income	113	109	—
Belgium (1950)	n.a.	n.a.	—
Bazil (1939)	n.a.	n.a.	—
Burma (1947-48)	139	85	116
Canada (1935-39)	56	64	105
Czechoslovakia (1937)	101	86	122
Denmark (1935-49)	89	99	113
Finland (1938-48)	90	96	111
France (1949)	n.a.	n.a.	106
W. Germany (1939)	102	125	116
India* (1948-49)	n.a.	n.a.	104.1
Japan (1934-36)	154	174	137
Netherlands** (1925-34)	87	98	111
Norway (1950)	n.a.	n.a.	108
Sweden (1952)	n.a.	n.a.	104
Switzerland (1938)	83	90	106
Thailand (1948)	62	75	142
Turkey (1948)	83	98	106
UK (1948)	n.a.	n.a.	106
USA (1947)	60	67	109
USSR (1926-27)	70	n.a.	141

* Figures for 1950 are for Financial year 1949-50.

** Upto 1947. Prices in 1948 for later years.

Source: Statistics of National Income and Expenditure, UN Statistical Papers, and Estimates of National Income 1948-49 to 1953-54 issued by CSO, Government of India.

WORKING CLASS COST OF LIVING INDEX

(Monthly average or calendar months)

	Bombay	Calcutta	Madras	Kanpur	Delhi	Jabalpur	Kharagpur	Ludhiana	Cuttack	Jharia
(Base: August 1939 = 100)										
1948	288	339	315	471	344	146	132	149	149	129
1949	292	348	330	478	344	151	137	145	147	128
1950	298	349	332	434	344	153	137	165	163	182
1951	314	370	341	451	370	168	136	167	181	184
1952	321	351	337	441	373	150	133	151	160	175
1953	346	349	358	453	366	151	139	147	157	166
1954	342	327	348	408	360	140	128	148	147	131
1954:										
June	350	332	349	396	352	141	127	149	149	129
July	349	331	346	400	349	141	127	145	147	128
Aug	345	330	343	408	352	140	127	145	146	126
Sep	347	332	342	406	357	137	129	147	149	127
Oct	346	336	345	404	363	134	129	145	149	127
Nov	344	325	344	387	363	135	129	146	147	125
Dec	341	321	344	369	352	131	124	144	143	116
1955:										
May	320	315	313	335	318	128	119	131	147	119
June	317	317	317	347	318	131	127	131	148	120
July	324	325	322	371	336	90	96	82	101	77
August	325	329	325	375	347	88	95	83	103	79
Sept	317	327	337	373	—	—	—	—	—	—
Oct.	—	—	330	385	—	—	—	—	—	—

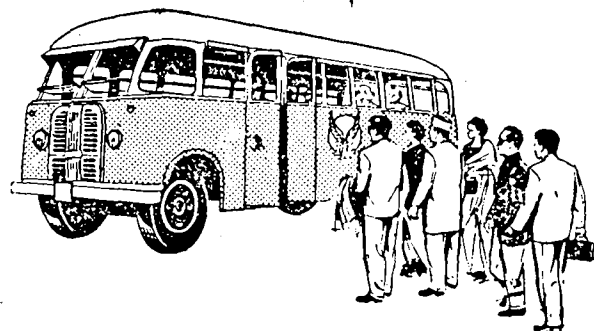
(a) Base shifted to 1949 from July 1955. Conversion factors to obtain indices on the original base (1944) are: Jabalpur 1.51; Kharagpur 1.37; Ludhiana 1.64; Cuttack 1.47 and Jharia 1.59.

Sources: (i) Ministry of Labour
(ii) State Authorities

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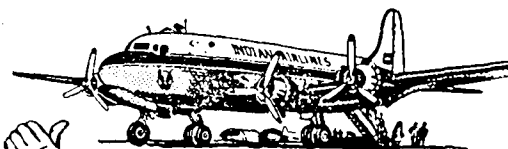
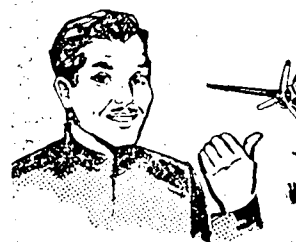
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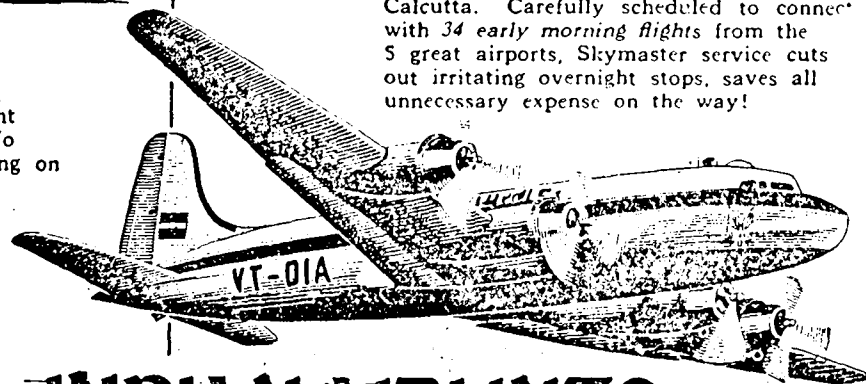
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